

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012**

	Individual Quarter		Cumulative Period	
	Current year quarter 31/12/2012 RM'000 Unaudited	Preceding year quarter 31/12/2011 RM'000 Unaudited	Current year to date 31/12/2012 RM'000 Unaudited	Preceding year to date 31/12/2011 RM'000 Unaudited
Continuing operations				
Revenue	12,732	86,156	47,195	200,023
Cost of sales	(13,474)	7,860	(55,562)	(105,007)
Gross (loss) / profit	(742)	94,016	(8,367)	95,016
Other operating income				
- Interest income	(6,360)	733	(4,077)	1,261
- Profit from Islamic deposits	0	0	0	1
- Other operating income	501	1,469	6,206	3,580
- Gain on disposal of available-for-sale financial assets	0	0	57	0
- Gain on liquidation of a subsidiary company	0	3,179	0	3,179
- (Loss)/ gain on fair value of derivative	(6,616)	(26,104)	25,544	(26,104)
Unrealised foreign exchange (loss) / gain , net	(2,558)	(3,285)	17,233	22,315
Impairment loss of property, plant and equipment	(6,702)	0	(6,702)	0
Administrative expenses	(4,868)	(6,938)	(12,224)	(14,924)
Other operating expenses	(4,351)	(337)	(13,568)	(2,489)
Depreciation	(514)	(255)	(1,772)	(821)
Finance costs	12,260	349	(9,818)	(5,514)
Share of results of associates	(844)	673	(1,373)	673
(Loss) / profit before taxation	(20,794)	63,500	(8,861)	76,173
Tax credit / (expense)	450	(136)	(23,722)	(1,131)
(Loss) / profit for the period	(20,344)	63,364	(32,583)	75,042
Other comprehensive income / (loss) :				
Changes in the fair value of available-for-sale financial assets	17,238	43,140	(43,138)	(50,439)
Reversal of fair value on disposal of available-for-sale financial assets	0	0	(57)	-
Exchange difference from translation of foreign operations	15,529	10,443	3,453	(26,544)
Other comprehensive income /(loss) for the period, net of tax	32,767	53,583	(39,742)	(76,983)
Total comprehensive income/(loss) for the period	12,423	116,947	(72,325)	(1,941)
(Loss) / profit for the period				
Attributable to:				
Equity holders of the parent	(20,215)	63,377	(32,431)	75,051
Non-controlling interest	(129)	(13)	(152)	(9)
	(20,344)	63,364	(32,583)	75,042
Total comprehensive profit/(loss) for the period				
Equity holders of the parent	12,547	117,172	(72,212)	(1,925)
Non-controlling interest	(124)	(225)	(113)	(16)
	12,423	116,947	(72,325)	(1,941)
Basic (loss) / earnings per share attributable to equity holders of the Company (sen):	(3.59)	11.25	(5.76)	13.32
Diluted loss per share attributable to equity holders of the Company (sen)	N/A	N/A	N/A	N/A

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012)

ZELAN BERHAD 27676-V

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	AS AT END OF CURRENT QUARTER 31 DECEMBER 2012 RM'000 Unaudited	AS AT END OF FINANCIAL YEAR ENDED 31 MARCH 2012 RM'000 Audited	1 APRIL 2011 RM'000 Unaudited
ASSETS			
Non-current assets			
Property, plant and equipment	14,845	27,948	39,353
Investment properties	5,309	5,415	5,557
Investments in associates	9,418	12,341	15,383
Other receivables	69,015	69,015	0
Cash and bank balances (restricted)	16,915	40,440	1,790
Available-for-sale financial assets	330,174	373,652	425,420
	<u>445,676</u>	<u>528,811</u>	<u>487,503</u>
Current assets			
Inventories	9,080	9,080	9,194
Trade and other receivables	302,864	238,470	521,920
Tax recoverable	8,525	38,693	47,640
Deposit, cash and bank balances	55,636	16,769	16,811
	<u>376,105</u>	<u>303,012</u>	<u>595,565</u>
TOTAL ASSETS	<u><u>821,781</u></u>	<u><u>831,823</u></u>	<u><u>1,083,068</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	281,632	281,632	281,632
Reserves	(124,762)	(52,550)	(12,161)
	<u>156,870</u>	<u>229,082</u>	<u>269,471</u>
Non-controlling interest	(242)	(129)	11,631
Total equity	<u>156,628</u>	<u>228,953</u>	<u>281,102</u>
Non-current liabilities			
Borrowings	155,837	283,934	36
Derivative financial liability	6,875	32,419	0
Deferred tax liabilities	2,681	2,676	2,697
	<u>165,393</u>	<u>319,029</u>	<u>2,733</u>
Current liabilities			
Trade and other payables	237,700	239,237	504,511
Borrowings	221,187	15,105	201,525
Current tax liabilities	17,452	1,307	18
Provisions for liabilities	23,421	28,192	93,179
	<u>499,760</u>	<u>283,841</u>	<u>799,233</u>
Total liabilities	<u>665,153</u>	<u>602,870</u>	<u>801,966</u>
TOTAL EQUITY AND LIABILITIES	<u><u>821,781</u></u>	<u><u>831,823</u></u>	<u><u>1,083,068</u></u>
Net assets per share (RM)	<u>0.28</u>	<u>0.41</u>	<u>0.48</u>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012)

ZELAN BERHAD 27676-V

STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2012

	Attributable to equity holders of the parent							Non-controlling interest RM'000	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Fair Value Reserve ^ RM'000	Accumulated Losses RM'000			Total RM'000
Balance as at 1 April 2012	281,632	124,396	51,772	35,457	4,254	98,618	(367,047)	229,082	(129)	228,953
<u>Comprehensive loss:</u>										
Loss for the period	-	-	-	-	-	-	(32,431)	(32,431)	(152)	(32,583)
<u>Other comprehensive income:</u>										
Currency translation reserve	-	-	3,414	-	-	-	-	3,414	39	3,453
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(43,195)	-	(43,195)	-	(43,195)
Total comprehensive income / (loss) for the period	-	-	3,414	-	-	(43,195)	(32,431)	(72,212)	(113)	(72,325)
Balance as at 31 December 2012	<u>281,632</u>	<u>124,396</u>	<u>55,186</u>	<u>35,457</u>	<u>4,254</u>	<u>55,423</u>	<u>(399,478)</u>	<u>156,870</u>	<u>(242)</u>	<u>156,628</u>
Balance as at 1 April 2011	281,632	124,396	54,007	35,457	4,254	150,386	(380,661)	269,471	11,631	281,102
<u>Comprehensive profit:</u>										
Profit for the period	-	-	-	-	-	-	75,051	75,051	(9)	75,042
<u>Other comprehensive income:</u>										
Currency translation difference	-	-	(26,537)	-	-	-	-	(26,537)	(7)	(26,544)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(50,439)	-	(50,439)	-	(50,439)
Total comprehensive (loss)/ income for the period	-	-	(26,537)	-	-	(50,439)	75,051	(1,925)	(16)	(1,941)
<u>Transactions with owners</u>										
Liquidation of a subsidiary	-	-	(1,713)	-	-	-	-	(1,713)	(11,657)	(13,370)
Balance as at 31 December 2011	<u>281,632</u>	<u>124,396</u>	<u>25,757</u>	<u>35,457</u>	<u>4,254</u>	<u>99,947</u>	<u>(305,610)</u>	<u>265,833</u>	<u>(42)</u>	<u>265,791</u>

* These reserves relate to net gain from disposals of investment in shares, issue of bonus shares by a subsidiary out of post-acquisition reserves and transfer of profits to a statutory reserve by an overseas subsidiary.

^ This reserve relates to changes in fair value of an available-for-sale financial assets.

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012)

ZELAN BERHAD 27676-V

**STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012**

	Current year to date 31/12/2012 RM'000	Preceding year to date 31/12/2011 RM'000
OPERATING ACTIVITIES		
(Loss) / profit for the period attributable to equity holders of the parent	(32,431)	75,051
Adjustments for :		
Tax expense	23,722	1,131
Depreciation of property, plant and equipment	1,379	715
Depreciation of investment properties	106	106
Impairment loss on property plant and equipment	6,702	0
(Gain) / loss on disposal of property, plant and equipment	(4,937)	586
Gain on liquidation of a subsidiary company	-	(3,179)
Gain on disposal of available-for-sale financial assets	(57)	-
(Loss) / gain on fair value of derivative	(25,544)	26,104
Interest income	4,077	(1,261)
Profit from Islamic deposits	-	(1)
Finance costs	9,818	5,514
Unrealised foreign exchange gain	(17,233)	(22,315)
Dividend income	(7,961)	(7,300)
Non-controlling interest	(152)	(9)
Share of results of associates	1,373	(673)
	<u>(41,138)</u>	<u>74,469</u>
Changes in working capital :		
Inventories	-	114
Receivables	(64,905)	129,089
Payables	2,140	(250,973)
Cash flows used in operations	<u>(103,903)</u>	<u>(47,301)</u>
Tax refund, net	22,596	4,090
Net cash flows used in operating activities	<u>(81,307)</u>	<u>(43,211)</u>
INVESTING ACTIVITIES		
Investment in associate	-	2,200
Purchase of property, plant and equipment	(20)	(9)
Proceeds from disposal of property, plant and equipment	5,598	3,555
Proceeds from disposal of available-for-sale investment	340	-
Dividends received from associate company	1,550	-
Dividends received	7,961	7,300
Interest received	552	1,261
Profit from Islamic deposits received	-	1
Net cash flows from investing activities	<u>15,981</u>	<u>14,308</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(9,266)	(362,194)
Proceeds from borrowings	83,370	455,607
Repayments of hire purchase liabilities	(145)	(80)
Interest paid	(13,354)	(5,514)
Release of / (additional) deposits pledged as security	10,059	(55,894)
Net cash flows from financing activities	<u>70,664</u>	<u>31,925</u>
Net movement in cash and cash equivalents	5,338	3,022
Cash and cash equivalents at beginning of the period	6,140	16,632
Currency translation differences	20,063	840
Cash and cash equivalents at end of the period	<u>31,541</u>	<u>20,494</u>

(The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012)

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2012

PART A – Explanatory Notes Pursuant to Financial Reporting Standard

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2012.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2012.

The Group adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”) with effect from 1 April 2012. In adopting the new framework, the Group has applied MFRS 1 “First Time Adoption of MFRS”.

The adoption of MFRS 1 did not result in a significant impact on the financial statements of the Group, hence no reconciliations from FRSs to MFRSs were prepared.

In addition, the financial statements comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Group incurred a net loss of RM20,344,000 during the financial quarter and incurred a net loss of RM32,583,000 for the nine months period ended 31 December 2012, respectively.

1. Basis of Preparation (Continued)

In respect of the project in Indonesia which was undertaken by the Group through a Consortium in which the Group is the consortium leader, the owner of the project has issued the taking over certificate (“TOC”) for Unit 1 dated 1 February 2012 on 12 December 2012 and the Consortium received partial retention sum of USD11.4 million (approximately RM35 million) on 28 December 2012. Subsequently, on 28 January 2013, the owner has issued TOC for Unit 2 dated 1 May 2012 and the retention sum of USD11.5 million (approximately RM35 million) was received on 26 February 2013. The defect liability period for this project will expire on 30 April 2013.

In respect of the Group’s project in Abu Dhabi, United Arab Emirates (“UAE”) on 21 November 2012, the Group received two letters from the owner of the project in Abu Dhabi, UAE, giving fourteen (14) days’ notice to terminate the contract and liquidate the performance bond.

The Group is contesting the notice of termination as it is invalid and wrongful in view of the application for extension of time submitted prior to the notice of termination which has yet to be determined in accordance with the provisions of the contract. The Group, through its legal counsels in UAE, has immediately initiated all necessary legal actions to dispute the wrongful notice of termination of contract and the subsequent notice of liquidation of the performance bond in accordance with the provisions of the contract and laws of UAE.

However on 9 December 2012, the guarantor of the performance bond has released the performance bond of AED93 million (approximately RM77 million) to the project owner. As a result, the Group has issued Notices of Intention to Commence Arbitration on 27 December, 31 December 2012 and 19 February 2013 due to the disputes which include under-certification of claim, wrongful termination of contract and wrongful liquidation or performance bond. The Group’s application for extension of time was only decided by the owner’s engineer on 8 January 2013.

Management has engaged an independent claim consultant to carry out a review on the Group’s claim against the owner based on the Group’s entitlement for extension of time and other additional payments in connection to the project. Based on the report prepared by the claim consultant, there is a potential recovery of AED387 million (approximately RM322 million) if the outcome of arbitration is in favour of the Group and a potential counter claim of AED117 million (approximately RM97 million) by the owner in the event that the termination of its employment was correct and in accordance with the contract.

The Group has also obtained a legal opinion from an external solicitor in Dubai, UAE on 2 February 2013, who are of the view that the Group has strong legal grounds to challenge the basis of the notice of termination issued by the owner.

1. Basis of Preparation (Continued)

As at 31 December 2012, the amount of AED93 million (approximately RM77 million) representing the performance bond released is recorded in other receivables as the Group is virtually certain of its recovery based on advice from its legal counsels and claim consultant in the UAE on the basis of wrongful termination of contract and wrongful call of performance bond by the project owner. Based on the above, the Board of Directors are of the view that it is not necessary to make any provision in the financial statements of the Group at this juncture.

In order to ensure that the Group would have sufficient cash flows in the twelve months from the reporting date to repay the existing borrowings, complete the projects in progress, meet the working capital and covenant requirement, and the investing and financing activities, the Group may seek further financing from the banks and dispose of its available-for-sale financial assets, subject to the approval of the shareholders.

The Directors are of the view that the proceeds from the disposal of the available-for-sale financial assets, the continuing support from the existing bankers which include seeking new financing facilities and the cash generated from the existing projects will enable the Group to carry on as a going concern. Accordingly, the financial statements of the Group are prepared on a going concern basis.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 March 2012 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

4. Unusual Items

Current quarter and period to date

There was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the quarter under review because of their nature, size, or incidence except for the following:

- i) as at 31 December 2012, the fair value of the financial liability derivative was RM6.8 million, resulting in a further loss in fair value of RM6.6 million and a write back of RM25.5 million to the income statement during the quarter and nine months period under review, respectively.

4. Unusual Items (Continued)

- ii) a net increase of fair value reserve amounting to RM17.2 million and a net decrease of RM43.1 million, in respect of the available-for-sale financial assets for the quarter and nine months period ended 31 December 2012, respectively, due to the increase in market value from RM4.72 as at 30 September 2012 per IJM Corporation Berhad (“IJM”) share to RM4.98 per IJM share as at 31 December 2012.

5. Changes in Estimates of Amount Reported Previously

There was no change in estimates of amounts reported in the prior financial period that has a material effect in the current quarter.

6. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter ended 31 December 2012.

7. Dividends Paid

For the current financial period-to-date, no dividend has been paid. For the preceding year’s corresponding period, no dividend was paid.

8. Segmental Reporting

Segment analysis for the current quarter is as follows:

	Engineering & construction RM’000	Property & development RM’000	Investment & others RM’000	Total RM’000
<u>Revenue</u>				
Total	9,788	191	2,835	12,814
Inter-segment	(78)	-	(4)	(82)
External	9,710	191	2,831	12,732

8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
Results				
Segment (loss)/profit	(12,363)	151	194	(12,018)
Interest income	(6,387)	1	26	(6,360)
Depreciation	(482)	(31)	(1)	(514)
Impairment of property, plant & equipment	(6,702)	-	-	(6,702)
Loss on fair value of derivative	-	-	(6,616)	(6,616)
Finance costs	16,272		(4,012)	12,260
Share of results of associates	(844)	-	-	(844)
(Loss)/profit before taxation	<u>(10,506)</u>	<u>121</u>	<u>(10,409)</u>	<u>(20,794)</u>
Tax credit				450
Loss for the quarter				<u>(20,344)</u>

Analysis by business segments for the financial period to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Revenue				
Total	38,350	580	10,577	49,507
Inter-segment	(233)	-	(2,079)	(2,312)
External	<u>38,117</u>	<u>580</u>	<u>8,498</u>	<u>47,195</u>

8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Results				
Segment (loss) /profit	(14,030)	572	2,738	(10,720)
Interest income	(4,601)	2	522	(4,077)
Depreciation	(1,546)	(147)	(79)	(1,772)
Impairment of property, plant & equipment	(6,702)	-	-	(6,702)
Gain on fair value of derivative	-	-	25,544	25,544
Gain on disposal of available for sale financial asset	-	-	57	57
Finance costs	2,196	-	(12,014)	(9,818)
Share of results of associates	(1,373)	-	-	(1,373)
(Loss)/profit before taxation	<u>(26,056)</u>	<u>427</u>	<u>16,768</u>	<u>(8,861)</u>
Tax expense				<u>(23,722)</u>
Loss for the period				<u>(32,583)</u>

The Group's segmental report for the corresponding three-month financial quarter and financial period to date ended 31 December 2011 is as follows:

Segment analysis for the quarter is as follows:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Revenue				
Total	83,217	183	2,838	86,238
Inter-segment	(78)	-	(4)	(82)
External	<u>83,139</u>	<u>183</u>	<u>2,834</u>	<u>86,156</u>

8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Results				
Segment profit	89,061	241	(4,377)	84,925
Interest income	280	1	452	733
Loss on fair value of derivative	-	-	(26,104)	(26,104)
Gain on liquidation of a subsidiary	-	-	3,179	3,179
Depreciation	(178)	(59)	(18)	(255)
Finance costs	352	-	(3)	349
Share of results of associates	673	-	-	673
Profit before taxation	90,188	183	(26,871)	63,500
Tax expense				(136)
Profit for the quarter				63,364

Analysis by business segments for the financial period to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Revenue				
Total	191,744	739	7,847	200,330
Inter-segment	(294)	-	(13)	(307)
External	191,450	739	7,834	200,023

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Segment profit/(loss)	107,713	551	(4,766)	103,498
Interest income	473	4	784	1,261
Profit from Islamic deposits	-	-	1	1
Loss on fair value of derivative	-	-	(26,104)	(26,104)
Gain on liquidation of a subsidiary	-	-	3,179	3,179
Depreciation	(709)	(55)	(57)	(821)
Finance costs	(5,509)	-	(5)	(5,514)
Share of results of associates	673	-	-	673
Profit/(loss) before taxation	102,641	500	(26,968)	76,173
Tax expense				(1,131)
Profit for the period				75,042

9. Material Events Subsequent to the End of the Reporting Period

Save and except as disclosed below, there is no other material event subsequent to the end of the current quarter under review that has not been reflected in the interim financial report.

- a) Zelan had on 2 January 2013 and subsequently on 21 February 2013 announced that its wholly owned subsidiary, Zelan Holdings (M) Sdn Bhd's Abu Dhabi Branch ("Zelan Abu Dhabi"), has issued notices of intention to commence arbitration on several disputes in relation to the Project with Meena Holdings LLC ("Employer"), the Employer for the Project, in accordance with the provisions of the Contract.

The notices which have been issued by Zelan Abu Dhabi are as follows:-

- (i) A Notice of Intention to Commence Arbitration dated 27 December 2012, in respect of the dispute between Zelan Abu Dhabi and the Employer on the Employer's under certification of the value of materials on site in the progress claims submitted by Zelan Abu Dhabi;
- (ii) Two (2) Notices of Intention to Commence Arbitration both dated 31 December 2012, in respect of the disputes between Zelan Abu Dhabi and the Employer on the delay and progress of works;
- (iii) Two (2) additional Notices of Intention to Commence Arbitration both dated 19 February 2013 in respect of the disputes between Zelan Abu Dhabi and the Employer on the validity of Engineer's Certification of Zelan Abu Dhabi's persistent defaults under the Condition of the Contract, the Employer's Notice of Termination and the Zelan Abu Dhabi's rejection of the Employer's Notice of Termination and the dispute on the validity of the Employer's call on the Performance Bond.

It is further provided in the Contract where a notice of intention to commence arbitration as to a dispute has been given, the parties shall attempt to settle such dispute amicably before commencement of arbitration.

Provided that, unless the parties otherwise agree, arbitration may be commenced on or after the fifty sixth (56th) day after the day on which notice of intention to commence arbitration of such dispute was given, even if no attempt at amicable settlement thereof has been made.

- b) Zelan had on 3 January 2013 announced that its wholly owned subsidiary, Konsesi Pusat Asasi Gambang Sdn Bhd (formerly known as TCMB Power Sdn Bhd) ("Concession Company"), had received a letter from the Ministry of Higher Education Malaysia which confirms that the Concession Company has fulfilled all the conditions precedent in the Concession Agreement, and accordingly declares 2 January 2013 as the Effective Date of the Concession Agreement.

9. Material Events Subsequent to the End of the Reporting Period (Continued)

b) Based on the provisions of the Concession Agreement, the Construction Works shall commence fourteen (14) days from the Effective Date (“Construction Commencement Date”) and shall complete within thirty six (36) months thereafter. The Concession Period of twenty three (23) years granted to the Concession Company shall commence on the Construction Commencement Date.

10. Changes in Composition of the Group

There was no change in the composition of the Group during the current quarter.

11. Changes in Contingent Liabilities or Contingent Assets

Save and except as disclosed below, there was no change in contingent liabilities or contingent assets since the last quarter.

As at 31 December 2012, the Company has given guarantees amounting to RM43,649,808 (as at 30 September 2012: RM27,106,878) to an owner of a project as security for a subsidiary’s performance of its obligations under the relevant project and the Company does not anticipate any outflows of economic benefits arising from these undertakings.

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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 RM9.7 million as compared to a revenue of RM83.1 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”) of RM9.5 million. In the previous corresponding quarter last year, the revenue is mainly attributed to the reversal of provisions made on the Liquidated Ascertained Damages (“LAD”) for a project in Indonesia of RM68.0 million and the project in Abu Dhabi of RM14.2 million.

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 RM20.3 million for the current quarter as compared to a profit after taxation of RM63.4 million in the same quarter last year. The loss for the quarter is derived from a gross loss of RM0.7 million (31/12/2011: gross profit of RM94.0 million), loss in fair value of derivative of RM6.6 million (31/12/2011: RM26.1 million) resulting from the valuation of equity collar derivative embedded with the term loan and the impairment loss on the property, plant and equipment of the project in Abu Dhabi of RM6.7 million (31/12/2011-Nil). The loss is further impacted by other net operating and income tax expenses of RM6.3 million (31/12/2011: RM4.5 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 RM9.7 million as compared to a revenue of RM3.5 million in the preceding second quarter ended 30 September 2012.

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

The revenue is mainly contributed from the progress works on the project in Abu Dhabi, UAE of RM9.5 million. For the preceding quarter, the revenue recorded from a project in Abu Dhabi of RM26.1 million was offsetted by negative revenue of RM22.5 million for the project in Rembang. The negative revenue was derived as a result of a reversal of provision for Liquidated Ascertained Damages amounting to RM4.9 million against further provisions made on deductions of works and variations/deviations from contract for the Rembang project amounting to RM27.5 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 segments of RM2.9 million as opposed to RM5.7 million recorded in preceding quarter is mainly due to lesser dividend received in the current quarter.

For the current quarter, the Group recorded a loss after taxation of RM20.3 million as compared to the preceding quarter's loss after taxation of RM35.2 million. The loss for the quarter 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. The preceding quarter's loss of RM35.2 million is mainly attributed by the provision of tax expense and its related tax penalty charges of RM32.5 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.

The Group has commenced work on some of its new local projects and expects to generate revenue in the financial quarter ending 31 March 2013 onwards.

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	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Continuing operations				
Malaysian income tax	(447)	21	(402)	664
Overseas income tax	-	116	24,125	471
Deferred tax	(3)	(1)	(1)	(4)
Tax (credit)/expense	(450)	136	23,722	1,131

The effective tax rate for the Group is higher 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.

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

6. Status of Corporate Proposals Announced

There was no corporate proposal announced but not completed as at 26 February 2013.

7. Borrowings and Debt Securities

**As at
31.12.2012
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	136,592
- Financing-i	6,354
- Hire purchase liabilities	116
- Overdraft	2
	143,064
<i>Unsecured</i>	
- Overdraft	78,123
	221,187

7. Borrowings and Debt Securities (Continued)

(ii) Non-current borrowings	
<i>Secured</i>	
- Term Loan	155,230
- Hire purchase liabilities	607
	155,837
Total	377,024

Included in the overdraft and term loan (current borrowing) is an amount of RM84.2 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 RM6.6 million during the quarter and a gain of RM25.5 million for the period ended 31 December 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 the fair value reserve in equity. As at 31 December 2012, the fair value on available-for-sale financial assets reserve stood at RM55.4 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		Nine Months Ended	
	31/12/12	31/12/11	31/12/12	31/12/11
Group's (losses)/profit for the period, attributable to the equity holders of the parent (RM' 000)	(20,215)	63,377	(32,431)	75,051
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
(Loss) /profit per share for the period (sen)	(3.59)	11.25	(5.76)	13.32
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 31.12.2012 RM'000	As at 31.03.2012 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	(962,280)	(1,443,869)
- unrealised	(34,628)	(28,225)
	(996,908)	(1,472,094)
Accumulated losses of the associates		
- realised	8,488	10,525
- unrealised	(1,137)	(1,137)
	(989,557)	(1,462,706)
Consolidation adjustments	590,079	1,095,659
Total accumulated losses as per consolidated accounts	(399,478)	(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 AED12,916,515.75 (approximately RM11.0 million) as outstanding payment together with AED300,00,000 (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 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. This has been appealed by the project owner 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.

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 has since released the sum attached in the bank account of subsidiary company's branch in Abu Dhabi to the Execution Court to realize 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 26 February 2013.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
26 February 2013**