

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINAL QUARTER ENDED 31 MARCH 2013**

	Individual Quarter		Cumulative Period	
	Current year quarter 31/03/2013 RM'000 Unaudited	Preceding year quarter 31/03/2012 RM'000 Unaudited	Current year to date 31/03/2013 RM'000 Unaudited	Preceding year to date 31/03/2012 RM'000 Unaudited
<b>Continuing operations</b>				
Revenue	80,816	(12,957)	128,011	187,066
Cost of sales	(61,271)	(11,955)	(116,833)	(116,962)
Gross profit / (loss)	19,545	(24,912)	11,178	70,104
Other operating income				
- Interest income	33,729	13,383	29,652	14,644
- Profit from Islamic deposits	1	0	1	1
- Other operating income	1,495	1,322	2,765	4,521
- Gain on disposal of available-for-sale financial assets	0	0	57	0
- (Loss) / gain on liquidation of a subsidiary company	0	(11)	0	3,168
- Gain on disposal of property, plant and equipment	20	1,185	4,956	289
- (Loss) / gain on fair value of derivative	(15,162)	(6,315)	10,382	(32,419)
Unrealised foreign exchange gain / (loss), net	2,695	(22,548)	19,928	(233)
Marketing expenses	0	(4)	0	(4)
Impairment loss of property, plant and equipment	0	0	(6,702)	0
Administrative expenses	(2,737)	(3,080)	(14,961)	(18,004)
Other operating expenses	(12,870)	(1,339)	(26,438)	(2,551)
Depreciation	(447)	(141)	(2,219)	(962)
Finance costs	(65,641)	(6,997)	(75,459)	(12,511)
Share of results of associates	(1,662)	(505)	(3,035)	168
<b>(Loss) / profit before taxation</b>	<b>(41,034)</b>	<b>(49,962)</b>	<b>(49,895)</b>	<b>26,211</b>
Tax expense	(1,987)	(11,568)	(25,709)	(12,699)
<b>(Loss) / profit for the period / financial year</b>	<b>(43,021)</b>	<b>(61,530)</b>	<b>(75,604)</b>	<b>13,512</b>
<b>Other comprehensive income / (loss) :</b>				
Changes in the fair value of available-for-sale financial assets	31,161	(1,329)	(11,977)	(51,768)
Reversal of fair value on disposal of available-for-sale financial assets	0	0	(57)	-
Exchange difference from translation of foreign operations	(164)	26,017	3,289	(527)
Reversal of exchange difference on disposal of subsidiary	0	(13,366)	0	(13,366)
<b>Other comprehensive income / (loss) for the period/ financial year, net of tax</b>	<b>30,997</b>	<b>11,322</b>	<b>(8,745)</b>	<b>(65,661)</b>
<b>Total comprehensive loss for the period/ financial year</b>	<b>(12,024)</b>	<b>(50,208)</b>	<b>(84,349)</b>	<b>(52,149)</b>
<b>(Loss) / profit for the period / financial year</b>				
Attributable to:				
Equity holders of the parent	(43,129)	(61,437)	(75,560)	13,614
Non-controlling interest	108	(93)	(44)	(102)
	<b>(43,021)</b>	<b>(61,530)</b>	<b>(75,604)</b>	<b>13,512</b>
<b>Total comprehensive profit/(loss) for the period / financial year</b>				
Attributable to:				
Equity holders of the parent	(12,130)	(38,464)	(84,342)	(40,389)
Non-controlling interest	106	(11,744)	(7)	(11,760)
	<b>(12,024)</b>	<b>(50,208)</b>	<b>(84,349)</b>	<b>(52,149)</b>
Basic (loss) / earnings per share attributable to equity holders of the Company (sen):	(7.66)	(10.91)	(13.41)	2.42
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)**

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	AS AT END OF CURRENT QUARTER 31 MARCH 2013 RM'000 Unaudited	AS AT END OF FINANCIAL YEAR ENDED 31 MARCH 2012 RM'000 Unaudited	1 APRIL 2011 RM'000 Unaudited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14,634	27,948	39,353
Investment properties	5,273	5,415	5,557
Investments in associates	7,756	12,341	15,383
Other receivables	0	69,015	0
Cash and bank balances (restricted)	12,446	40,440	1,790
Available-for-sale financial assets	361,335	373,652	425,420
	<u>401,444</u>	<u>528,811</u>	<u>487,503</u>
<b>Current assets</b>			
Inventories	9,080	9,080	9,194
Trade and other receivables	419,502	238,470	521,920
Tax recoverable	14,288	38,693	47,640
Deposit, cash and bank balances (restricted)	22,950	10,629	1,969
Deposit, cash and bank balances	7,438	6,140	14,842
	<u>473,258</u>	<u>303,012</u>	<u>595,565</u>
<b>TOTAL ASSETS</b>	<u><b>874,702</b></u>	<u><b>831,823</b></u>	<u><b>1,083,068</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	281,632	281,632	281,632
Reserves	(136,892)	(52,550)	(12,161)
	<u>144,740</u>	<u>229,082</u>	<u>269,471</u>
Non-controlling interest	(136)	(129)	11,631
<b>Total equity</b>	<u><b>144,604</b></u>	<u><b>228,953</b></u>	<u><b>281,102</b></u>
<b>Non-current liabilities</b>			
Borrowings	156,966	283,934	36
Derivative financial liability	22,037	32,419	0
Deferred tax liabilities	2,671	2,676	2,697
	<u>181,674</u>	<u>319,029</u>	<u>2,733</u>
<b>Current liabilities</b>			
Trade and other payables	298,945	239,237	504,511
Borrowings	232,940	15,105	201,525
Current tax liabilities	10,656	1,307	18
Provisions for liabilities	5,883	28,192	93,179
	<u>548,424</u>	<u>283,841</u>	<u>799,233</u>
<b>Total liabilities</b>	<u><b>730,098</b></u>	<u><b>602,870</b></u>	<u><b>801,966</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>874,702</b></u>	<u><b>831,823</b></u>	<u><b>1,083,068</b></u>
Net assets per share (RM)	<u>0.26</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)

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## STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2013

	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 <sup>*</sup> RM'000	General Reserve <sup>*</sup> RM'000	Fair Value Reserve <sup>^</sup> 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
<b>Comprehensive loss:</b>										
Loss for the financial year	-	-	-	-	-	-	(75,560)	(75,560)	(44)	(75,604)
<b>Other comprehensive income:</b>										
Currency translation reserve	-	-	3,252	-	-	-	-	3,252	37	3,289
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(12,034)	-	(12,034)	-	(12,034)
Total comprehensive income / (loss) for the financial year	-	-	3,252	-	-	(12,034)	(75,560)	(84,342)	(7)	(84,349)
Balance as at 31 March 2013	281,632	124,396	55,024	35,457	4,254	86,584	(442,607)	144,740	(136)	144,604
Balance as at 1 April 2011	281,632	124,396	54,007	35,457	4,254	150,366	(380,661)	269,471	11,631	281,102
<b>Comprehensive profit:</b>										
Profit for the financial year	-	-	-	-	-	-	13,614	13,614	(102)	13,512
<b>Other comprehensive income:</b>										
Currency translation difference	-	-	(522)	-	-	-	-	(522)	(5)	(527)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(51,768)	-	(51,768)	-	(51,768)
Reclassification adjustment on disposal of subsidiary	-	-	(1,713)	-	-	-	-	(1,713)	(11,653)	(13,366)
Total comprehensive (loss) / income for the financial year	-	-	(2,235)	-	-	(51,768)	13,614	(40,389)	(11,760)	(52,149)
Balance as at 31 March 2012	281,632	124,396	51,772	35,457	4,254	98,618	(367,047)	229,082	(129)	228,953

\* 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.

<sup>^</sup> 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)

**STATEMENT OF CASH FLOWS  
FOR THE FINAL QUARTER ENDED 31 MARCH 2013**

	Current year to date 31/03/2013 RM'000	Preceding year to date 31/03/2012 RM'000
<b>OPERATING ACTIVITIES</b>		
(Loss) / profit for the financial year attributable to equity holders of the parent	(75,560)	13,614
Adjustments for :		
Tax expense	25,709	12,699
Impairment loss on investment in an associate	-	10
Net allowance for doubtful debts	-	843
Bad debt written off	-	2
Depreciation of property, plant and equipment	2,077	820
Depreciation of investment properties	142	142
Impairment loss on property plant and equipment	6,702	0
Gain on disposal of property, plant and equipment	(4,956)	(289)
Gain on liquidation of a subsidiary company	-	(3,168)
Gain on disposal of available-for-sale financial assets	(57)	-
Gain / (loss) on fair value of derivative	(10,382)	32,419
Interest income	(29,652)	(14,644)
Profit from Islamic deposits	(1)	(1)
Finance costs	75,459	12,511
Unrealised foreign exchange gain	(19,928)	233
Dividend income	(7,961)	(8,301)
Non-controlling interest	(44)	(102)
Share of results of associates	3,035	(168)
	<u>(35,417)</u>	<u>46,620</u>
Changes in working capital :		
Inventories	-	114
Receivables	(160,219)	195,317
Payables	98,590	(310,199)
Cash flows used in operations	<u>(97,046)</u>	<u>(68,148)</u>
Tax refund / (paid) , net	2,384	(2,484)
<b>Net cash flows used in operating activities</b>	<u>(94,662)</u>	<u>(70,632)</u>
<b>INVESTING ACTIVITIES</b>		
Investment in associate	-	2,200
Purchase of property, plant and equipment	(1,408)	(949)
Proceeds from disposal of property, plant and equipment	5,603	5,537
Proceeds from disposal of available-for-sale investment	340	-
Dividends received from associate company	1,550	1,000
Dividends received from other investment	7,961	7,301
Interest received	637	14,644
Profit from Islamic deposits received	1	1
<b>Net cash flows from investing activities</b>	<u>14,684</u>	<u>29,734</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	(8,341)	(363,427)
Proceeds from borrowings	93,660	456,439
Repayments of hire purchase liabilities	(290)	(95)
Interest paid	(21,891)	(12,511)
Release of / (additional) deposits pledged as security	15,673	(49,100)
<b>Net cash flows from financing activities</b>	<u>78,811</u>	<u>31,306</u>
Net movement in cash and cash equivalents	(1,167)	(9,592)
Cash and cash equivalents at beginning of the financial year	6,140	16,632
Currency translation differences	2,475	(900)
<b>Cash and cash equivalents at end of the financial year</b>	<u>7,448</u>	<u>6,140</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 MARCH 2013**

**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 RM75.6 million during the financial year ended 31 March 2013 and, as of that date, the current liabilities of the Group exceeded its current assets by RM75.2 million.

## 1. **Basis of Preparation (Continued)**

### Project in Indonesia

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 is expected to expire on 12 August 2013, and the Group expects to receive the remaining net retention sum of USD19.4 million (approximately RM59 million), of which USD9.7 million (approximately RM29 million) is expected to be received in the first quarter and another USD9.7 million (approximately RM29 million) is expected to be received in the second quarter of the financial year ending 31 March 2014.

The Group had, in the previous financial year, recognised an estimated LAD receivable of USD22.5 million (approximately RM71.5 million) from a subcontractor / supplier as a result of its delay in completing its scope of works as set out in the agreement for supply for the above project. The Group is virtually certain that it is entitled to impose and receive the LAD in accordance with the provisions of the said agreement, which is supported by the external legal advice.

### Project in Abu Dhabi

In respect of the Group’s project in Abu Dhabi, United Arab Emirates (“UAE”), on 21 November 2012, the owner of the project in Abu Dhabi, UAE, gave notice to terminate the contract and liquidate the performance bond. On 9 December 2012, the guarantor of the performance bond released the performance bond of AED92.5 million (approximately RM78 million) to the project owner.

The Group, through its legal counsels in UAE, immediately initiated all necessary legal actions and issued 5 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 progress claims, the validity of the termination of contract and the validity of the liquidation of performance bond.

The Group has engaged an independent claim consultant to carry out a preliminary review on the Group’s claim against the project owner based on the Group’s entitlement for extension of time and other additional payments in connection with the project.

## 1. **Basis of Preparation (Continued)**

The Group had also obtained legal opinions from external solicitors based in Dubai, UAE and Malaysia on 2 February, 14 April and 23 May 2013, respectively. Based on the claims consultant report and solicitors letters, the Group is of the view that it has strong legal grounds to challenge the basis of the notice of termination issued by the project owner. The Group targets to commence the arbitration process in September 2013 to recover the amount due from the project owner.

The Group recorded a total receivable balance of AED192.1 million (approximately RM161.8 million) due from the project owner as at 31 March 2013, which includes the performance bond drawdown. Based on the advice from the claims consultant and solicitors, the Group is of the view that these amounts due are recoverable. The expected timing of the receipt has been considered in arriving at the carrying value of the receivables.

### Cash flows of the Group

The losses incurred by the Group for the financial year ended 31 March 2013, the financial position of the Group as at that date, the ability of the Group to generate positive cash flows which are subject to shareholders' approval, the timeliness of the receipt of retention sums from the project owner in Indonesia and the uncertainty of the outcome of the arbitration of the Group's construction project in Abu Dhabi indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

In order to ensure that the Group would have sufficient cash flows within the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress, meet working capital and covenant requirements, and the investing and financing activities, the Group had successfully restructured one of its existing unsecured term loan amounting to AED107.1 million (approximately RM88 million) in April 2013 which allows the Group to make progressive principal repayments over a period up to March 2014. The Group has also disposed of some of its existing available-for-sale financial assets which were pledged as security for the Group's secured term loan in May 2013 to repay the first tranche of the term loan which was due in May 2013. The Group is proposing to obtain necessary approvals from the shareholders to dispose its remaining available-for-sale financial assets and considering other fund raising exercises, of which the proceeds generated from these exercises will be utilised to repay the existing borrowings of the Group, complete the projects in progress, meet the working capital and financial covenant requirements, and to carry out all other investing and financing activities for the next twelve months from the date of the approval of the interim financial report.

**1. Basis of Preparation (Continued)**

The Directors are of the view that the plans stated above, which are subject to shareholders' approval, and the receipt of the remaining retention sum from the project owner in Indonesia will enable the Group to have sufficient cash flows to carry on as a going concern. In addition, the Directors are of the view that the outcome for the arbitration of its project in Abu Dhabi, UAE is expected to be favourable to the Group. 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 operation was 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 March 2013, the fair value of the financial liability derivative was RM22.0 million, resulting in a further loss in fair value of RM15.2 million and a write back of RM10.4 million to the income statement during the quarter and the financial year under review, respectively.
- ii) a net increase of fair value reserve amounting to RM31.1 million and a net decrease of RM12.0 million, in respect of the available-for-sale financial assets for the quarter and year ended 31 March 2013, respectively, due to the increase in market price from RM4.98 as at 31 December 2012 per IJM Corporation Berhad ("IJM") share to RM5.45 per IJM share as at 31 March 2013.

**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 year ended 31 March 2013.

## 7. Dividends Paid

For the financial year ended 31 March 2013, no dividend has been 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
<b><u>Revenue</u></b>				
Total	118,020	195	183	118,398
Inter-segment	(37,578)	-	(4)	(37,582)
External	<b>80,442</b>	<b>195</b>	<b>179</b>	<b>80,816</b>

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
<b><u>Results</u></b>				
Segment profit/ (loss)	16,084	(6,916)	(1,020)	8,148
Interest income	33,689	1	39	33,729
Profit from Islamic deposits	-	-	1	1
Depreciation	(371)	(31)	(45)	(447)
Loss on fair value of derivative	-	-	(15,162)	(15,162)
Finance costs	(61,611)	-	(4,030)	(65,641)
Share of results of associates	(1,662)	-	-	(1,662)
Loss before taxation	(13,871)	(6,946)	(20,217)	(41,034)
Tax expense				(1,987)
Loss for the quarter				<b>(43,021)</b>

## 8. Segmental Reporting (Continued)

Analysis by business segments for the financial year to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b><u>Revenue</u></b>				
Total	156,369	776	10,760	167,905
Inter-segment	(37,810)	-	(2,084)	(39,894)
External	<b>118,559</b>	<b>776</b>	<b>8,676</b>	<b>128,011</b>

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b><u>Results</u></b>				
Segment profit /(loss)	2,054	(6,344)	1,718	(2,572)
Interest income	29,090	2	560	29,652
Profit from Islamic deposits	-	-	1	1
Depreciation	(1,917)	(178)	(124)	(2,219)
Impairment of property, plant & equipment	(6,702)	-	-	(6,702)
Gain on fair value of derivative	-	-	10,382	10,382
Gain on disposal of available-for-sale financial asset	-	-	57	57
Finance costs	(59,415)	-	(16,044)	(75,459)
Share of results of associates	(3,035)	-	-	(3,035)
Loss before taxation	(39,925)	(6,520)	(3,450)	(49,895)
Tax expense				(25,709)
Loss for the financial year				<b>(75,604)</b>

The Group's segmental report for the corresponding three-month financial quarter and financial year ended 31 March 2012 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
<b><u>Revenue</u></b>				
Total	(11,539)	192	1,516	(9,831)
Inter-segment	(1,789)	-	(1,337)	(3,126)
External	<b>(13,328)</b>	<b>192</b>	<b>179</b>	<b>(12,957)</b>

## 8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b>Results</b>				
Segment loss	(47,101)	(92)	(2,183)	(49,376)
Interest income	13,116	5	262	13,383
Loss on fair value of derivative	-	-	(6,315)	(6,315)
Loss on liquidation of a subsidiary	-	-	(11)	(11)
Depreciation	28	(22)	(147)	(141)
Finance costs	(6,335)	-	(662)	(6,997)
Share of results of associates	(506)	-	1	(505)
Loss before taxation	(40,798)	(109)	(9,055)	(49,962)
Tax expense				(11,568)
Loss for the quarter				<b>(61,530)</b>

Analysis by business segments for the financial year to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b>Revenue</b>				
Total	180,205	931	9,363	190,499
Inter-segment	(2,083)	-	(1,350)	(3,433)
External	<b>178,122</b>	<b>931</b>	<b>8,013</b>	<b>187,066</b>

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Segment profit/(loss)	60,576	546	(7,000)	54,122
Interest income	13,590	9	1,045	14,644
Profit from Islamic deposits	-	-	1	1
Loss on fair value of derivative	-	-	(32,419)	(32,419)
Gain on liquidation of a subsidiary	-	-	3,168	3,168
Depreciation	(719)	(93)	(150)	(962)
Finance costs	(11,844)	-	(667)	(12,511)
Share of results of associates	167	-	1	168
Profit/(loss) before taxation	61,770	462	(36,021)	26,211
Tax expense				(12,699)
Profit for the financial year				<b>13,512</b>

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

There was no material event subsequent to the end of the current quarter under review that has not been reflected in the interim financial report.

**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.

- (i) Following on the Group's announcement on 2 July 2012 on the decision from the Tax Court of Indonesia received by a branch of Zelan Holdings (M) Sdn Bhd ("Branch"), whereby the Tax Court has ruled that a potential tax payable and related tax penalties of approximately RM32.5 million to be incurred by the Branch, the Group made a full provision of the amount in the Income Statement.

In relation to the Tax Court ruling above, the Branch had, on 20 May 2013, received a Tax Demand Letter stating that an amount of approximately RM20.7 million is payable as the interest charges on the late payment of the tax charged.

Since the Branch has submitted a Memorandum for Judicial Review to appeal the Tax Court decision, the Directors are of the view that the Group has recorded adequate provision as at 31 March 2013 in relation to the Tax Demand Letter.

As at 31 March 2013, the Company has given guarantees amounting to RM43,887,810 (as at 31 December 2012: RM43,649,808) 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 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
<b>Continuing operations</b>				
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**

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

## 7. Borrowings and Debt Securities(Continued)

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

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.

	<b>Current Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>31/03/13</b>	<b>31/03/12</b>	<b>31/03/13</b>	<b>31/03/12</b>
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
<b>(Loss) /profit per share for the period (sen)</b>	<b>(7.66)</b>	<b>(10.91)</b>	<b>(13.41)</b>	<b>2.42</b>
<b>Diluted loss per share (sen)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>



## 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.

	<b>As at 31.03.2013 RM'000</b>	As at 31.03.2012 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	<b>(1,188,764)</b>	(1,443,869)
- unrealised	<b>114,929</b>	(28,225)
	<b>(1,073,835)</b>	(1,472,094)
Accumulated losses of the associates		
- realised	<b>9,528</b>	10,525
- unrealised	<b>(1,137)</b>	(1,137)
	<b>(1,065,444)</b>	(1,462,706)
Consolidation adjustments	<b>622,837</b>	1,095,659
Total accumulated losses as per consolidated accounts	<b>(442,607)</b>	(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**