

ZELAN BERHAD 27676-V

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013**

| | Individual Quarter | | Cumulative Period | |
|---|--|--|--|--|
| | Current year quarter 31/12/2013 RM'000 Unaudited | Preceding year quarter 31/12/2012 RM'000 Unaudited | Current year to date 31/12/2013 RM'000 Unaudited | Preceding year to date 31/12/2012 RM'000 Unaudited |
| Continuing operations | | | | |
| Revenue | 51,784 | 12,732 | 174,101 | 47,195 |
| Cost of sales | (87,790) | (13,474) | (187,671) | (55,562) |
| Gross loss | (36,006) | (742) | (13,570) | (8,367) |
| Other operating income | | | | |
| - Interest income | 1,402 | (6,360) | 12,302 | (4,077) |
| - Profit from Islamic deposits | 1 | 0 | 58 | 0 |
| - Other operating income | 798 | 501 | 1,970 | 6,206 |
| - Gain on disposal of available-for-sale financial assets | 83,950 | 0 | 98,144 | 57 |
| - (Loss) / gain on fair value of derivative | (258) | (6,616) | (14,597) | 25,544 |
| Unrealised foreign exchange (loss) / gain, net | (390) | (2,558) | (1,171) | 17,233 |
| Impairment loss of property, plant and equipment | 0 | (6,702) | 0 | (6,702) |
| Administrative expenses | (8,558) | (4,868) | (17,462) | (12,224) |
| Other operating expenses | (6,778) | (4,351) | (8,789) | (13,568) |
| Depreciation | (564) | (514) | (1,800) | (1,772) |
| Finance costs | (8,042) | 12,260 | (27,560) | (9,818) |
| Share of results of associates | (363) | (844) | (649) | (1,373) |
| Profit / (loss) before taxation | 25,192 | (20,794) | 26,876 | (8,861) |
| Tax (expense) / credit | (2,263) | 450 | (2,336) | (23,722) |
| Profit / (loss) for the period | 22,929 | (20,344) | 24,540 | (32,583) |
| Other comprehensive income / (loss) : | | | | |
| <i>Items that may be reclassified subsequently to the profit or loss</i> | | | | |
| Changes in the fair value of available-for-sale financial assets | 196 | 17,238 | 20,517 | (43,138) |
| Reversal of fair value on disposal of available-for-sale financial assets | (83,950) | 0 | (98,144) | (57) |
| Exchange difference from translation of foreign operations | 161 | 15,529 | 4,723 | 3,453 |
| Total items that may be reclassified subsequently to the profit or loss | (83,593) | 32,767 | (72,904) | (39,742) |
| Total comprehensive (loss) / income for the period | (60,664) | 12,423 | (48,364) | (72,325) |
| Profit / (loss) for the period | | | | |
| Attributable to: | | | | |
| Equity holders of the parent | 22,943 | (20,215) | 24,583 | (32,431) |
| Non-controlling interests | (14) | (129) | (43) | (152) |
| | 22,929 | (20,344) | 24,540 | (32,583) |
| Total comprehensive (loss) / income for the period | | | | |
| Equity holders of the parent | (60,657) | 12,547 | (48,359) | (72,212) |
| Non-controlling interests | (7) | (124) | (5) | (113) |
| | (60,664) | 12,423 | (48,364) | (72,325) |
| Basic and diluted earnings / (losses) per share attributable to equity holders of the Company (sen) | 4.07 | (3.59) | 4.36 | (5.76) |

(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 2013)

ZELAN BERHAD 27676-V

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

| | AS AT END OF CURRENT QUARTER 31 DECEMBER 2013 RM'000 Unaudited | AS AT END OF FINANCIAL YEAR ENDED 31 MARCH 2013 RM'000 Audited |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 13,735 | 15,213 |
| Investment properties | 5,167 | 5,273 |
| Investments in associates | 278 | 927 |
| Financial and other receivables | 261,136 | 180,793 |
| Cash and bank balances (restricted) | 4,478 | 12,446 |
| Available-for-sale financial assets | 30,341 | 361,335 |
| | <u>315,135</u> | <u>575,987</u> |
| Current assets | | |
| Inventories | 9,080 | 9,080 |
| Financial and other receivables | 140,925 | 232,436 |
| Tax recoverable | 7,867 | 2,964 |
| Deposit, cash and bank balances | 21,507 | 30,386 |
| | <u>179,379</u> | <u>274,866</u> |
| TOTAL ASSETS | <u>494,514</u> | <u>850,853</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 56,326 | 281,632 |
| Reserves | 37,794 | (139,153) |
| | <u>94,120</u> | <u>142,479</u> |
| Non-controlling interests | (175) | (170) |
| Total equity | <u>93,945</u> | <u>142,309</u> |
| Non-current liabilities | | |
| Borrowings | 74,295 | 156,966 |
| Derivative financial liability | 0 | 22,037 |
| Deferred tax liabilities | 2,670 | 2,674 |
| | <u>76,965</u> | <u>181,677</u> |
| Current liabilities | | |
| Trade and other payables | 228,432 | 293,299 |
| Borrowings | 92,360 | 232,940 |
| Current tax liabilities | 2,812 | 628 |
| | <u>323,604</u> | <u>526,867</u> |
| Total liabilities | <u>400,569</u> | <u>708,544</u> |
| TOTAL EQUITY AND LIABILITIES | <u>494,514</u> | <u>850,853</u> |
| Net assets per share (RM) | <u>0.17</u> | <u>0.25</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 2013)

ZELAN BERHAD 27676-V

STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

| | Attributable to equity holders of the parent | | | | | | (Accumulated Losses) / Retained Earnings RM'000 | Total RM'000 | Non-controlling interests 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 | | | | |
| Balance as at 1 April 2013 | 281,632 | 124,396 | 2,705 | 35,457 | 4,254 | 86,584 | (392,549) | 142,479 | (170) | 142,309 |
| <u>Total comprehensive income / (loss):</u> | | | | | | | | | | |
| Profit / (loss) for the period | - | - | - | - | - | - | 24,583 | 24,583 | (43) | 24,540 |
| Par value and Share premium reduction | (225,306) | (124,396) | - | - | - | - | 349,702 | - | - | - |
| <u>Other comprehensive income / (loss):</u> | | | | | | | | | | |
| Currency translation difference | - | - | 4,685 | - | - | - | - | 4,685 | 38 | 4,723 |
| Available-for-sale financial assets: | | | | | | | | | | |
| - fair value gain | - | - | - | - | - | 20,517 | - | 20,517 | - | 20,517 |
| - reclassification adjustment included in profit or loss | - | - | - | - | - | (98,144) | - | (98,144) | - | (98,144) |
| Total comprehensive (loss) / income for the period | (225,306) | (124,396) | 4,685 | - | - | (77,627) | 374,285 | (48,359) | (5) | (48,364) |
| Balance as at 31 December 2013 | 56,326 | - | 7,390 | 35,457 | 4,254 | 8,957 | (18,264) | 94,120 | (175) | 93,945 |
| Balance as at 1 April 2012 | 281,632 | 124,396 | (522) | 35,457 | 4,254 | 98,618 | (314,753) | 229,082 | (129) | 228,953 |
| <u>Total comprehensive income / (loss):</u> | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (32,431) | (32,431) | (152) | (32,583) |
| <u>Other comprehensive (loss) / income:</u> | | | | | | | | | | |
| Currency translation difference | - | - | 3,414 | - | - | - | - | 3,414 | 39 | 3,453 |
| Available-for-sale financial assets: | | | | | | | | | | |
| - fair value loss | - | - | - | - | - | (43,138) | - | (43,138) | - | (43,138) |
| - reclassification adjustment included in profit or loss | - | - | - | - | - | (57) | - | (57) | - | (57) |
| Total comprehensive (loss) / income for the period | - | - | 3,414 | - | - | (43,195) | (32,431) | (72,212) | (113) | (72,325) |
| Balance as at 31 December 2012 | 281,632 | 124,396 | 2,892 | 35,457 | 4,254 | 55,423 | (347,184) | 156,870 | (242) | 156,628 |

* 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 2013)

ZELAN BERHAD 27676-V

**STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013**

| | Current year to date 31/12/2013 RM'000 | Preceding year to date 31/12/2012 RM'000 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Profit / (loss) for the period attributable to equity holders of the Company | 24,583 | (32,431) |
| Adjustments for : | | |
| Tax expense | 2,336 | 23,722 |
| Depreciation of property, plant and equipment | 1,694 | 1,666 |
| Depreciation of investment properties | 106 | 106 |
| Fixed assets written off | 8 | 0 |
| Impairment loss on property plant and equipment | 0 | 6,702 |
| Gain on disposal of property, plant and equipment | (23) | (4,937) |
| Gain on disposal of available-for-sale financial assets | (98,144) | (57) |
| Loss / (gain) on fair value of derivative | 14,597 | (25,544) |
| Interest income | (12,302) | 4,077 |
| Profit from Islamic deposits | (58) | 0 |
| Finance costs | 27,560 | 9,818 |
| Unrealised foreign exchange loss / (gain) | 1,171 | (17,233) |
| Dividend income | (5,877) | (7,961) |
| Non-controlling interests | (43) | (152) |
| Share of results of associates | 649 | 1,373 |
| | <u>(43,743)</u> | <u>(40,851)</u> |
| Changes in working capital : | | |
| Receivables | 829 | (65,192) |
| Payables | (48,916) | 2,140 |
| Cash flows used in operations | <u>(91,830)</u> | <u>(103,903)</u> |
| Tax (paid) / refund | (58) | 22,596 |
| Net cash flows used in operating activities | <u>(91,888)</u> | <u>(81,307)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (313) | (20) |
| Proceeds from disposal of property, plant and equipment | 36 | 5,598 |
| Proceeds from disposal of other investments | 314,877 | 340 |
| Dividends received from an associate company | - | 1,550 |
| Dividends received from other investments | 5,877 | 7,961 |
| Interest received | 139 | 552 |
| Profit from Islamic deposits received | 58 | - |
| Net cash flows generated from investing activities | <u>320,674</u> | <u>15,981</u> |
| FINANCING ACTIVITIES | | |
| Repayments of borrowings | (344,853) | (9,266) |
| Proceeds from borrowings | 107,897 | 83,370 |
| Repayments of hire purchase liabilities | (306) | (145) |
| Interest paid | (18,060) | (13,354) |
| Release of deposits pledged as security | 20,970 | 10,059 |
| Net cash flows (used in) / generated from financing activities | <u>(234,352)</u> | <u>70,664</u> |
| Net movement in cash and cash equivalents | (5,566) | 5,338 |
| Cash and cash equivalents at the beginning of the period | 7,436 | 6,140 |
| Currency translation differences | 9,688 | 20,063 |
| Cash and cash equivalents at the end of the period | <u>11,558</u> | <u>31,541</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 2013)

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013

PART A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134

1. Basis of Preparation

The interim financial information is unaudited and has 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 information should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013. The explanatory notes attached to the interim financial information 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 2013.

The accounting policies and methods of computation adopted for the interim financial information are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2013 except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”).

MFRSs

| | |
|------------------------|---|
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interest in Other Entities |
| MFRS 13 | Fair Value Measurement |
| MFRS 127 | Separate Financial Statements |
| MFRS 128 | Investments in Associates and Joint Ventures |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income |
| Amendments to MFRS 7 | Financial Instruments: Disclosures |

The adoption of the new MFRS and amendments to the existing standards did not result in a significant impact to the interim financial information of the Group.

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

MFRS, Amendments to MFRS and IC Interpretation that are applicable to the Group but not yet effective

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for the Group's financial statements for the financial period beginning on or after 1 April 2014:

| | |
|---|---|
| Amendments to MFRS 132 | Offsetting Financial Assets and Liabilities (effective from 1 January 2014) |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 | Investment Entities (effective from 1 January 2014) |
| Amendments to MFRS 136 | Recoverable Amount Disclosures for Non-Financial Assets (effective from 1 January 2014) |
| Amendments to MFRS 139 | Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014) |
| IC Interpretation 21 | Levies (effective from 1 January 2014) |
| MFRS 9 | Financial Instruments: Classifications and Measurement of Financial Assets and Financial Liabilities (effective date from 1 January 2015) |

In addition, the interim financial information complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Group recorded a net profit of RM22.9 million during the third quarter ended 31 December 2013 and a net profit of RM24.5 million for the nine months ended 31 December 2013 and, as of that date, the current liabilities of the Group exceeded its current assets by RM144.2 million.

The Directors have considered the following matters in preparing the interim financial information of the Group on a going concern basis:

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 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. On 31 July 2013, the owner issued the Final Acceptance Certificate for Unit 1 dated 15 July 2013, and subsequently on 15 August 2013, the Group received partial retention sum, net of liquidated ascertained damages ("LAD"), of USD9.4 million (approximately RM29.8 million).

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

Project in Indonesia (continued)

The Group expects to receive the Final Acceptance Certificate for Unit 2 and the remaining retention sum, net of LAD, of USD9.7 million (approximately RM30.8 million) in the fourth quarter of the financial year ending 31 March 2014.

The Group had, in the previous financial year, recognised LAD receivable 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 in Indonesia. 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 external legal advice.

Project in the Middle East

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 has, to date, issued 9 Notices of Intention to Commence Arbitration on 27 December, 31 December 2012, 19 February 2013, 19 August 2013 and 16 December 2013 due to the disputes which include under-certification of progress claims, the validity of the termination of contract, the validity of the liquidation of performance bond, dispute on the rejection of entitlement to extension of time by the owner's engineer, dispute on the engineer's certification of interim claims and the owner's payments, dispute on the insurance claim submission and dispute on the engineer's failure to value and certify the Progress Claim No. 53.

The Group had engaged an independent claim consultant to carry out a review on the Group's claim against the project owner based on the Group's entitlement for an extension of time and other additional payments in connection with the project. 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's report and supported by external legal advice, 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 and recover the outstanding receivable balance.

The Group recorded a total receivable balance of AED170.8 million (approximately RM151.6 million) due from the project owner as at 31 December 2013, which includes the performance bond drawdown. The expected timing of the receipt of the outstanding balance has been considered in arriving at the carrying value of the receivable.

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

Project in the Middle East (Continued)

Notwithstanding the above, the Group is currently in the midst of negotiations with the project owner to reach a commercial settlement on the purported wrongful termination of contract and for the Group to proceed with the completion of the project.

The Group will commence the arbitration process in the event the commercial settlement is not reached with the project owner as indicated above.

Cash flows of the Group

As at 31 December 2013, the Group is in a net current liabilities position of RM144.2 million. The financial position of the Group as at 31 December 2013, the ability of the Group to generate positive cash flows, 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, and therefore, the Group may be unable to realise the assets and discharge the liabilities in the normal course of business. If the Group ceases to be a going concern, assets are to be stated at their estimated recoverable amounts and provisions are to be made for any further estimated liabilities which might arise.

The Group had successfully restructured one of its existing unsecured term loan amounting to AED107.1 million (approximately RM89 million) in April 2013 which allows the Group to make progressive principal repayments over a period up to March 2014.

Following the approval from the shareholders in September 2013, the Group had disposed of some of its existing available-for-sale financial assets which were pledged as security for the Group's secured term loan. The proceeds from the disposal of these available-for-sale financial assets were used to fully settle the term loan. The Group has also completed its corporate exercise in January 2014, comprising capital restructuring and the issuance of rights shares with warrants. The net proceeds from the issuance of the rights shares of approximately RM40 million and the disposal of the remaining available-for-sale financial assets will be utilised to repay the Group's other existing borrowings when due, meet the cash flow requirements of the projects in progress, working capital and financial covenant requirements, and carry out all other investing and financing activities for the next twelve months from the reporting date.

With the various action plans by the Board as disclosed above, the Directors are of the view that the Group will have sufficient cash flows for the next twelve months from the end of the reporting period to meet the operating and financing cash flow requirements. Accordingly, the interim financial information of the Group is 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 2013 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

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) The sale of 51,511,000 of IJM shares during the quarter resulted in the transfer of RM84.0 million from the "Fair Value Reserve" to the statement of comprehensive income as gain on disposal of the available-for-sale financial assets.
- ii) On 19 November 2013, the Capital Restructuring (comprising a reduction of RM0.40 of the par value of each existing ordinary share of RM0.50 each in the Company ("Par Value Reduction") and a reduction of the share premium account pursuant to Sections 64 and 60 of the Companies Act, 1965 ("the Act") took effect with the lodgement of the Court Order with the Companies Commission of Malaysia. Following the above, the issued and paid-up share capital and share premium of the Company has been reduced from RM281.6 million and RM124.4 million to RM56.3 million and nil, respectively, with a corresponding reduction in the accumulated losses brought forward.

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 2013.

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 | 74,215 | 196 | 4,990 | 79,402 |
| Inter-segment | (22,728) | - | (4,889) | (27,618) |
| External | 51,487 | 196 | 101 | 51,784 |
| <u>Results</u> | | | | |
| Segment (loss) /profit | (48,969) | 169 | (2,134) | (50,934) |
| Interest income | 1,398 | 1 | 3 | 1,402 |
| Profit from Islamic deposits | - | - | 1 | 1 |
| Gain on disposal of available-for-sale financial assets | - | - | 83,950 | 83,950 |
| Depreciation | (505) | (37) | (22) | (564) |
| Loss on fair value of derivative | - | - | (258) | (258) |
| Finance costs | (5,942) | - | (2,100) | (8,042) |
| Share of results of associates | (363) | - | - | (363) |
| (Loss)/profit before taxation | (54,381) | 133 | 79,440 | 25,192 |
| Tax expense | | | | (2,263) |
| Profit for the quarter | | | | 22,929 |

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 |
|-----------------------|--|--|-------------------------------------|-----------------|
| <u>Revenue</u> | | | | |
| Total | 233,727 | 612 | 15,483 | 249,822 |
| Inter-segment | (66,419) | - | (9,302) | (75,721) |
| External | 167,308 | 612 | 6,181 | 174,101 |

8. Segmental Reporting (Continued)

| | Engineering & Construction RM'000 | Property & development RM'000 | Investment & others RM'000 | Total RM'000 |
|---|--|--|-------------------------------------|-----------------|
| Results | | | | |
| Segment (loss)/profit | (40,018) | 502 | 494 | (39,022) |
| Interest income | 12,288 | 2 | 12 | 12,302 |
| Profit from islamic deposits | - | - | 58 | 58 |
| Depreciation | (1,623) | (110) | (67) | (1,800) |
| Loss on fair value of derivative | - | - | (14,597) | (14,597) |
| Gain on disposal of available-for-sale financial assets | - | - | 98,144 | 98,144 |
| Finance costs | (17,851) | - | (9,709) | (27,560) |
| Share of results of associates | (649) | - | - | (649) |
| (Loss) /profit before taxation | (47,853) | 394 | 74,335 | 26,876 |
| Tax expense | | | | (2,336) |
| Profit for the period | | | | 24,540 |

The Group's segmental report for the corresponding three-month financial quarter and financial period to date ended 31 December 2012 is as follows:

Segment analysis for the corresponding quarter is as follows:

| | Engineering & construction RM'000 | Property & development RM'000 | Investment & others RM'000 | Total RM'000 |
|----------------|--|--|-------------------------------------|-----------------|
| Revenue | | | | |
| 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 and 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 | (10,506) | 121 | (10,409) | (20,794) |
| Tax credit | | | | 450 |
| Loss for the quarter | | | | (20,344) |

Analysis by business segments for the corresponding 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 | 38,117 | 580 | 8,498 | 47,195 |
| 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 and 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 | (26,056) | 427 | 16,768 | (8,861) |
| Tax expense | | | | (23,722) |
| Loss for the period | | | | (32,583) |

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 except for the announcements made and disclosed under Note 6 of Part B and as stated below.

- (i) Subsequent to the period under review, the Group sold 5,160,000 ordinary shares of RM1.00 each in IJM for a cash consideration of RM29.6 million. The gain on disposal of these shares amounted to approximately RM8.2 million.

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.

A subsidiary's branch in Indonesia ("Branch") had on 20 May 2013 and 29 May 2013, received two tax demand letters stating that an amount approximately RM20.3 million is payable as the interest charges on the late payment of the tax charged based on the revised tax assessment issued by the Indonesian Tax Authorities. The Branch, through its tax consultants in Indonesia, has submitted an application to the Indonesian Tax Authorities for the waiver of the interest charges. Pending the outcome of the said application and the abovementioned Judicial Review, management has recorded a provision of RM14.4 million as at 31 March 2013 based on the advice from the external tax consultants, having duly considered various legal grounds and basis of the aforementioned application and Judicial Review.

The Group has now made a full provision of RM20.3 million of the tax penalty in relation to the Indonesian tax with the additional provision of RM5.9 million made during the quarter. The provision is made following the Group's decision to submit the appeal to the Tax Court for the waiver of the interest charges.

12. **Fair Value Measurements**

The disclosure of fair value measurements by level of the fair value measurement hierarchy is as follows:

Level 1:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

12. Fair Value Measurements (Continued)Level 2:

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

Level 3:

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the available-for-sale financial assets and the equity collar embedded in the term loan for the Group that are measured at fair value as at 31 December 2013:

| | <u>Level 1</u> RM'000 | <u>Level 2</u> RM'000 | <u>Level 3</u> RM'000 | <u>Total</u> RM'000 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| <u>At 31 December 2013</u> | | | | |
| Available-for-sale financial assets | 30,341 | - | - | 30,341 |

The movements of the derivative financial liability (Level 3) are as follows:

| | <u>31.12.2013</u> RM'000 |
|---|-----------------------------|
| At 1 April 2013 | 22,037 |
| Loss recognised in the profit or loss | 14,597 |
| Unwinding of the derivative financial liability | (36,634) |
| At 31 December 2013 | - |

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the last financial year ended 31 March 2013.

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**