

ZELAN BERHAD 27676-V

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINAL QUARTER ENDED 31 MARCH 2014**

	Individual Quarter		Cumulative Period	
	Current year quarter 31/03/2014 RM'000 Unaudited	Preceding year quarter 31/03/2013 RM'000 Unaudited	Current year to date 31/03/2014 RM'000 Unaudited	Preceding year to date 31/03/2013 RM'000 Audited
<b>Continuing operations</b>				
Revenue	76,106	80,816	250,207	128,011
Cost of sales	(66,016)	(61,418)	(253,687)	(116,980)
Gross profit / (loss)	10,090	19,398	(3,480)	11,031
Other operating income				
- Interest income	12,251	36,706	24,553	32,629
- Profit from Islamic deposits	56	1	114	1
- Other operating income	879	1,515	2,849	7,721
- Gain on disposal of available-for-sale financial assets	8,201	0	106,345	57
- (Loss) / gain on fair value of derivative	0	(15,162)	(14,597)	10,382
Unrealised foreign exchange (loss) / gain, net	(2,269)	2,785	(3,440)	20,018
Impairment loss of property, plant and equipment	(1,863)	0	(1,863)	(6,702)
Administrative expenses	(2,862)	(6,637)	(20,324)	(18,861)
Other operating expenses	(2,614)	(11,928)	(11,403)	(25,496)
Depreciation	(456)	(1,330)	(2,256)	(3,102)
Finance costs	(7,874)	(65,188)	(35,434)	(75,006)
Share of results of associates	(248)	(1,888)	(897)	(3,261)
<b>Profit / (loss) before taxation</b>	13,291	(41,728)	40,167	(50,589)
Tax expense	(2,651)	(3,563)	(4,987)	(27,285)
<b>Profit / (loss) for the period / year</b>	10,640	(45,291)	35,180	(77,874)
<b>Other comprehensive income / (loss) :</b>				
<i>Items that may be reclassified subsequently to the profit or loss</i>				
Changes in the fair value of available-for-sale financial assets	(756)	31,161	19,761	(11,977)
Reversal of fair value on disposal of available-for-sale financial assets	(8,201)	0	(106,345)	(57)
Exchange difference from translation of foreign operations	1,056	(189)	5,779	3,264
<b>Total items that may be reclassified subsequently to the profit or loss</b>	(7,901)	30,972	(80,805)	(8,770)
<b>Total comprehensive income / (loss) for the period / year</b>	2,739	(14,319)	(45,625)	(86,644)
<b>Profit / (loss) for the period / year</b>				
Attributable to:				
Equity holders of the parent	10,636	(45,365)	35,219	(77,796)
Non-controlling interests	4	74	(39)	(78)
	10,640	(45,291)	35,180	(77,874)
<b>Total comprehensive income / (loss) for the period / year</b>				
Equity holders of the parent	2,753	(14,391)	(45,611)	(86,603)
Non-controlling interests	(14)	72	(14)	(41)
	2,739	(14,319)	(45,625)	(86,644)
Basic earnings / (losses) per share attributable to equity holders of the Company (sen)	1.74	(8.05)	5.77	(13.81)
Diluted earnings / (losses) per share attributable to equity holders of the Company (sen)	1.74	(8.05)	5.77	(13.81)

(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 MARCH 2014

	AS AT 31 MARCH 2014 RM'000 Unaudited	AS AT 31 MARCH 2013 RM'000 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,426	15,213
Investment properties	5,131	5,273
Investments in associates	30	927
Financial and other receivables	304,567	180,793
Cash and bank balances (restricted)	9,362	12,446
Available-for-sale financial assets	0	361,335
	<u>330,516</u>	<u>575,987</u>
<b>Current assets</b>		
Inventories	9,080	9,080
Financial and other receivables	152,428	232,436
Tax recoverable	2,172	2,964
Deposit, cash and bank balances	24,638	30,386
	<u>188,318</u>	<u>274,866</u>
<b>TOTAL ASSETS</b>	<u><u>518,834</u></u>	<u><u>850,853</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	84,489	281,632
Reserves	54,624	(139,153)
	<u>139,113</u>	<u>142,479</u>
Non-controlling interests	(184)	(170)
<b>Total equity</b>	<u>138,929</u>	<u>142,309</u>
<b>Non-current liabilities</b>		
Borrowings	93,413	156,966
Derivative financial liability	0	22,037
Deferred tax liabilities	2,669	2,674
	<u>96,082</u>	<u>181,677</u>
<b>Current liabilities</b>		
Trade and other payables	248,789	293,299
Borrowings	31,222	232,940
Current tax liabilities	3,812	628
	<u>283,823</u>	<u>526,867</u>
<b>Total liabilities</b>	<u>379,905</u>	<u>708,544</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>518,834</u></u>	<u><u>850,853</u></u>
Net assets per share (RM)	<u>0.16</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 FINAL QUARTER ENDED 31 MARCH 2014

	Attributable to equity holders of the parent								Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Fair Value Reserve ^ RM'000	(Accumulated Losses) / Retained Earnings 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 financial year	-	-	-	-	-	-	-	35,219	35,219	(39)	35,180
<u>Other comprehensive income/ (loss):</u> Currency translation difference	-	-	-	5,754	-	-	-	-	5,754	25	5,779
Available-for-sale financial assets:											
- fair value gain	-	-	-	-	-	-	19,761	-	19,761	-	19,761
- reclassification adjustment included in profit or loss	-	-	-	-	-	-	(106,345)	-	(106,345)	-	(106,345)
Total comprehensive (loss) / income for the financial year	-	-	-	5,754	-	-	(86,584)	35,219	(45,611)	(14)	(45,625)
<u>Transactions with owners:</u> Par value and Share premium reduction	(225,306)	(124,396)	-	-	-	-	-	349,702	-	-	-
Rights issue with warrants	28,163	-	14,082	-	-	-	-	-	42,245	-	42,245
	(197,143)	(124,396)	14,082	-	-	-	-	349,702	42,245	-	42,245
<b>Balance as at 31 March 2014</b>	<b>84,489</b>	<b>-</b>	<b>14,082</b>	<b>8,459</b>	<b>35,457</b>	<b>4,254</b>	<b>-</b>	<b>(7,628)</b>	<b>139,113</b>	<b>(184)</b>	<b>138,929</b>
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 financial year	-	-	-	-	-	-	-	(77,796)	(77,796)	(78)	(77,874)
<u>Other comprehensive (loss) / income:</u> Currency translation difference	-	-	-	3,227	-	-	-	-	3,227	37	3,264
Available-for-sale financial assets:											
- fair value loss	-	-	-	-	-	-	(11,977)	-	(11,977)	-	(11,977)
- reclassification adjustment included in profit or loss	-	-	-	-	-	-	(57)	-	(57)	-	(57)
Total comprehensive (loss) / income for the financial year	-	-	-	3,227	-	-	(12,034)	(77,796)	(86,603)	(41)	(86,644)
<b>Balance as at 31 March 2013</b>	<b>281,632</b>	<b>124,396</b>	<b>-</b>	<b>2,705</b>	<b>35,457</b>	<b>4,254</b>	<b>86,584</b>	<b>(392,549)</b>	<b>142,479</b>	<b>(170)</b>	<b>142,309</b>

\* 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 FINANCIAL YEAR ENDED 31 MARCH 2014**

	Current year to date 31/03/2014 RM'000	Preceding year to date 31/03/2013 RM'000
<b>OPERATING ACTIVITIES</b>		
Profit / (loss) for the year attributable to equity holders of the Group	35,219	(77,796)
Adjustments for :		
Tax expense	4,987	27,285
Depreciation of property, plant and equipment	2,552	6,568
Depreciation of investment properties	142	142
Fixed assets written off	27	0
Net allowance for doubtful debts	7	41
Bad debts written off	0	704
Impairment loss on property, plant and equipment	1,863	6,702
Gain on disposal of property, plant and equipment	(23)	(4,956)
Gain on disposal of available-for-sale financial assets	(106,345)	(57)
Loss / (gain) on fair value of derivative	14,597	(10,382)
Interest income	(24,553)	(32,629)
Profit from Islamic deposits	(114)	(1)
Finance costs	35,434	75,006
Unrealised foreign exchange loss / (gain)	3,440	(20,018)
Dividend income	(6,083)	(7,961)
Non-controlling interests	(39)	(78)
Share of results of associates	897	3,261
	<u>(37,992)</u>	<u>(34,169)</u>
Changes in working capital :		
Receivables	(44,922)	(139,464)
Payables	(34,399)	69,299
Cash flows used in operations	(117,313)	(104,334)
Tax (paid) / refund	(962)	2,539
<b>Net cash flows used in operating activities</b>	<u>(118,275)</u>	<u>(101,795)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(649)	(1,395)
Proceeds from disposal of property, plant and equipment	36	5,981
Proceeds from disposal of other investments	344,485	340
Dividends received from an associate company	0	8,153
Dividends received from other investments	6,083	7,961
Interest received	6,393	638
Profit from Islamic deposits received	114	1
<b>Net cash flows generated from investing activities</b>	<u>356,462</u>	<u>21,679</u>
<b>FINANCING ACTIVITIES</b>		
Rights issue with warrants	42,245	-
Repayments of borrowings	(431,631)	(8,341)
Proceeds from borrowings	151,444	93,582
Repayments of hire purchase liabilities	2	(213)
Interest paid	(19,565)	(22,011)
Release of deposits pledged as security	21,213	15,673
<b>Net cash flows (used in) / generated from financing activities</b>	<u>(236,292)</u>	<u>78,690</u>
Net movement in cash and cash equivalents	1,895	(1,426)
Cash and cash equivalents at the beginning of the year	7,436	6,140
Currency translation differences	10,485	2,722
<b>Cash and cash equivalents at the end of the year</b>	<u>19,816</u>	<u>7,436</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 MARCH 2014**

**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
Revised	
MFRS 127	Separate Financial Statements
Revised	
MFRS 128	Investments in Associates and Joint Ventures
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 136	Impairment of Assets (effective from 1 January 2014)
Amendments to	Consolidated Financial Statements, Joint
MFRS 10, 11 & 12	Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance
Annual improvements 2009 – 2011 Cycle	

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

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.

### **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:

Amendment 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 139	Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)
MFRS 9	Financial Instruments: Classifications and Measurement of Financial Assets and Financial Liabilities (effective date yet to be determined)

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 RM10.6 million for the fourth quarter ended 31 March 2014 and a net profit of RM35.2 million for the financial year ended 31 March 2014 and, as of that date, the current liabilities of the Group exceeded its current assets by RM95.5 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 Final Acceptance Certificate for Unit 2 on 7 May 2014 and the Group expects to receive the remaining retention sum, net of liquidated ascertained damages ("LAD"), of USD10.5 million (approximately RM34.3 million), of which USD9.3 million (approximately RM30.4 million) is expected to be received in the first quarter of financial year ending 31 March 2015 and the balance USD1.2 million (approximately RM3.9 million) is expected to be received in the third quarter of the financial year ending 31 March 2015.

**1. Basis of Preparation (Continued)**Project in Indonesia (continued)

The Group had, in the previous financial year, recognised an estimated LAD receivable of USD22.5 million (approximately RM73.5 million) from a subcontractor / supplier as a result of its delay in the supply of its equipment 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 the external legal advice.

Project in the Middle East

On 15 April 2014, the Group entered into a Second Supplementary Agreement with the project owner to recommence the project, subject to the fulfilment of certain terms and conditions, including the payment of the performance bond and the outstanding certified progress billings by the project owner prior to the commencement of the project. Both the project owner and the Group are working closely to satisfy the terms and conditions set out in the agreement, with a view to recommence the project in the second quarter of the financial year ending 31 March 2015. The successful completion of the remaining construction works is expected to contribute positively to the cash flows of the Group.

The Group recorded a total receivable balance of AED170.1 million (approximately RM151.7 million) due from the project owner as at 31 March 2014, which includes the performance bond drawdown by the project owner. The expected timing of the receipt of the outstanding balance has been considered in arriving at the carrying value of the receivable.

Cash flows of the Group

As at 31 March 2014, the Group is in a net current liabilities position of RM95.5 million. The timeliness of the receipt of retention sums from the project owner in Indonesia, the uncertainties of the outcome of the negotiations with the subcontractor in Indonesia and the successful completion of the remaining construction works in Abu Dhabi indicate the existence of a material uncertainty that may cast a 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.

**1. Basis of Preparation (Continued)**Cash flows of the Group (continued)

The Group is working closely with the project owners in Indonesia and Abu Dhabi to expedite the receipt of the retention sums and outstanding balances due to the Group for these projects. The Group is also making the necessary preparation to recommence the construction works in Abu Dhabi upon the fulfilment of the terms and conditions as set out in the Second Supplementary Agreement. The Group may consider disposing certain investments and assets in the future, subject to the approval of the shareholders, where applicable, to further improve the cash flow position of the Group.

With the various action plans as disclosed above, the Directors are of the view that the Group will have sufficient cash flows for the next twelve (12) months from the end of the reporting period to meet the operating and financing cash flow requirements. Accordingly, the Board of Directors believes that it is appropriate to prepare the financial statements of the Group 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:

The sale of 5,160,000 of IJM shares during the quarter resulted in the transfer of RM8.2 million from the "Fair Value Reserve" to the statement of comprehensive income as gain on disposal of the available-for-sale financial assets.

**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 March 2014.

**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
<b><u>Revenue</u></b>				
Total	112,777	181	760	113,718
Inter-segment	(37,086)	-	(526)	(37,612)
External	<b>75,691</b>	<b>181</b>	<b>234</b>	<b>76,106</b>
<b><u>Results</u></b>				
Segment profit / (loss)	4,247	187	(1,203)	3,231
Allowance for doubtful debts	-	(6)	(1)	(7)
Interest income	12,136	1	114	12,251
Profit from Islamic deposits	-	-	56	56
Impairment of property, plant and equipment	(1,863)	-	-	(1,863)
Gain on disposal of available-for-sale financial assets	-	-	8,201	8,201
Depreciation	(319)	(127)	(10)	(456)
Finance costs	(7,626)	-	(248)	(7,874)
Share of results of associates	(248)	-	-	(248)
Profit before taxation	6,327	55	6,909	13,291
Tax expense				(2,651)
Profit for the quarter				<b>10,640</b>

**8. Segmental Reporting (Continued)**

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
<b>Revenue</b>				
Total	346,504	793	16,242	363,539
Inter-segment	(103,505)	-	(9,827)	(113,332)
External	<b>242,999</b>	<b>793</b>	<b>6,415</b>	<b>250,207</b>
<b>Results</b>				
Segment (loss)/profit	(35,771)	604	(624)	(35,791)
Allowance for doubtful debts	-	(6)	(1)	(7)
Interest income	24,424	3	126	24,553
Profit from Islamic deposits	-	-	114	114
Impairment of property, plant and equipment	(1,863)	-	-	(1,863)
Gain on disposal of available-for-sale financial assets	-	-	106,345	106,345
Loss on fair value of derivative	-	-	(14,597)	(14,597)
Depreciation	(1,942)	(237)	(77)	(2,256)
Finance costs	(25,476)	-	(9,958)	(35,434)
Share of results of associates	(897)	-	-	(897)
(Loss)/profit before taxation	(41,525)	364	81,328	40,167
Tax expense				(4,987)
Profit for the financial year				<b>35,180</b>

The Group's segmental report for the corresponding three-month financial quarter and financial year ended 31 March 2013 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
<b>Revenue</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>

**8. Segmental Reporting (Continued)**

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
<b><u>Results</u></b>				
Segment profit/(loss)	13,086	(6,947)	(965)	5,174
Interest income	36,667	1	38	36,706
Profit from Islamic deposits	-	-	1	1
Depreciation	(1,214)	-	(116)	(1,330)
Allowance for doubtful debts	(41)	-	-	(41)
Loss on fair value of derivative	-	-	(15,162)	(15,162)
Finance costs	(61,158)	-	(4,030)	(65,188)
Share of results of associates	(1,888)	-	-	(1,888)
Loss before taxation	<u>(14,548)</u>	<u>(6,946)</u>	<u>(20,234)</u>	<u>(41,728)</u>
Tax expense				<u>(3,563)</u>
Loss for the quarter				<b><u>(45,291)</u></b>

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
<b><u>Revenue</u></b>				
Total	156,369	776	10,760	167,905
Inter-segment	(37,810)	-	(2,084)	(39,894)
External	<b><u>118,559</u></b>	<b><u>776</u></b>	<b><u>8,676</u></b>	<b><u>128,011</u></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) / profit	(944)	(6,375)	1,773	(5,546)
Allowance for doubtful debts	(41)	-	-	(41)
Interest income	32,067	3	559	32,629
Profit from Islamic deposits	-	-	1	1
Depreciation	(2,760)	(147)	(195)	(3,102)
Impairment of property, plant and 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	(58,962)	-	(16,044)	(75,006)
Share of results of associates	(3,261)	-	-	(3,261)
Loss before taxation	(40,603)	(6,519)	(3,467)	(50,589)
Tax expense				(27,285)
Loss for the financial year				<b>(77,874)</b>

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

There is 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 following:-

On 15 April 2014, the Group, through its wholly owned subsidiary Zelan Holdings (M) Sdn Bhd ("ZHSB") had on 15 April 2014 entered into the Second Supplementary Agreement ("SSA") with Meena Holdings LLC, the owner of Meena Plaza Mixed Use Development Project ("Project") in Abu Dhabi, United Arab Emirates, for the settlement of disputes between the parties, and the continuation of works by ZHSB.

**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**

There was no change in contingent liabilities or contingent assets since the last quarter.

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

**PART B Additional Information as required by Part A of Appendix 9B of the Bursa Malaysia Listing Requirements**

**1. Review of Performance**

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

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

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

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

**2. Material Changes in the Quarterly Results Compared to the preceding quarter**

For the current quarter under review, the Group recorded revenue from engineering and construction segment of RM75.7 million as compared to a revenue of RM51.5 million in the preceding third quarter ended 31 December 2013.

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

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

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

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

For the current quarter, the Group recorded a profit after taxation of RM10.6 million as compared to RM22.9 million in preceding third quarter. The profit for the quarter is mainly attributable to the gain on disposal of available-for-sale financial assets of RM8.2 million (31.12.2013: RM84.0 million) and net interest income of RM4.4 million (31.12.2013: net finance cost of RM6.6 million) due to additional accretion of discounts on long term receivables of RM6.0 million offset by tax expense of RM2.7 million (31.12.2013: RM2.3 million). The Group's results for the preceding third quarter were impacted by further provision of RM42.8 million resulting from re-measurement of certain receivables on Rembang project, the additional provision made on related tax penalty charges in Indonesia of RM5.9 million and provision made for the preparation of arbitration for Meena project of RM2.5 million.

**3. Prospects for the Next Financial Year**

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

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

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

**4. Profit Forecast or Profit Guarantee**

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

**5. Taxation**

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

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

**6. Status of Corporate Proposals Announced**

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

- a) On 22 January 2014, an announcement was made by AFFIN Investment Bank Berhad on behalf of Zelan Berhad that as at the close of acceptance and payment for the Rights Issue with Warrants as at 5.00 p.m. on 16 January 2014, the Rights Shares have been oversubscribed by 131,492,248 shares (46.69%) over the total number of 281,631,485 Rights Shares available for subscription pursuant to the Rights Issue with Warrants.
- b) On 30 January 2014, an announcement was made by AFFIN Investment Bank Berhad that the Rights Issue with Warrants has been completed on 30 January 2014, following the listing of and quotation for 281,631,485 Rights Shares and 281,631,485 Warrants on the Main Market of Bursa Malaysia Securities Berhad on even date.

## 7. Borrowings and Debt Securities

**As at**  
**31.03.2014**  
**RM'000**

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

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

## 8. Earnings / (Losses) Per Share

The basic earnings/(losses) per share for the financial period/ year are calculated based on the Group's profit/(loss) attributable to the equity holders of the Company, divided by the number of ordinary shares outstanding at the end of the period to date.

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

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

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

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

**9. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements**

The following analysis of realised and unrealised retained earnings / (accumulated losses) at the Group is prepared in accordance with Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

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

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

	<b>As at 31.03.2014 RM'000</b>	<b>As at 31.03.2013 RM'000</b>
Retained earnings / (accumulated losses) of the associates		
- realised	<b>6,502</b>	7,263
- unrealised	<b>(4,898)</b>	(4,763)
	<b>(880,910)</b>	(1,019,450)
Consolidated adjustments	<b>873,282</b>	626,901
Total accumulated losses as per consolidated accounts	<b>(7,628)</b>	(392,549)

The disclosure of realised and unrealised retained earnings / (losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

**10. Changes in Material Litigation**

There was no change in material litigations, including the status of pending material litigations in respect of the Company and its subsidiaries since the last annual reporting date as at 31 March 2013.

**11. Dividends**

There was no dividend declared for the quarter under review.

**12. Utilisation of Proceeds raised from Rights Issue**

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

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

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

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

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

**13. Authorisation for Issue**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 May 2014.

**By order of the Board**

**Norlida Jamaludin**  
**Secretary**

**Kuala Lumpur**  
**21 May 2014**