

ZELAN BERHAD 27676-V

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2013

	Individual Quarter		Cumulative Period	
	Current year quarter 30/09/2013 RM'000 Unaudited	Preceding year quarter 30/09/2012 RM'000 Unaudited	Current year to date 30/09/2013 RM'000 Unaudited	Preceding year to date 30/09/2012 RM'000 Unaudited
Continuing operations				
Revenue	51,590	9,173	122,317	34,463
Cost of sales	(43,282)	(17,051)	(99,881)	(42,088)
Gross profit	8,308	(7,878)	22,436	(7,625)
Other operating income				
- Interest income	5,626	277	10,900	2,283
- Profit from Islamic deposits	28	-	57	-
- Other operating income	911	4,835	1,172	5,705
- Gain on disposal of available-for-sale financial assets	2,124	57	14,194	57
- (Loss) / gain on fair value of derivative	(5,929)	10,627	(14,339)	32,160
Unrealised foreign exchange (loss) / gain, net	(467)	(1,396)	(781)	19,791
Administrative expenses	(4,194)	(3,648)	(8,904)	(7,356)
Other operating expenses	(1,220)	(8,995)	(2,011)	(9,217)
Depreciation	(650)	(927)	(1,236)	(1,258)
Finance costs	(11,060)	(3,554)	(19,518)	(22,078)
Share of results of associates	335	(484)	(286)	(529)
(Loss) / profit before taxation	(6,188)	(11,086)	1,684	11,933
Tax expense	(56)	(24,137)	(73)	(24,172)
(Loss) / profit for the period	(6,244)	(35,223)	1,611	(12,239)
Other comprehensive income / (loss) :				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in the fair value of available-for-sale financial assets	7,479	(19,892)	20,321	(60,376)
Reversal of fair value on disposal of available-for-sale financial assets	(2,124)	(57)	(14,194)	(57)
Exchange difference from translation of foreign operations	3,447	6,938	4,562	(12,076)
Total items that may be reclassified subsequently to the profit or loss	8,802	(13,011)	10,689	(72,509)
Total comprehensive income / (loss) for the period	2,558	(48,234)	12,300	(84,748)
(Loss) / profit for the period				
Attributable to:				
Equity holders of the parent	(6,216)	(35,202)	1,640	(12,216)
Non-controlling interests	(28)	(21)	(29)	(23)
	(6,244)	(35,223)	1,611	(12,239)
Total comprehensive income / (loss) for the period				
Equity holders of the parent	2,555	(48,220)	12,298	(84,759)
Non-controlling interests	3	(14)	2	11
	2,558	(48,234)	12,300	(84,748)
Basic and diluted (losses) / earnings per share attributable to equity holders of the Company (sen)	(1.10)	(6.25)	0.29	(2.17)

(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 30 SEPTEMBER 2013

	AS AT END OF CURRENT QUARTER 30 SEPTEMBER 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	14,244	15,213
Investment properties	5,202	5,273
Investments in associates	641	927
Financial and other receivables	239,265	180,793
Cash and bank balances (restricted)	4,474	12,446
Available-for-sale financial assets	327,558	361,335
	<u>591,384</u>	<u>575,987</u>
Current assets		
Inventories	9,080	9,080
Financial and other receivables	188,872	232,436
Tax recoverable	2,803	2,964
Deposit, cash and bank balances	23,644	30,386
	<u>224,399</u>	<u>274,866</u>
TOTAL ASSETS	<u><u>815,783</u></u>	<u><u>850,853</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	281,632	281,632
Reserves	(126,855)	(139,153)
	<u>154,777</u>	<u>142,479</u>
Non-controlling interests	(168)	(170)
Total equity	<u>154,609</u>	<u>142,309</u>
Non-current liabilities		
Borrowings	129,188	156,966
Derivative financial liability	33,879	22,037
Deferred tax liabilities	2,671	2,674
	<u>165,738</u>	<u>181,677</u>
Current liabilities		
Trade and other payables	215,257	293,299
Borrowings	279,630	232,940
Current tax liabilities	549	628
	<u>495,436</u>	<u>526,867</u>
Total liabilities	<u>661,174</u>	<u>708,544</u>
TOTAL EQUITY AND LIABILITIES	<u><u>815,783</u></u>	<u><u>850,853</u></u>
Net assets per share (RM)	<u>0.27</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 SECOND QUARTER ENDED 30 SEPTEMBER 2013

	Attributable to equity holders of the parent							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	Accumulated Losses RM'000			Total 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	-	-	-	-	-	-	1,640	1,640	(29)	1,611
<u>Other comprehensive income:</u>										
Currency translation difference	-	-	4,531	-	-	-	-	4,531	31	4,562
Available-for-sale financial assets:										
- fair value gain	-	-	-	-	-	20,321	-	20,321	-	20,321
- reclassification adjustment included in profit or loss	-	-	-	-	-	(14,194)	-	(14,194)	-	(14,194)
Total comprehensive income / (loss) for the period	-	-	4,531	-	-	6,127	1,640	12,298	2	12,300
Balance as at 30 September 2013	281,632	124,396	7,236	35,457	4,254	92,711	(390,909)	154,777	(168)	154,609
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	-	-	-	-	-	-	(12,216)	(12,216)	(23)	(12,239)
<u>Other comprehensive (loss) / income:</u>										
Currency translation difference	-	-	(12,110)	-	-	-	-	(12,110)	34	(12,076)
Available-for-sale financial assets:										
- fair value loss	-	-	-	-	-	(60,376)	-	(60,376)	-	(60,376)
- reclassification adjustment included in profit or loss	-	-	-	-	-	(57)	-	(57)	-	(57)
Total comprehensive (loss) / income for the period	-	-	(12,110)	-	-	(60,433)	(12,216)	(84,759)	11	(84,748)
Balance as at 30 September 2012	281,632	124,396	(12,632)	35,457	4,254	38,185	(326,969)	144,323	(118)	144,205

* 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 SECOND QUARTER ENDED 30 SEPTEMBER 2013**

	Current year to date 30/09/2013 RM'000	Preceding year to date 30/09/2012 RM'000
OPERATING ACTIVITIES		
Profit / (loss) for the period attributable to equity holders of the Company	1,640	(12,216)
Adjustments for :		
Tax expense	73	24,172
Depreciation of property, plant and equipment	1,165	1,187
Depreciation of investment properties	71	71
Fixed assets written off	8	-
Gain on disposal of property, plant and equipment	12	(4,734)
Gain on disposal of available-for-sale financial assets	(14,194)	(57)
Loss / (gain) on fair value of derivative	14,339	(32,160)
Interest income	(10,900)	(2,283)
Profit from Islamic deposits	(57)	-
Finance costs	19,518	22,078
Unrealised foreign exchange loss / (gain)	781	(19,791)
Dividend income	(5,877)	(5,309)
Non-controlling interests	(29)	(23)
Share of results of associates	286	529
	<u>6,836</u>	<u>(28,536)</u>
Changes in working capital :		
Receivables	(21,339)	1,870
Payables	(62,530)	(6,559)
Cash flows used in operations	(77,033)	(33,225)
Tax refund	6	22,542
Net cash flows used in operating activities	<u>(77,027)</u>	<u>(10,683)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(198)	(15)
Proceeds from disposal of property, plant and equipment	-	5,324
Proceeds from disposal of other investments	54,098	340
Dividends received from an associate company	-	1,550
Dividends received	5,877	5,309
Interest received	106	527
Profit from Islamic deposits received	57	-
Net cash flows from investing activities	<u>59,940</u>	<u>13,035</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(74,166)	(2,606)
Proceeds from borrowings	82,088	-
Repayments of hire purchase liabilities	(202)	(102)
Interest paid	(13,707)	(8,124)
Release of deposits pledged as security	21,213	1,150
Net cash flows from / (used in) financing activities	<u>15,226</u>	<u>(9,682)</u>
Net movement in cash and cash equivalents	(1,861)	(7,330)
Cash and cash equivalents at beginning of the period	7,436	6,140
Currency translation differences	8,360	7,650
Cash and cash equivalents at end of the period	<u>13,935</u>	<u>6,460</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 30 SEPTEMBER 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

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

MFRS, Amendments to MFRS and IC Intepretation 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 Intepretations 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 loss of RM6.2 million during the quarter ended 30 September 2013 and a net profit of RM1.6 million for the six month's period ended 30 September 2013 and, as of that date, the current liabilities of the Group exceeded its current assets by RM271.0 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 remaining retention sum, net of LAD, of USD9.7 million (approximately RM30.8 million) in the third 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 RM71.2 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 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

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 8 Notices of Intention to Commence Arbitration on 27 December, 31 December 2012, 19 February 2013 and 19 August 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 and dispute on the insurance claim submission.

The Group has 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 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 report and 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. The Group targets to commence the arbitration process in February 2014 to recover the amount due from the project owner.

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

Project in the Middle East (Continued)

The Group recorded a total receivable balance of AED172.3 million (approximately RM152.9 million) due from the project owner as at 30 September 2013, which includes the performance bond drawdown. Based on the advice from the claims consultant and the solicitors, the Group is of the view that these amounts are recoverable. The expected timing of the receipt of the outstanding balance has been considered in arriving at the carrying value of the receivable.

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. Based on the positive developments of the negotiations, the Group anticipates to sign a Supplementary Agreement with the project owner by the end of the third quarter ending 31 December 2013. Following the signing of the Supplementary Agreement, the expected timing of the receipt of the outstanding balances will be revised, taking into consideration the repayment terms of these balances and other terms and condition as set out in the Supplementary Agreement, which may result in a reversal of the effects of the discounting of approximately RM25 million based on the outstanding balances as at 30 September 2013. This effect has not been accounted for in the profit or loss for the Group for the period ended 30 September 2013.

Cash flows of the Group

As at 30 September 2013, the Group is in a current liabilities position of RM271.0 million. The financial position of the Group as at 30 September 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.

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 RM89 million) in April 2013 which allows the Group to make progressive principal repayments over a period up to March 2014.

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

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 during the six month's period ended 30 September to repay a portion of the term loan. The Group obtained the necessary approvals from the shareholders on 30 September 2013 to dispose of its remaining available-for-sale financial assets and to undertake a corporate exercise which include a proposed capital restructuring and rights issue with warrants 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 reporting date. It is anticipated that the Group will complete the disposal of the available-for-sale financial assets and the corporate exercise by the fourth quarter of the financial year ending 31 March 2014.

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**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:

4. Unusual Items (Continued)

- i) as at 30 September 2013, the fair value of the derivative was RM33.9 million, resulting in a further loss on fair value of RM5.9 million and RM14.3 million to the income statement during the quarter and six months period under review, respectively.
- ii) a net increase of fair value reserve amounting to RM5.4 million in respect of the available-for-sale financial assets for the quarter ended 30 September 2013 due to the increase in market value from RM5.45 per IJM Corporation Berhad (“IJM”) share as at 30 June 2013 to RM5.78 per share as at 30 September 2013 and an increase of RM6.1 million for the period to date due to increase in market value to RM5.78 per share as at 30 September 2013 from RM5.65 per IJM share as at 31 March 2013.

The sale of 1,336,600 of IJM shares for the quarter resulted in the transfer of RM2.1 million from the “Fair Value Reserve” to the statement of comprehensive income as gain on disposal of the available-for-sale financial assets.

The sale of 9,629,000 of IJM shares for the period to date resulted in the transfer of RM14.2 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 30 September 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
Revenue				
Total	84,195	207	3,354	87,756
Inter-segment	(32,913)	-	(3,253)	(36,166)
External	51,282	207	101	51,590
Results				
	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
Segment profit/(loss)	4,646	253	(1,561)	3,338
Interest income	5,622	-	4	5,626
Profit from Islamic deposits	-	-	28	28
Gain on disposal of available-for-sale financial assets	-	-	2,124	2,124
Depreciation	(591)	(36)	(23)	(650)
Loss on fair value of derivative	-	-	(5,929)	(5,929)
Finance costs	(7,613)	-	(3,447)	(11,060)
Share of results of associates	335	-	-	335
Profit /(loss) before taxation	2,399	217	(8,804)	(6,188)
Tax expense				(56)
Loss for the quarter				(6,244)

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
Revenue				
Total	159,512	416	10,492	170,420
Inter-segment	(43,690)	-	(4,413)	(48,103)
External	115,822	416	6,079	122,317

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
Results				
Segment profit	8,924	374	2,614	11,912
Interest income	10,890	1	9	10,900
Profit from Islamic deposits	-	-	57	57
Depreciation	(1,118)	(73)	(45)	(1,236)
Loss on fair value of derivative	-	-	(14,339)	(14,339)
Gain on disposal of available-for-sale financial assets	-	-	14,194	14,194
Finance costs	(11,909)	-	(7,609)	(19,518)
Share of results of associates	(286)	-	-	(286)
Profit/(loss) before taxation	6,501	302	(5,119)	1,684
Tax expense				(73)
Profit for the period				1,611

The Group's segmental report for the corresponding three-month financial quarter and financial period to date ended 30 September 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
Revenue				
Total	3,571	191	5,892	9,654
Inter-segment	(77)	-	(404)	(481)
External	3,494	191	5,488	9,173

8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000
Results				
Segment (loss)/profit	(21,253)	253	3,918	(17,082)
Interest income	10	1	266	277
Depreciation	(809)	(79)	(39)	(927)
Gain on fair value of derivative	-	-	10,627	10,627
Gain on disposal of available-for-sale financial assets	-	-	57	57
Finance costs	438		(3,992)	(3,554)
Share of results of associates	(484)	-	-	(484)
(Loss)/profit before taxation	(22,098)	175	10,837	(11,086)
Tax expense				(24,137)
Loss for the quarter				(35,223)

Analysis by business segments for the financial period to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Revenue				
Total	28,562	389	7,742	36,693
Inter-segment	(155)	-	(2,075)	(2,230)
External	28,407	389	5,667	34,463
Results				
Segment (loss) /profit	(1,667)	421	2,544	1,298
Interest income	1,786	1	496	2,283
Depreciation	(1,064)	(116)	(78)	(1,258)
Gain on fair value of derivative	-	-	32,160	32,160
Gain on disposal of available-for-sale financial asset	-	-	57	57
Finance costs	(14,076)	-	(8,002)	(22,078)
Share of results of associates	(529)	-	-	(529)
(Loss)/profit before taxation	(15,550)	306	27,177	11,933
Tax expense				(24,172)
Loss for the period				(12,239)

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:

- (i) The Company had on 19 November 2013 announced that pursuant to the proposed par value reduction and proposed share premium reduction exercises as approved by the shareholders during the Extraordinary General Meeting (“EGM”) on 30 September 2013, the Certificate of Lodgment of Order of High Court Confirming Reduction of Share Capital dated 15 November 2013 has been received from 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.
- (ii) The Company obtained the shareholders’ approval to dispose of 56.671 million IJM shares during the EGM on 30 September 2013. Subsequent to the approval, the Company had disposed of 51.511 million IJM shares for a net cash consideration of RM297.4 million. The entire proceeds from the disposal of the IJM shares were used to repay bank borrowings which had improved significantly the Group’s gearing position and enhanced its earnings per share.

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) As at 30 September 2013, the Company has given guarantees amounting to RM23,148,131 (30 June 2013: RM23,148,131) 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.

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);

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 30 September 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>At 30 September 2013</u>				
Available-for-sale financial assets	327,558	-	-	327,558
Derivative financial liability on equity collar	-	-	33,879	33,879

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

	<u>30.09.2013</u>
	RM'000
At 1 April 2013	22,037
Loss recognised in the profit or loss	14,339
Unwinding of the derivative financial liability	(2,497)
At 30 September 2013	<u>33,879</u>

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 30 SEPTEMBER 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 RM51.3 million as compared to a revenue of RM3.5 million in the same quarter last year. The current quarter's revenue is mainly attributed to local projects revenue of RM57.6 million and offset by an adjustment on the revenue and cost of sales on Meena Plaza project in Abu Dhabi, United Arab Emirates (“UAE”) of RM6.3 million as compared to revenue for the construction of Meena Plaza in Abu Dhabi of RM26.1 million, and a reversal of net provision for Liquidated Ascertained Damages for a project in Rembang, Indonesia amounting to RM22.6 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 lower revenue of RM0.1 million (30.09.2012: RM5.5 million) mainly due to the dividend recognition from its available-for-sale financial assets in the corresponding quarter last year.

The Group recorded a loss after taxation of RM6.2 million for the current quarter as compared to a loss after taxation of RM35.2 million in the same quarter last year. The loss is mainly derived from the gross profit from local projects amounting to RM8.3 million (30.09.2012: overseas projects loss of RM7.9 million), gain from sale of available-for-sale financial assets amounting to RM2.1 million (30.09.2012: RM0.1 million). However, the gross profit and gain from sale of available-for-sale financial assets is offset by the loss in fair value of derivative of RM5.9 million (30.9.2012: gain of RM10.6 million) resulting from the valuation of the fair value of the equity collar derivative embedded with the term loan obtained in November 2011. In addition, the Group incurred finance cost of RM11.1 million (30.09.2012: RM3.6 million). The Group had also recorded an unfavourable unrealised foreign exchange loss of RM0.5 million (30.9.2012: RM1.4 million) for the current quarter. In the corresponding quarter last year there was a provision of tax expense and its related tax penalty charges of RM32.5 million incurred.

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 RM51.3 million as compared to a revenue of RM64.5 million in the preceding first quarter ended 30 June 2013.

The revenue for the both quarters is mainly contributed from the local projects of RM57.6 million in the current quarter and RM64.4 million in the first quarter ended 30 June 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 of RM0.1 million as opposed to the segment revenue of RM6.0 in the preceding first quarter is mainly due to the dividend recognised from available-for-sale financial assets in the first quarter ended 30 June 2013.

For the current quarter, the Group recorded a loss after taxation of RM6.2 million as compared to the preceding first quarter's profit after taxation of RM7.9 million. The loss for the quarter is mainly attributable to the loss on fair value of the derivative of RM5.9 million (30.06.2013: RM8.4 million) and higher finance cost of RM11.1 million (30.06.2013: RM8.4 million).

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 optimization and, where appropriate, cost reduction will continue to be the focal points in driving increased operational efficiencies.

The Group has embarked on the corporate exercise to dispose its available-for-sale investment, capital restructuring and issuance of rights issue with detachable warrants in order to enhance its financial position, strengthening its balance sheet and at the same time reducing its gearing position by paring down significantly its bank borrowings.

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		Six months Ended	
	30/09/2013 RM'000	30/09/2012 RM'000	30/09/2013 RM'000	30/09/2012 RM'000
Malaysian income tax	58	23	76	44
Overseas income tax	-	24,114	-	24,129
Deferred tax	(2)	-	(3)	(1)
Tax expense	56	24,137	73	24,172

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.

7. Borrowings and Debt Securities

**As at
30.09.2013
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	170,664
- I-Financing	13,585
- Hire purchase liabilities	420
	184,669
<i>Unsecured</i>	
- Overdraft	1
- Term loan	94,960
Total	279,630

(ii) Non-current borrowings	
<i>Secured</i>	
- Term loan	72,363
- I-Financing	55,463
- Hire purchase liabilities	1,362
Total	129,188

Included in the overdraft and term loan (current borrowing) is an amount of RM95.0 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 on each reporting date. As a result, the Group has recognised a loss on fair value of derivative of RM5.9 million during the quarter and RM14.3 million during the period ended 30 September 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 30 September 2013, the fair value on the available-for-sale financial assets reserve stood at RM92.7 million.

8. (Losses) / Earnings 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.

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

	Current Quarter Ended		Six Months Ended	
	30.09.13	30.09.12	30.09.13	30.09.12
Group's (loss)/profit for the period, attributable to the equity holders of the parent (RM' 000)	(6,216)	(35,202)	1,640	(12,216)
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
Basic and diluted (loss) /earnings per share for the period (sen)	(1.10)	(6.25)	0.29	(2.17)

The Group has no dilution in its earnings per ordinary share, as there is no potential dilutive ordinary shares in issue during the current financial period.

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

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

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	(1,341,353)	(1,185,116)
- unrealised	105,852	163,166
	(1,235,501)	(1,021,950)
Accumulated losses of the associates		
- realised	7,113	7,263
- unrealised	(4,898)	(4,763)
	(1,233,286)	(1,019,450)
Consolidated adjustments	842,377	626,901
Total accumulated losses as per consolidated accounts	(390,909)	(392,549)

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

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 2013, except in relation to Note 32 (d) of the Audited Financial Statement, the contractor, in the process of valuing the work done has submitted a revised claim in the sum of AED83,888,747 to three Court Experts for consideration. The subsidiary company's branch in Abu Dhabi has submitted its objection to the revised claim on the basis that there is no provision for the amount claimed under the contract and the sum claimed is not substantiated by documentary proof. The Court Experts fixed 5 December 2013 for a meeting for both parties to submit their final Memorandum.

11. Dividends

There was no dividend declared for the quarter under review.

12. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 November 2013.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
26 November 2013**