

ZELAN BERHAD
(formerly known as Tronoh Consolidated Malaysia Berhad)
(“ZB” or “the Group”)
(Company No: 27676-V)

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 APRIL 2007

1. Basis of Preparation

The interim financial report of the Group has been prepared in accordance with FRS 134, “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 January 2007.

The significant accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the Group’s most recent audited financial statements for the financial year ended 31 January 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the above new/revised FRSs did not result in a significant change in the accounting policies except that the adoption of the revised FRS 117 has resulted in a retrospective application of the change to the accounting policy relating to the classification of leasehold land. The up-front payment made for the leasehold land represents lease prepayments and is amortised on a straight-line basis over the lease term.

Upon adoption of the revised FRS 117 at 1 February 2007, the carrying amount of leasehold land is retained as the surrogate carrying amount of lease prepayments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as lease prepayments has been accounted for retrospectively and the prior year comparative has been reclassified accordingly.

The disclosure requirements of the revised FRS 124 will be presented in the annual financial statements for the financial year ending 31 January 2008.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the Group’s financial statements for the financial year ended 31 January 2007 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 were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and financial year to date under review because of their nature, size, or incidence except for the gain on deemed disposal of an associate of RM10.1 million (refer to Note 11(i) for further details) and a loss of RM0.038 million incurred on disposal of 3,220,600 Fiamma shares.

5. Changes in Estimates of Amount Reported Previously

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the current period.

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year.

7. Dividends Paid

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

8. Segmental Reporting**Analysis by business segments for the quarter and financial year to date:**

	Engineering & construction RM'000	Property & development RM'000	Manufacturing & trading RM'000	Investment & Others RM'000	Total RM'000
<u>Revenue</u>					
Total	293,842	33,641	13,268	11,219	351,970
Inter-segment	(115,807)	0	(3,334)	(10,861)	(130,002)
External	178,035	33,641	9,934	358	221,968
<u>Results</u>					
Segment profit/(loss)	22,119	3,128	1,140	(1,464)	24,923
Profit on disposal of investments				126	126
Gain on deemed disposal of investment in an associate				10,088	10,088
Interest income	884	0	46	12	942
Profit from Islamic deposits	208			107	315
Finance costs	(11)	(1)	(32)	(3)	(47)
Share of results of associates and joint ventures	8,212				8,212
Profit before taxation	31,412	3,127	1,154	8,866	44,559
Tax expense					(7,473)
Profit for the period					37,086

8. Segmental Reporting (Continued)

The primary reporting segment information of the Group is in respect of business segments as the Group's risks and returns are affected predominantly by the differences in the products and services it produces.

9. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Fair value adjustments that have been made at Group level on the property, plant, and equipment on the acquisition of subsidiaries in the previous years have been brought forward without amendment.

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

Material events subsequent to the end of the period under review that have not been reflected in the financial statements for the current quarter include:

- i) the sale of 12,000,000 ordinary shares of RM1.00 each in IJM for a cash consideration of RM8.45 per share. The gain on disposal of these shares amounted to approximately RM31.7 million.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 April 2007 except for the following:-

- i) On 2 April 2007, the Group's shareholding in IJM Corporation Berhad (IJM) was diluted to 11.4% due to the issuance of 258,889,538 new shares in IJM for its acquisition of Road Builders (M) Holdings Berhad. Effective from that date, IJM is no longer considered an associate of the Group.
- ii) Associated Mines (Malaya) Sdn Bhd, a 51% owned subsidiary of the Company, has been deconsolidated during the current quarter upon the receipt of the proceeds from the dissolution as this company has been dissolved by way of members' voluntary winding-up pursuant to Section 275(5) of the Companies Act, 1965.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. Capital Commitments

The amount of commitments as at the date of this report is as follows:-

	RM'000
<u>Property, plant and equipment</u>	
Authorised but not contracted for	5,973
Authorised and contracted for	0
	5,973

14. Review of Performance

For the current quarter under review, the Group recorded a revenue of RM222.0 million, an increase of 42.8% as compared to the preceding year's quarter. This is achieved due to higher contributions from the overseas projects of the Engineering and Construction Business Unit and improved sales from Hampshire Residences of the Property and Development Business Unit.

The Group recorded a higher profit after tax of RM37.1 million as compared to RM28.0 million in the preceding year's quarter. This is mainly attributable to a higher revenue recorded for the current quarter.

15. Comparison of Profit Before Tax for the Current Quarter with Immediate Preceding Quarter

For the current quarter, the Group recorded a profit before taxation of RM44.6 million as compared to the preceding quarter's profit of RM27.5 million. The higher profit was mainly due to a gain on the deemed disposal of investment in an associate and higher revenue recorded during the current quarter as compared to the immediate preceding quarter.

16. Current Year Prospects

Considering the enhanced order book size and businesses currently being pursued both locally and overseas, barring unforeseen circumstances, the Group is confident of an improved performance for the financial year ending 31 January 2008.

17. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued for the current financial year.

18. Taxation

	Current Quarter Ended		Year-To-Date Ended	
	30/04/2007 RM'000	30/04/2006 RM'000	30/04/2007 RM'000	30/04/2006 RM'000
Malaysian income tax	4,169	5,920	4,169	5,920
Overseas taxation	3,317	369	3,317	369
Deferred tax	(13)	(12)	(13)	(12)
Tax expense	7,473	6,277	7,473	6,277

The effective tax rate for the Group (excluding share of results of associates and jointly controlled entities) for the current quarter is lower than the statutory tax rate primarily due the gain on the deemed disposal of investment in an associate which is not taxable.

There has been no development on the Inland Revenue Board investigations of 13 January 2005 on the two (2) subsidiary companies as at the date of this announcement.

19. Profit/(Loss) on Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties outside the ordinary course of business for the current quarter and financial year to date under review.

20. Quoted Securities

There were no disposals of quoted securities for the current quarter and financial year to date under review except for the following:-

During the current quarter under review, the Group disposed of 3,220,600 shares of Fiamma Holdings Berhad for a cash consideration of RM2.055 million.

There were no quoted securities purchased during the current quarter under review and year-to-date.

The investments in quoted securities as at 30 April 2007 are as follows:-

- (i) at cost = RM461,907,811
- (ii) at carrying value = RM547,301,629
- (iii) at market value = RM820,708,949

21. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 28 June 2007 except for the Proposed Share Split involving the subdivision of every one (1) existing ordinary share of RM1 each held in the Company into two (2) ordinary shares of RM0.50 each (Proposed Share Split).

Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Securities Commission granted their approval on 31 May 2007 and 8 June 2007, respectively, for the Proposed Share Split and their approval in principle for the listing of and quotation for the split shares to be issued under the Proposed Share Split on the Main Board of Bursa Malaysia, subject to the Company and its adviser, CIMB Investment Bank Berhad being in full compliance with all the requirements of the Policies and Guidelines on Issue/Offer of Securities pertaining to the implementation of the Proposed Share Split.

The Proposal as announced on 27 April 2007 is subject to approval by the shareholders at the forthcoming Extraordinary General Meeting on 29 June 2007.

22. Borrowings and Debt Securities

	As at 30.04.07 RM'000
(i) Current borrowings	
Secured:-	
- Revolving Credit	5,000
- Term loans	482
Unsecured:-	
- Hire purchase liabilities	999
	<u>6,481</u>
(ii) Non current borrowings	
Secured:-	
-Term loans	767
Unsecured:-	
-Hire purchase liabilities	2,110
	<u>2,877</u>
Total	9,358 =====

Included in the hire purchase liabilities is an amount of RM604,953 which is denominated in United Arab Emirates Dirhams, of which RM208,224 and RM396,729 relate to current balance and non-current balance, respectively.

23. Off Balance Sheet Financial Instruments

The position of forward foreign exchange contracts of the Group as at 21 June 2007 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
(i)	17 April 2007 to 10 October 2007	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 981	1 SGD= RM2.273	2,229
(ii)	25 January 07 to 30 July 2007	US Dollar (USD)	Ringgit Malaysia (RM)	USD 1,050	1 USD RM3.4628	3,636

These contracts are executed with creditworthy financial institutions and therefore the Directors are of the view that, at present, the credit and market risks associated with these contracts are minimal.

24. Earnings Per Share

The basic earnings per share for the financial period has been calculated based on the Group's consolidated profit attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares outstanding at the end of the period.

	Current Quarter Ended		Year-To-Date Ended	
	30/04/07	30/04/06	30/04/07	30/04/06
Group's profit for the period, attributable to the equity holders of the parent (RM' Million)	36.908	27.545	36.908	27.545
Weighted average number of ordinary shares in issue (Million)	281.632	281.632	281.632	281.632
Earnings per share (sen)				
(a) Basic	13.11	9.78	13.11	9.78
(b) Diluted	13.11	9.78	13.11	9.78

The Group does not have in issue any financial instruments or other contracts that may entitle its holder to ordinary shares and therefore dilute its basic earnings per share.

25. Changes in Material Litigation

There were no changes in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries since the last annual balance sheet date of 31 January 2007.

26. Dividends

There was no dividend declared for the quarter under review. No dividend had been declared for the financial period ended 30 April 2006.

27. Authorisation for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 28 June 2007.

By order of the Board

Ang Seng Oo
Secretary

Kuala Lumpur
28 June 2007