

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2008

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 fourteen-month period ended 31 March 2008.

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 fourteen-month period ended 31 March 2008, except for the adoption of the following new / revised Financial Reporting Standards (“FRS”) which are effective for the financial period commencing on 1 April 2008:

- FRS 107 : Cash Flow Statements
- FRS 111 : Construction Contracts
- FRS 112 : Income Taxes
- FRS 118 : Revenue
- Amendments to FRS 121 :The Effects of Changes in Foreign Exchange Rates - Net Investments in a Foreign Operation
- FRS 134 : Interim Financial Reporting
- FRS 137 : Provisions, Contingent Liabilities and Contingent Assets.

The adoption of the above new / revised FRSs did not result in a significant change in the accounting policies of the Group.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the Group’s financial statements for the fourteen-month period ended 31 March 2008 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 reduction of fair value reserve amounting to RM49.401 million in respect of the available-for-sale investment for the quarter ended 30 June 2008.

5. Changes in Estimates of Amount Reported Previously

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

6. Debt and Equity Securities

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

7. Dividends Paid

The amount of dividends paid during the financial period ended 30 June 2008 was as follows:

	RM'000
In respect of the fourteen-month period ended 31 March 2008	
Second interim dividend of 6.5 sen per ordinary share of RM0.50 each, less income tax at 25%	<u>27,459</u>

The dividend was paid on 30 June 2008.

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	565,605	60,288	13,477	206	639,576
Inter-segment	(38,341)	0	(3,469)	(4)	(41,814)
External	<u>527,264</u>	<u>60,288</u>	<u>10,008</u>	<u>202</u>	<u>597,762</u>

8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Manufacturing & trading RM'000	Investment & others RM'000	Total RM'000
Results					
Segment profit/(loss)	28,674	14,142	1,231	(2,261)	41,786
Interest income	626	393	49	9	1,077
Profit from Islamic deposits	0			215	215
Investment income	0	215		210	425
Finance costs	(24)	0	(14)	(12)	(50)
Share of results of associates and jointly controlled entities	1,423				1,423
Profit before taxation	30,699	14,750	1,266	(1,839)	44,876
Tax expense					(12,848)
Profit for the quarter					<u>32,028</u>

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 acquisition of subsidiaries in the previous years have been brought forward without amendment.

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

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the interim financial report for the current quarter.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2008.

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	9,364
Authorised and contracted for	0
	<u>9,364</u>

14. Change of financial year

On 17 December 2007, the financial year of the Company has been changed from 31 January to 31 March commencing financial period ending 31 March 2008 and thereafter to end on 31 March of every subsequent year.

Accordingly, there are no comparative figures for the current quarter and the preceding year corresponding period.

15. Review of Performance

For the current quarter under review, the Group recorded a revenue of RM597.8 million and a profit after taxation of RM32.0 million, derived principally from overseas projects in Indonesia and Kingdom of Saudi Arabia.

Due to the change in the financial year end as stated in Note 14, there are no comparative figures for the current quarter ended 30 June 2008 against preceding year's corresponding quarter. The quarterly results ended 30 April 2007 have been attached for illustration purpose only.

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

For the current quarter, the Group recorded a revenue of RM597.8 million and a profit before taxation of RM44.9 million as compared to a revenue of RM530.9 million and a profit before taxation of RM46.3 million in the preceding quarter.

Despite higher revenue, the slightly lower profit before taxation is mainly due to the lower contributions from an associate as a result of a reduction in its project's profit margin, mainly due to the rapid escalation of construction materials cost.

17. Current Year Prospects

Looking forward, the Group's revenue will come from the order book secured in the Kingdom of Saudi Arabia, United Arab Emirates, India and Indonesia.

Considering the current projects on hand and taking into account the increased cost of construction materials, the Group's performance, despite the challenges, is expected to be satisfactory for the financial year ending 31 March 2009.

18. Profit Forecast or Profit Guarantee

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

19. Taxation

	Current Quarter Ended	Current Year to Date Ended
	30/06/2008 RM'000	30/06/2008 RM'000
Malaysian income tax	5,432	5,432
Overseas taxation	7,428	7,428
Deferred tax	(12)	(12)
Tax expense	12,848	12,848

The Group operates in the following countries and the statutory tax rates applicable in the respective countries are:-

	<i>Corporate Tax</i>	<i>Branch profit tax</i>
India	33%	N/A
Indonesia	30%	12.5%
Kingdom of Saudi Arabia (KSA)	20%	N/A
United Arab Emirates (UAE)	Nil	N/A

The effective tax rates for the Group's operations locally and in the above countries approximate the applicable statutory tax rates in those jurisdictions.

20. 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.

21. Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial year to date under review.

The investments in quoted securities as at 30 June 2008 are as follows:-

(i)	at cost	= RM403,149,811
(ii)	at carrying value	= RM452,838,991
(iii)	at market value	= RM452,838,991

22. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 25 August 2008.

23. Borrowings and Debt Securities

**As at
30.06.08
RM'000**

(i) Current borrowings	
<i>Secured:-</i>	
- Overdraft	2,516
- Term loans	30,276
<i>Unsecured</i>	
- Term Loan	53,214
<i>Unsecured:-</i>	
- Hire purchase liabilities	917
	86,923

(ii) Non current borrowings	
<i>Unsecured:-</i>	
-Hire purchase liabilities	1,495
	1,495
Total	88,418

Included in the term loan (current portion) is an amount of RM0.31 million which is denominated in United Arab Emirates Dirhams, RM27.2 million which is denominated in United States Dollars and RM26.0 million which is denominated in Saudi Riyal .

Included in the hire purchase liabilities is an amount of RM0.62 million which is denominated in United Arab Emirates Dirhams, of which RM0.36 million and RM0.26 million relate to current and non-current balances, respectively.

24. Off Balance Sheet Financial Instruments

The position of forward foreign exchange contracts of the Group as at 18 August 2008 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
(i)	15 April 2008 to 14 October 2008	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 99	1 SGD= RM2.3530	233
(ii)	21 May 2008 to 31 October 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 538	1 USD= RM3.2230	1,732
(iii)	22 February 2008 to 26 August 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 1,006	1 USD= RM3.2165	3,234
(iv)	4 April 2008 to 8 October 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 250	1 USD= RM3.1930	798
(v)	7 May 2008 to 10 November 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 1,800	1 USD= RM3.1520	5,674
(vi)	14 May 2008 to 17 November 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 400	1 USD= RM3.2320	1,293
(vii)	22 February 2008 to 26 August 2008	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 1,061	1 SGD= RM2.2960	2,436

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.

25. 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
	30/06/08	30/06/08
Group's profit for the period, attributable to the equity holders of the parent (RM' Million)	26.292	26.292
Weighted average number of ordinary shares in issue (Million)	563.264	563.264
Earnings per share (sen)		
(a) Basic	4.67	4.67
(b) Diluted	4.67	4.67

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.

26. 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 March 2008.

27. Dividends

There was no dividend declared for the quarter under review.

28. Authorisation for Issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2008.

By order of the Board

**Suhla Al Asri
Ang Seng Oo
Secretaries**

**Kuala Lumpur
25 August 2008**