

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 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 RM115.268 million in respect of the available-for-sale investment for the financial period ended 30 September 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 September 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:**

	Engineering & construction RM'000	Property & development RM'000	Manufacturing & trading RM'000	Investment & others RM'000	Total RM'000
<b><u>Revenue</u></b>					
Total	434,560	58,979	5,303	4,318	503,160
Inter-segment	(25,881)	0	(148)	(5)	(26,034)
External	<b><u>408,679</u></b>	<b><u>58,979</u></b>	<b><u>5,155</u></b>	<b><u>4,313</u></b>	<b><u>477,126</u></b>

**8. Segmental Reporting (Continued)**

	Engineering & construction RM'000	Property & development RM'000	Manufacturing & trading RM'000	Investment & others RM'000	Total RM'000
<b>Results</b>					
Segment profit/(loss)	23,701	6,761	128	(1,369)	29,221
Interest income	1,368	379	373	5	2,125
Profit from Islamic deposits	0	0	0	154	154
Investment income	0	309	0	0	309
Finance costs	(46)	0	(10)	(11)	(67)
Allowance for decline in value of warrants	0	0	0	(2,264)	(2,264)
Share of results of associates and jointly controlled entities	4,538			(38)	4,500
Profit/ (Loss) before taxation	29,561	7,449	491	(3,523)	33,978
Tax expense					(6,813)
Profit for the quarter					<b>27,165</b>

**Analysis by business segments for the financial year to date:**

	Engineering & construction RM'000	Property & development RM'000	Manufacturing & trading RM'000	Investment & others RM'000	Total RM'000
<b>Revenue</b>					
Total	1,000,165	119,267	18,780	4,524	1,142,736
Inter-segment	(64,222)	0	(3,617)	(9)	(67,848)
External	<b>935,943</b>	<b>119,267</b>	<b>15,163</b>	<b>4,515</b>	<b>1,074,888</b>
<b>Results</b>					
Segment profit/(loss)	52,375	20,903	1,359	(3,630)	71,007
Interest income	1,994	772	422	14	3,202
Profit from Islamic deposits	0	0	0	369	369
Investment income	0	524		210	734
Finance costs	(70)	0	(24)	(23)	(117)
Allowance for decline in value of warrants	0	0	0	(2,264)	(2,264)
Share of results of associates and jointly controlled entities	5,961			(38)	5,923
Profit/ (Loss) before taxation	60,260	22,199	1,757	(5,362)	78,854
Tax expense					(19,661)
Profit for the period					<b>59,193</b>

**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 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 except as follows:

- (i) On 14 October 2008, a subsidiary company Zelan Corporation Sdn Bhd (ZCSB) together with TRC Construction Public Company Limited and Maneeya Realty Co. Ltd terminated the Sale and Purchase Agreement dated 4 March 2008 with Real Gold (Labuan) Ltd in relation to the disposal of 810,000 ordinary shares of Baht 100 each representing 100% equity interest in Ratcha Ploen Company Ltd (a 35% associate of ZCSB) for Baht 585,900,000 equivalent to approximately RM53.7 million.
- (ii) On 4 November 2008, the Company announced that its subsidiary Zelan Holdings (M) Sdn Bhd has terminated its 70:30 Joint Venture Agreement with Al Ambia Sdn Bhd in relation to the Meena Plaza Project in Abu Dhabi, United Arab Emirates.

**11. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter ended 30 September 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:-

<u>Property, plant and equipment</u>	RM'000
Authorised but not contracted for	9,363
Authorised and contracted for	0
	<u>9,363</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 RM477.1 million and a profit after taxation of RM27.2 million, derived principally from overseas projects in Indonesia, Kingdom of Saudi Arabia, United Arab Emirates and India.

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 September 2008 against preceding year's corresponding quarter. The quarterly results ended 31 July 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 RM477.1 million and a profit before taxation of RM34.0 million as compared to a revenue of RM597.8 million and a profit before taxation of RM44.9 million in the preceding quarter.

The lower revenue is mainly due to lower revenue recognised from Rembang project as compared to the previous quarter.

The allowance for decline in value of warrants relates to the Company's holding of IJM Land Berhad warrants as highlighted in Note 21.

Other operating income for the quarter comprise mainly of RM3.7 million foreign exchange gain and project management fee of RM2.4 million.

**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 financial turmoil worldwide and the increased cost of construction materials during the first nine months of the calendar year, the Group is cautiously mindful of the challenges ahead.

Notwithstanding the above and given the current order book in hand, the Group is expected to produce a relatively satisfactory performance for the financial year ending 31 March 2009, barring any unforeseen circumstances.

**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
	30/09/2008 RM'000	30/09/2008 RM'000
Malaysian income tax	3,761	9,193
Overseas taxation	3,064	10,492
Deferred tax	(12)	(24)
<b>Tax expense</b>	<b>6,813</b>	<b>19,661</b>

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 except that during the current quarter and year to date under review, the Group had received from IJM Berhad (“IJM”), 8,233,436 warrants in IJM Land Berhad for every ten shares held in IJM, as tax exempt dividends in specie.

- (i) at distributed value = RM4,116,718
- (ii) at carrying value = RM1,852,523
- (iii) at market value = RM1,852,523

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

- (i) at cost/distributed value = RM407,266,529
- (ii) at carrying value = RM388,824,024
- (iii) at market value = RM388,824,024

**22. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at 10 November 2008.

**23. Borrowings and Debt Securities**

**As at  
30.09.08  
RM'000**

<b>(i) Current borrowings</b>	
<i>Secured:-</i>	
- Term loans	74,112
<i>Unsecured</i>	
- Term Loan	17,248
<i>Secured:-</i>	
- Hire purchase liabilities	811
	<b>92,171</b>

<b>(ii) Non current borrowings</b>	
<i>Unsecured:-</i>	
-Term Loan	302
<i>Secured:-</i>	
-Hire purchase liabilities	1,337
	<b>1,639</b>
<b>Total</b>	<b>93,810</b>

**23. Borrowings and Debt Securities (Continued)**

Included in the term loan (current portion) is an amount of RM15.08 million which is denominated in United Arab Emirates Dirhams, RM36.9 million which is denominated in United States Dollars and RM17.2 million which is denominated in Saudi Riyal .

Included in the term loan (non-current balance) is an amount of RM0.30 million which is denominated in United Arab Emirates Dirhams.

Included in the hire purchase liabilities is an amount of RM0.52 million which is denominated in United Arab Emirates Dirhams, of which RM0.32 million and RM0.20 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 3 November 2008 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
(i)	7 May 2008 to 10 November 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 1,800	1 USD= RM3.1520	5,674
(ii)	14 May 2008 to 17 November 2008	US Dollar (USD)	Ringgit Malaysia (RM)	USD 400	1 USD= RM3.2320	1,293
(iii)	28 August 2008 to 20 February 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 884	1 USD= RM3.37	2,979
(iv)	28 August 2008 to 20 February 2009	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 1,061	1 SGD= RM2.3913	2,537
(v)	21 October 2008 to 10 March 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 160	1 USD= RM3.48	557
(vi)	31 October 2008 to 4 May 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 474	1 USD= RM3.5310	1,673



**24. Off Balance Sheet Financial Instruments (Continued)**

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
	30/09/08	30/09/08
Group's profit for the period, attributable to the equity holders of the parent (RM' Million)	21.926	48.218
Weighted average number of ordinary shares in issue (Million)	563.264	563.264
<b>Earnings per share (sen)</b>		
<b>(a) Basic</b>	3.89	8.56
<b>(b) Diluted</b>	3.89	8.56

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**

A second interim dividend of 6.5 sen per ordinary share of RM0.50 each less income tax at 25%, amounting to RM27.459 million in respect of the financial period ended 31 March 2008 was declared on 29 May 2008 by the Board of Directors. The said dividend was paid on 30 June 2008.

An interim dividend of 5.0 sen per ordinary share of RM0.50 each less income tax of 25%, was declared on 10 November 2008 by the Board of Directors in respect of the current financial year-to-date. The interim dividend will be paid on Tuesday, 9 December 2008 to every depositor registered in the Record of Depositors at the close of business on Wednesday, 26 November 2008.

**27. Dividends (Continued)**

Notice of Interim Dividend Payment and Entitlement Date

Notice is hereby given that an interim dividend of 5.0 sen less income tax of 25% per ordinary share of RM0.50 each in respect of the financial year ending 31 March 2009 will be payable on Tuesday, 9 December 2008 to the shareholders whose names appear on the Company's Register of Members and / or Record of Depositors at the close of business on Wednesday, 26 November 2008. A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on Wednesday, 26 November 2008 in respect of ordinary shares.
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia.

**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 10 November 2008.

**By order of the Board**

**Suhla Al Asri  
Ang Seng Oo  
Secretaries**

**Kuala Lumpur  
10 November 2008**