

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 DECEMBER 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 under review because of their nature, size, or incidence except for:-

- i) the reduction of fair value reserve amounting to RM156.435 million in respect of the available-for-sale investment.
- ii) The loss on contracts amounting to RM106.1 million in respect of projects in United Arab Emirates (RM8.7 million) and Kingdom of Saudi Arabia (RM97.4 million).

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year to date under review because of their nature, size, or incidence except for:-

- i) the reduction of fair value reserve amounting to RM271.703 million in respect of the available-for-sale investment.
- ii) The loss on contracts amounting to RM106.1 million in respect of projects in United Arab Emirates (RM8.7 million) and Kingdom of Saudi Arabia (RM97.4 million).

#### **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 quarter and year to date.

#### **7. Dividends Paid**

The amount of dividends paid during the financial period ended 31 December 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.

## 7. Dividends Paid (Continued)

The amount of dividends paid during the financial period ended 31 December 2008 was as follows:

	RM'000
In respect of the financial year ending 31 March 2009	
Interim dividend of 5.0 sen per ordinary share of RM0.50 each, less income tax at 25%	<u>21,122</u>

The dividend was paid on 9 December 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	380,304	19,749	11,196	24,332	435,581
Inter-segment	(27,538)	0	(958)	(4)	(28,500)
External	<b>352,766</b>	<b>19,749</b>	<b>10,238</b>	<b>24,328</b>	<b>407,081</b>

### **Results**

Segment (loss)/profit	(157,058)	(2,313)	1,245	21,987	(136,139)
Interest income	891	86	19	20	1,016
Profit from Islamic deposits	0	0	0	132	132
Investment income	0	278	0	0	278
Finance costs	(12)	0	(7)	(10)	(29)
Allowance for decline in value of warrants	0	0	0	(288)	(288)
Share of results of associates and jointly controlled entities	3,611			(5)	3,606
(Loss)/Profit before taxation	(152,568)	(1,949)	1,257	21,836	(131,424)
Tax expense					600
Loss for the quarter					<b><u>(130,824)</u></b>

## 8. Segmental Reporting (Continued)

### 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	1,380,469	139,016	29,976	28,856	1,578,317
Inter-segment	(91,760)	0	(4,575)	(13)	(96,348)
External	<b>1,288,709</b>	<b>139,016</b>	<b>25,401</b>	<b>28,843</b>	<b>1,481,969</b>
<b>Results</b>					
Segment (loss)/profit	(104,683)	18,590	2,604	18,357	(65,132)
Interest income	2,885	858	441	34	4,218
Profit from Islamic deposits	0	0	0	501	501
Investment income	0	802		210	1,012
Finance costs	(82)	0	(31)	(33)	(146)
Allowance for decline in value of warrants	0	0	0	(2,552)	(2,552)
Share of results of associates and jointly controlled entities	9,572	0	0	(43)	9,529
(Loss)/Profit before taxation	(92,308)	20,250	3,014	16,474	(52,570)
Tax expense					(19,061)
Loss for the period					<b>(71,631)</b>

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 and Investment Properties

Property, plant and equipment and investment properties 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 31 December 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	9,308
Authorised and contracted for	<u>0</u>
	<u>9,308</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 RM407.1 million, derived principally from the overseas projects in Indonesia, Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE"). The Group recorded a loss after taxation of RM130.9 million, mainly attributable to:

Foreseeable losses for on-going projects in the Middle East as a result of higher sub-contracting costs for specialist works (due to unforeseen adverse weather conditions), higher contracted material prices, increase in staff costs, other higher project expenses & financing costs and an accelerated write down of fixed assets costs employed for these overseas projects, now considered due to the global economic crisis.

**15. Review of Performance (Continued)**

Due to the change in the financial year end as stated in Note 14, there are no comparative figures for the current quarter ended 31 December 2008 against preceding year's corresponding quarter. The quarterly results ended 31 October 2007 have been attached for illustration purpose only.

**16. Comparison of (Loss) / Profit Before Tax for the Current Quarter with Immediate Preceding Quarter**

For the current quarter, the Group recorded a revenue of RM407.1 million and a loss before taxation of RM131.4 million as compared to a revenue of RM477.1 million and a profit before taxation of RM34.0 million in the preceding quarter.

The Group's losses before taxation in the current quarter is contributed mainly by the project losses in KSA and UAE and a reduction in margin for an Indonesian project.

**17. Current Year Prospects**

Looking forward, the Group's revenue will continue to 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 and other project expenses, during the first nine months of the calendar year, the Group will register a loss for the current financial year.

**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
	31/12/2008 RM'000	31/12/2008 RM'000
Malaysian income tax	5,817	15,010
Overseas taxation	(6,405)	4,087
Deferred tax	(12)	(36)
Tax expense	<b>(600)</b>	<b>19,061</b>

**19. Taxation (Continued)**

The Group operates in the following overseas 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 the 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 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 = RM1,564,353
- (iii) at market value = RM1,564,353

The investments in quoted securities as at 31 December 2008 are as follows:-

- (i) at cost/distributed value = RM234,652,932
- (ii) at carrying value = RM232,100,566
- (iii) at market value = RM232,100,566

**22. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at 26 February 2009.

**23. Borrowings and Debt Securities**

**As at  
31.12.08  
RM'000**

<b>(i) Current borrowings</b>	
<i>Secured:-</i>	
- Term loans	56,076
<i>Unsecured</i>	
- Term Loan	34,108
<i>Secured:-</i>	
- Hire purchase liabilities	737
	<b>90,921</b>
<b>(ii) Non-current borrowings</b>	
<i>Unsecured:-</i>	
-Term Loan	320
<i>Secured:-</i>	
-Hire purchase liabilities	1,122
	<b>1,442</b>
<b>Total</b>	<b>92,363</b>

Included in the term loan (current portion) is an amount of RM27.9 million which is denominated in United Arab Emirates Dirhams, RM28.7 million which is denominated in United States Dollars and RM1.7 million which is denominated in Saudi Riyal .

Included in the term loan (non-current balance) is an amount of RM0.32 million which is denominated in United Arab Emirates Dirhams.

Included in the hire purchase liabilities is an amount of RM0.46 million which is denominated in United Arab Emirates Dirhams, of which RM0.32 million and RM0.14 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 19 February 2008 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
(i)	28 August 2008 to 20 February 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 69	1 USD= RM3.3700	233
(ii)	21 October 2008 to 10 March 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 160	1 USD= RM3.4800	557
(iii)	10 November 2008 to 7 May 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 1,374	1 USD= RM3.5200	4,836
(iv)	28 August 2008 to 20 February 2009	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 872	1 SGD= RM2.3913	2,085
(v)	21 November 2008 to 14 May 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 191	1 USD= RM3.603	688

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.

**25. Earnings Per Share (Continued)**

	Current Quarter Ended	Year-To-Date Ended
	31/12/08	31/12/08
Group's loss for the period, attributable to the equity holders of the parent (RM' Million)	(127.902)	(79.684)
Weighted average number of ordinary shares in issue (RM' Million)	563.264	563.264
<b>Earnings per share (sen)</b>		
<b>(a) Basic</b>	(22.71)	(14.15)
<b>(b) Diluted</b>	N/A	N/A

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 26 February 2009.

**By order of the Board**

**Suhla Al Asri**  
**Secretary**

**Kuala Lumpur**  
**26 February 2009**