

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2009

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 RM113.621 million in respect of the available-for-sale investment.
- ii) The loss on contracts amounting to RM67.4 million in respect of projects in United Arab Emirates (RM38.4 million) and Kingdom of Saudi Arabia (RM29.0 million).
- iii) The impairment loss on goodwill amounting to RM2.9 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 RM158.082 million in respect of the available-for-sale investment.
- ii) The loss on contracts amounting to RM173.5 million in respect of projects in United Arab Emirates (RM47.1 million) and Kingdom of Saudi Arabia (RM126.4 million).
- iii) The impairment loss on goodwill amounting to RM2.9 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 year ended 31 March 2009 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)

RM'000

In respect of the financial year ended 31 March 2009

Interim dividend of 5.0 sen per ordinary share of RM0.50 each, less income tax at 25%

21,122

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
Revenue					
Total	532,348	60,998	8,555	2,332	604,233
Inter-segment	(63,247)	(9,000)	(5,728)	(4)	(77,979)
External	469,101	51,998	2,827	2,328	526,254
Results					
Segment (loss)/profit	(34,439)	17,094	(555)	(49,939)	(67,839)
Interest income	(52)	154	34	1	137
Profit from Islamic deposits	0	0	0	70	70
Investment income	0	211	0	(44)	167
Finance costs	(1,639)	(3)	3	(6)	(1,645)
Impairment loss on goodwill	0	0	(2,942)	0	(2,942)
Share of results of associates and jointly controlled entities	2,621			41	2,662
(Loss)/Profit before taxation	(33,509)	17,456	(3,460)	(49,877)	(69,390)
Tax expense					(547)
Loss for the quarter					(69,937)

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
Revenue					
Total	1,912,817	200,014	38,531	31,189	2,182,551
Inter-segment	(155,007)	(9,000)	(10,303)	(17)	(174,327)
External	1,757,810	191,014	28,228	31,172	2,008,224
Results					
Segment (loss)/profit	(139,122)	35,684	2,049	(31,582)	(132,971)
Interest income	2,833	1,012	475	35	4,355
Profit from Islamic deposits	0	0	0	571	571
Investment income	0	1,013		166	1,179
Finance costs	(1,721)	(3)	(28)	(39)	(1,791)
Impairment loss on goodwill	0	0	(2,942)	0	(2,942)
Impairment loss on marketable securities	0	0	0	(2,552)	(2,552)
Share of results of associates and jointly controlled entities	12,193	0	0	(2)	12,191
(Loss)/Profit before taxation	(125,817)	37,706	(446)	(33,403)	(121,960)
Tax expense					(19,608)
Loss for the period					(141,568)

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 March 2009.

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 Group did not have any capital commitment as at 31 March 2009.

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 RM526.3 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 RM69.9 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 and financing costs 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 March 2009 against preceding year's corresponding two months ended 31 December 2007. The two months results ended 31 December 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 RM526.3 million and a loss before taxation of RM69.4 million as compared to a revenue of RM407.1 million and a loss before taxation of RM131.4 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 impairment losses on marketable securities and impairment on goodwill.

17. Current Year Prospects

Looking forward, the Group's revenue will continue to come from the order book secured and promising prospects in the overseas and domestic markets.

Considering the current financial turmoil worldwide the Group is cautiously mindful of the challenges ahead. Notwithstanding the above, the Group is expected to produce a relatively satisfactory performance for the financial year ending 31 March 2010.

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
	31/03/2009 RM'000	31/03/2009 RM'000
Malaysian income tax	1,892	16,902
Overseas taxation	(1,330)	2,757
Deferred tax	(15)	(51)
Tax expense	547	19,608

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 in India and Indonesia approximate the applicable statutory tax rates in the jurisdictions.

The effective tax rates for the Group's operations locally and in KSA are lower than the applicable statutory tax rates mainly due to the losses incurred.

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

21. Quoted Securities (Continued)

The investments in quoted securities as at 31 March 2009 are as follows:-

(i)	at cost/distributed value	= RM348,274,351
(ii)	at carrying value	= RM345,721,986
(iii)	at market value	= RM345,721,986

22. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 28 May 2009.

23. Borrowings and Debt Securities

**As at
31.03.09
RM'000**

(i) Current borrowings	
<i>Secured:-</i>	
- Revolving Credit	35,974
- Term loans	76,898
<i>Unsecured</i>	
- Overdraft	7,467
- Term Loan	17,357
<i>Secured:-</i>	
- Hire purchase liabilities	791
	138,487
(ii) Non-current borrowings	
<i>Secured:-</i>	
- Term loans	291
<i>Unsecured:-</i>	
-Term Loan	220
<i>Secured:-</i>	
-Hire purchase liabilities	881
	1,392
Total	139,879

23. Borrowings and Debt Securities (Continued)

Included in the term loan (current portion) is an amount of RM58.0 million which is denominated in United Arab Emirates Dirhams, RM25.3 million which is denominated in United States Dollars and RM24.3 million which is denominated in Saudi Riyal .

Included in the term loan (non-current balance) is an amount of RM0.51 million which is denominated in United Arab Emirates Dirhams.

Included in the hire purchase liabilities is an amount of RM0.41 million which is denominated in United Arab Emirates Dirhams, of which RM0.29 million and RM0.12 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 21 May 2009 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
(i)	8 May 2009 to 12 November 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 95	1 USD= RM3.5280	335
(ii)	14 May 2009 to 18 November 2009	US Dollar (USD)	Ringgit Malaysia (RM)	USD 191	1 USD= RM3.6120	690
(iii)	23 February 2009 to 25 August 2009	SGD Dollar (SGD)	Ringgit Malaysia (RM)	SGD 608	1 SGD= RM2.3933	1,455

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
	31/03/09	31/03/09
Group's loss for the period, attributable to the equity holders of the parent (RM' Million)	(67.448)	(147.132)
Weighted average number of ordinary shares in issue (RM' Million)	563.264	563.264
Earnings per share (sen)		
(a) Basic	(11.97)	(26.12)
(b) Diluted	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 28 May 2009.

By order of the Board

Suhla Al Asri
Secretary

Kuala Lumpur
28 May 2009