

ZELAN BERHAD
(Company No: 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/09/2014 RM'000	Preceding year quarter 30/09/2013 RM'000	Current year to date 30/09/2014 RM'000	Preceding year to date 30/09/2013 RM'000
Continuing operations				
Revenue	63,079	51,590	124,104	122,317
Cost of sales	<u>(51,989)</u>	<u>(43,282)</u>	<u>(93,524)</u>	<u>(99,881)</u>
Gross profit	11,090	8,308	30,580	22,436
Other income	763	911	1,710	1,172
Interest income	10,008	5,654	18,629	10,957
- income / profit on placement of deposits	324	111	1,093	163
- unwinding of discounting on trade receivables and trade payables	5,636	5,543	10,290	10,794
- accretion of interest on long term receivables	4,048	-	7,246	-
Gain on disposal of available-for-sale financial assets	-	2,124	-	14,194
Loss on fair value of derivative	-	(5,929)	-	(14,339)
Unrealised foreign exchange gain / (loss),net	1,873	(467)	(1,029)	(781)
Administrative expenses	(2,258)	(4,194)	(5,484)	(8,904)
Operating expenses	(2,179)	(1,220)	(4,868)	(2,011)
Depreciation	(469)	(650)	(947)	(1,236)
Finance costs	(3,065)	(11,060)	(4,960)	(19,518)
- finance cost on borrowings	(514)	(7,633)	(1,078)	(13,706)
-discounting of long term trade receivables and unwinding of trade payables	(2,551)	(3,427)	(3,882)	(5,812)
Share of results of associates	(456)	335	32	(286)
Profit / (loss) before taxation	<u>15,307</u>	<u>(6,188)</u>	<u>33,663</u>	<u>1,684</u>
Tax expense	(1,981)	(56)	(7,781)	(73)
Net profit / (loss) for the period	<u>13,326</u>	<u>(6,244)</u>	<u>25,882</u>	<u>1,611</u>
Profit / (loss) for the period				
Attributable to:				
Equity holders of the parent	13,332	(6,216)	25,903	1,640
Non-controlling interests	(6)	(28)	(21)	(29)
	<u>13,326</u>	<u>(6,244)</u>	<u>25,882</u>	<u>1,611</u>
Earnings / (loss) per share :				
Basic earnings per share attributable to equity holders of the Company (sen)	<u>1.58</u>	<u>(1.10)</u>	<u>3.07</u>	<u>0.29</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>1.41</u>	<u>(1.10)</u>	<u>2.86</u>	<u>0.29</u>

The Consolidated Statement of Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2014.

ZELAN BERHAD
(Company No: 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/09/2014 RM'000	Preceding year quarter 30/09/2013 RM'000	Current year to date 30/09/2014 RM'000	Preceding year to date 30/09/2013 RM'000
Profit / (loss) for the period	13,326	(6,244)	25,882	1,611
Other comprehensive income / (loss) :				
<i>Items that may be reclassified subsequently to profit or loss :</i>				
Changes in the fair value of available-for-sale financial assets	-	7,479	-	20,321
Reversal of fair value on disposal of available-for-sale financial assets	-	(2,124)	-	(14,194)
Exchange difference from translation of foreign operations	290	3,447	1,791	4,562
Total items that may be reclassified subsequently to the profit or loss	290	8,802	1,791	10,689
Total comprehensive income for the period	13,616	2,558	27,673	12,300
Total comprehensive income / (loss) for the period				
Attributable to:				
Equity holders of the parent	13,621	2,555	27,682	12,298
Non-controlling interests	(5)	3	(9)	2
	13,616	2,558	27,673	12,300

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2014.

ZELAN BERHAD
(Company No: 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	As at end of	As at preceding
	current quarter	financial year end
	30/09/2014	31/03/2014
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,435	11,426
Investment properties	5,060	5,131
Investments in associates	62	30
Financial and other receivables	258,324	213,454
Deposits, cash and bank balances (restricted)	10,932	10,438
	<u>284,813</u>	<u>240,479</u>
Current assets		
Inventories	9,080	9,080
Financial and other receivables	115,611	257,497
Tax recoverable	2,129	2,172
Deposits pledged as security (restricted)	15,963	3,839
Deposits, cash and bank balances (non-restricted)	23,203	19,723
	<u>165,986</u>	<u>292,311</u>
TOTAL ASSETS	<u>450,799</u>	<u>532,790</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	84,489	84,489
Reserves	80,090	52,408
	<u>164,579</u>	<u>136,897</u>
Non-controlling interests	(193)	(184)
Total equity	<u>164,386</u>	<u>136,713</u>
Non-current liabilities		
Borrowings	151,651	93,413
Deferred tax liabilities	3,092	2,669
	<u>154,743</u>	<u>96,082</u>
Current liabilities		
Trade and other payables	110,328	264,961
Borrowings	13,941	31,222
Current tax liabilities	7,401	3,812
	<u>131,670</u>	<u>299,995</u>
Total liabilities	<u>286,413</u>	<u>396,077</u>
TOTAL EQUITY AND LIABILITIES	<u>450,799</u>	<u>532,790</u>
Net assets per share (RM)	<u>0.19</u>	<u>0.16</u>

The Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2014.

ZELAN BERHAD
(Company No: 27676-V)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Share Capital RM'000	Share Premium RM'000	Warrants Reserve # RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Fair Value Reserve ^ RM'000	(Accumulated losses) / Retained Earnings RM'000	Sub Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Six months to 30 September 2014											
Balance as at 1 April 2014	84,489	-	14,082	6,222	35,457	4,254	-	(7,607)	136,897	(184)	136,713
Profit / (loss) for the period	-	-	-	-	-	-	-	25,903	25,903	(21)	25,882
Other comprehensive income:											
Currency translation reserve	-	-	-	1,779	-	-	-	-	1,779	12	1,791
Total comprehensive income / (loss) for the period	-	-	-	1,779	-	-	-	25,903	27,682	(9)	27,673
Balance as at 30 September 2014	84,489	-	14,082	8,001	35,457	4,254	-	18,296	164,579	(193)	164,386
Six months to 30 September 2013											
Balance as at 1 April 2013	281,632	124,396	-	2,705	35,457	4,254	86,584	(392,549)	142,479	(170)	142,309
Profit / (loss) for the period	-	-	-	-	-	-	-	1,640	1,640	(29)	1,611
Other comprehensive income / (loss):											
Currency translation difference	-	-	-	4,531	-	-	-	-	4,531	31	4,562
Available-for-sale financial assets:											
- fair value gain	-	-	-	-	-	-	20,321	-	20,321	-	20,321
- reclassification adjustment included in profit or loss	-	-	-	-	-	-	(14,194)	-	(14,194)	-	(14,194)
Total comprehensive income for the period	-	-	-	4,531	-	-	6,127	1,640	12,298	2	12,300
Balance as at 30 September 2013	281,632	124,396	-	7,236	35,457	4,254	92,711	(390,909)	154,777	(168)	154,609

* These reserves relate to net gain from disposals of investment in shares, issue of bonus shares by a subsidiary out of post-acquisition reserves and transfer of profits to a statutory reserve by an overseas subsidiary.

^ This reserve relates to changes in fair value of an available-for-sale financial assets.

This reserve relates to issuance of free detachable warrants.

The Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year to date 30/09/2014 RM'000	Preceding year to date 30/09/2013 RM'000
OPERATING ACTIVITIES		
Profit for the period attributable to equity holders of the Company	25,903	1,640
Adjustments for :		
Tax expense	7,781	73
Depreciation of property, plant and equipment	876	1,165
Depreciation of investment properties	71	71
Fixed assets written off	-	8
Loss on disposal of property, plant and equipment	-	12
Gain on disposal of available-for-sale financial assets	-	(14,194)
Loss on fair value of derivative	-	14,339
Interest income	(18,629)	(10,957)
Finance costs	4,960	19,518
Net unrealised foreign exchange loss	1,029	781
Dividend income	-	(5,877)
Non-controlling interests	(21)	(29)
Share of results of associates	(32)	286
	21,938	6,836
<i>Changes in working capital :</i>		
Receivables	110,875	(21,339)
Payables	(146,935)	(58,734)
Cash flows generated used in operations	(14,122)	(73,237)
Tax (paid) / refund	(3,731)	6
Net cash flows used in operating activities	(17,853)	(73,231)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(40)	(198)
Proceeds from disposal of other investments	-	54,098
Dividends received	-	5,877
Income / profit on placements of deposits	1,093	163
Net cash flows generated from investing activities	1,053	59,940
FINANCING ACTIVITIES		
Repayments of borrowings	(44,192)	(74,166)
Proceeds from borrowings	77,623	82,088
Repayments of hire purchase creditors	(245)	(202)
Interest paid	(1,078)	(13,706)
(Additional) / release of deposits pledged as security	(12,618)	21,213
Net cash flows generated from financing activities	19,490	15,227
Net movement in cash and cash equivalents	2,690	1,936
Cash and cash equivalents at the beginning of the period	19,723	7,436
Currency translation differences	790	4,563
Cash and cash equivalents at the end of the period	23,203	13,935

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2014.

1. Basis of Preparation

The interim financial information is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial information should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. The explanatory notes attached to the interim financial information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2014.

The accounting policies and methods of computation adopted for the interim financial information are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2014 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

	Effective for the financial period beginning on or after
Amendments to MFRS 132 : Financial Instruments Presentation	1 January 2014
Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 : Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 : Investment Entities	1 January 2014

The adoption of the amendments to the existing standards does not have any significant impact to the interim financial information of the Group.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 March 2014 was not qualified.

3. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

4. Unusual Items

There was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the current quarter because of their nature, size, or incidence. incidence except for the following:

On 1 September 2014, Zelan Holdings (M) Sdn Bhd ("ZHSB") received a sum of AED121.6 million (RM108.6 million) in accordance with the terms and conditions of the Second Supplementary Agreement ("SSA") signed in April 2014 with Meena Holdings LLC ("MH"). Accordingly, the project has recommenced on 1 October 2014.

5. Changes in Estimates of Amount Reported Previously

There was no change in estimates of amounts reported in the prior financial period that has a material effect in the current quarter.

6. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

ZELAN BERHAD
(Company No: 27676-V)

7. Dividend

For the current quarter, no dividend had been declared. For the preceding year's corresponding quarter, no dividend was declared.

8. Segmental Reporting

Segment analysis for the current financial period to 30 September 2014 is as follows:

	Engineering and Construction	Property and Development	Investment and Others	Total
	RM '000	RM '000	RM '000	RM '000
Revenue				
Segment revenue	186,643	376	163	187,182
Less: Inter-segment sales	(62,915)	-	(163)	(63,078)
	<u>123,728</u>	<u>376</u>	<u>-</u>	<u>124,104</u>
Results				
Segment profit / (loss)	41,416	144	(2,969)	38,591
Finance costs	(4,556)	-	(404)	(4,960)
Share of results of associates	32	-	-	32
Profit / (loss) before taxation	<u>36,892</u>	<u>144</u>	<u>(3,373)</u>	<u>33,663</u>
Tax expense	(7,706)	(75)	-	(7,781)
Net profit / (loss) for the period	<u>29,186</u>	<u>69</u>	<u>(3,373)</u>	<u>25,882</u>
Attributable to:				
Equity holders of the parent	<u>29,207</u>	<u>69</u>	<u>(3,373)</u>	<u>25,903</u>
Non-controlling interests	(21)	-	-	(21)
	<u>29,186</u>	<u>69</u>	<u>(3,373)</u>	<u>25,882</u>

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

There was no material event subsequent to the end of the current quarter reflected in the interim financial information.

10. Changes in Composition of the Group

There was no change in the composition of the Group during the current quarter.

11. Changes in Contingent Liabilities or Contingent Assets

There was no change in contingent liabilities or contingent assets since the last quarter.

12. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued in a public document for the current financial period.

ZELAN BERHAD
(Company No: 27676-V)

13. Review of Performance

(i) **Comparison between the current quarter and the immediate preceding quarter**

	Current quarter 30/09/2014 RM '000	Immediate preceding quarter 30/06/2014 RM '000	Variance RM '000	Variance %
<u>Revenue</u>				
Engineering and Construction	62,893	60,835	2,058	3.4%
Property and Development	186	190	(4)	-2.1%
Total	63,079	61,025	2,054	1.3%
<u>Profit After Tax</u>				
Engineering and Construction	15,420	13,766	1,654	12.0%
Property and Development	1	68	(67)	-98.5%
Investment and Others	(2,095)	(1,278)	(817)	63.9%
Total	13,326	12,556	770	-22.6%

For the current quarter under review, the Group recorded revenue from Engineering and Construction segment of RM62.9 million as compared to a revenue of RM60.8 million in the preceding quarter.

The revenue for the both quarters was mainly contributed by the local projects of RM59.7 mil (30.06.2014: RM56.3 million). In addition, there was a revenue recognition RM3.2 million from Meena project (30.06.2014: RM4.5 million from the Royal Chalet project).

The Group recorded a profit after taxation of RM13.3 million for the current quarter as compared to RM12.6 million recorded in the preceding quarter in line with the higher revenue.

(ii) **Comparison between the current quarter / period and corresponding quarter / period last year**

	Current quarter 30/09/2014 RM '000	Preceding year corresponding quarter 30/09/2013 RM '000	Variance RM '000	Variance %	Six months to 30/09/2014 RM '000	Six months to 30/09/2013 RM '000	Variance RM '000	Variance %
<u>Revenue</u>								
Engineering and Construction	62,893	51,282	11,611	22.6%	123,728	115,822	7,906	6.8%
Property and Development	186	207	(21)	-10.1%	376	416	(40)	-9.6%
Investment and Others	-	101	(101)	-100.0%	-	6,079	(6,079)	-100.0%
Total	63,079	51,590	11,489	22.3%	124,104	122,317	1,787	1.5%
<u>Profit / (loss) After Tax</u>								
Engineering and Construction	15,420	2,399	13,021	542.8%	29,186	6,501	22,685	348.9%
Property and Development	1	179	(178)	-99.4%	69	264	(195)	-73.9%
Investment and Others	(2,095)	(8,822)	6,727	-76.3%	(3,373)	(5,154)	1,781	-34.6%
Total	13,326	(6,244)	19,570	313.4%	25,882	1,611	24,271	1506.6%

13. Review of Performance (Continued)

(ii) Comparison between the current quarter/period and corresponding quarter/period last year (Continued)

For the current quarter under review, the Group's revenue from Engineering and Construction segment was RM62.9 million as compared to a revenue of RM51.3 million in the corresponding quarter last year, higher by RM11.6 million or 22.6%. This was mainly attributed to local projects of RM59.7 million (30.09.2013: RM57.6 million) and the revenue from Meena project in Abu Dhabi of RM3.2 million (30.09.2013: negative revenue of RM6.3 million).

The revenue recorded from Property and Development segment from rental income of office premises and car park bays for the quarter was slightly lower than the corresponding quarter last year.

The Group's current quarter profit after taxation of RM13.3 million (30.9.2013: loss after taxation of RM6.2 million) was mainly due to the higher gross profit of RM11.1 million (30.9.2013: RM8.3 million) as a flow through of the higher revenue. In addition, in the corresponding quarter last year, the group recorded loss on fair value of derivatives, higher administrative expenses and higher finance costs, resulting in the loss after taxation.

For the current period under review, the Group's revenue from Engineering and Construction segment of RM123.7 million as compared to a revenue of RM115.8 million in the corresponding period last year, higher by RM7.9 million or 6.8%. This was mainly attributed to local projects of RM116.0 million (30.09.2013: RM122.0 million) and the revenue from Meena and Royal Chalet project in Abu Dhabi of RM7.7 million (30.09.2013: negative revenue of RM6.2 million). In addition, there was a dividend income of RM6.0 million recorded in the corresponding period last year.

The Group's current profit after taxation of RM25.9 million was mainly due to higher gross profit of RM30.6 million (30.09.2013: RM22.4 million), higher interest income of RM18.6 million (30.09.2013: RM10.9 million), lower interest expense of RM5.0 million (30.09.2013: RM19.5 million) and lower administrative and operating expenses of RM10.4 million (30.09.2013: RM10.9 million) offset by higher income tax of RM7.8 million (30.09.2013: RM0.1 million).

14. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax	1,588	57	4,494	75
Overseas income tax	(31)	-	2,864	-
	<u>1,557</u>	<u>57</u>	<u>7,358</u>	<u>75</u>
Deferred tax	424	(1)	423	(2)
	<u>1,981</u>	<u>56</u>	<u>7,781</u>	<u>73</u>

The Malaysian income tax effective tax rate for the Group for the current quarter was lower than the applicable statutory rates mainly due to certain income which were not taxable.

The overseas income tax was in respect of provision made on withholding tax for the project in Indonesia.

In the preceding year corresponding period, the Group had utilised its available tax credit to offset against its tax expense.

15. Borrowings and Debt Securities

Details of Group's borrowings as at 30 September 2014 are as follows:

	Short term borrowings			Long term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Islamic financing	13,500	-	13,500	150,432	-	150,432
Hire purchase	-	441	441	-	1,219	1,219
	13,500	441	13,941	150,432	1,219	151,651

16. Earnings Per Share

The basic earnings per share and the diluted earnings per share for the financial period were calculated based on the Group's profit / (loss) attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares in issue during the financial period.

	Current year	Preceding year	Six months	Six months
	quarter	corresponding	to	to
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Profit / (loss) attributable to equity holders of the parent (RM'000)	13,332	(6,216)	25,903	1,640
Weighted average number of ordinary shares in issue ('000)	844,895	563,264	844,895	563,264
Basic earnings per share (sen)	1.58	(1.10)	3.07	0.29
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	945,994	563,264	906,502	563,264
Diluted earnings per share (sen)	1.41	(1.10)	2.86	0.29

17. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements

The following analysis of realised and unrealised retained earnings / (accumulated losses) at the Group is prepared in accordance with Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits in the Context of Disclosures pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia.

The disclosure of realised and unrealised retained earnings / (accumulated losses) below is solely for compliance with the directive issued by the Bursa Malaysia and should not be used for any other purposes.

17. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements (Continued)

	As at 30/09/2014 RM'000	As at 31/03/2014 RM'000
Accumulated losses of the Group and its subsidiaries:		
- Realised	(865,162)	(882,105)
- Unrealised	(1,029)	(386)
	(866,191)	(882,491)
(Accumulated losses) / retained earnings of : the associates:		
- Realised	(3,649)	6,502
- Unrealised	1,383	(4,898)
	(2,266)	1,604
Consolidated adjustments	886,753	873,280
Total retained earnings / (accumulated losses) as per consolidated accounts	18,296	(7,607)

18. Status of Corporate Proposals Announced

There is no outstanding corporate proposal announced up to the date of this announcement.

19. Changes in Material Litigation

There was no change in material litigation in respect of the Company and its subsidiaries since the last annual reporting date as at 31 March 2014, save for the following:

- (i) In relation to Note 32(b) of the audited financial statements, the Court of Appeal allowed the subcontractor's appeal and the case was reinstated before the First Instance Court for hearing. The next hearing date is fixed on 24 November 2014.
- (ii) In relation to Note 32(c) of the audited financial statements, on 3 September 2014 a Supplementary Subcontract Agreement was signed between the Branch and the subcontractor. Following thereof on 1 October 2014 the Arbitrator notified the First Instance Court that the file is closed as per the request of the subcontractor.

20. Current Year Prospects

In line with the Company's business strategy to focus on local market, the Company has taken positive steps to improve the Group's performance through continuous assessment of internal and external risks and implementation of strategies to control operating costs. With the current projects in hand, the company is expected to improve its earnings from operations.

21. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 November 2014.

By order of the Board

Norlida Jamaludin
Secretary

Kuala Lumpur
21 November 2014