

ZELAN BERHAD
(Company No: 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2015

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2015 RM'000	Quarter ended 30/06/2014 RM000	Period ended 30/06/2015 RM'000	Period ended 30/06/2014 RM000
	Revenue	115,079	61,025	203,091
Cost of sales	<u>(103,116)</u>	<u>(41,535)</u>	<u>(182,111)</u>	<u>(114,069)</u>
Gross profit	11,963	19,490	20,980	23,062
Other income	556	947	803	1,826
Interest income	14,985	8,621	24,759	33,874
- income/profit on placement of deposits	63	769	161	1,060
- unwinding of discounting on trade receivables and discounting on trade payables	7,553	4,654	10,525	23,590
- accretion of interest on long term receivables	7,369	3,198	14,073	9,224
Gain on disposal of available-for-sale financial assets	-	-	-	8,201
Loss on fair value of derivative	-	-	-	(2,050)
Unrealised foreign exchange gain/(loss),net	1,457	(2,902)	5,237	(5,171)
Administrative expenses	(5,072)	(3,226)	(9,032)	(6,088)
Operating expenses	(273)	(2,689)	(599)	(5,121)
Depreciation	(182)	(478)	(364)	(934)
Finance costs	(10,616)	(1,895)	(14,609)	(16,171)
- finance cost on borrowings	(137)	(564)	(217)	(2,075)
- discounting of long term trade receivables and unwinding of discounting on trade payables	(10,479)	(1,331)	(14,392)	(14,096)
Share of results of associates	(97)	488	(318)	240
Profit before zakat and taxation	12,721	18,356	26,857	31,668
Tax expense	<u>(2,567)</u>	<u>(5,800)</u>	<u>(1,271)</u>	<u>(8,451)</u>
Net profit for the period	10,154	12,556	25,586	23,217
Profit/(loss) for the period				
Attributable to:				
Equity holders of the parent	10,145	12,571	25,574	23,228
Non-controlling interests	9	(15)	12	(11)
	<u>10,154</u>	<u>12,556</u>	<u>25,586</u>	<u>23,217</u>
Earnings per share:				
Basic earnings per share attributable to equity holders of the Company (sen)	<u>1.20</u>	<u>1.49</u>	<u>3.03</u>	<u>2.91</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>1.11</u>	<u>1.49</u>	<u>2.81</u>	<u>2.91</u>

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2015 RM'000	Quarter ended 30/06/2014 RM000	Period ended 30/06/2015 RM'000	Period ended 30/06/2014 RM000
Net profit for the period	10,154	12,556	25,586	23,217
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	-	-	-	(756)
Reversal of fair value on disposal of available-for-sale financial assets	-	-	-	(8,201)
Exchange difference from translation of foreign operations	240	1,501	1,174	320
Total items that may be reclassified subsequently to the profit or loss	240	1,501	1,174	(8,637)
Total comprehensive income for the period	10,394	14,057	26,760	14,580
Total comprehensive income/(loss) for the period				
Attributable to:				
Equity holders of the parent	10,385	14,065	26,748	14,593
Non-controlling interests	9	(8)	12	(13)
	10,394	14,057	26,760	14,580

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	As at	As at
	end of	preceding
	current	financial
	quarter	period ended
	30/06/2015	31/12/2014
	RM'000	RM000
ASSETS		
Non-current assets		
Property, plant and equipment	9,537	10,538
Investment properties	4,953	5,024
Investments in associates	(724)	(406)
Financial and other receivables	487,639	364,785
Deposits, cash and bank balances (restricted)	3,353	3,829
	<u>504,758</u>	<u>383,770</u>
Current assets		
Inventories	8,965	8,965
Financial and other receivables	143,765	121,841
Deposits, cash and bank balances (restricted)	23,498	24,907
Deposits, cash and bank balances (non-restricted)	25,212	43,634
	<u>201,440</u>	<u>199,347</u>
TOTAL ASSETS	<u>706,198</u>	<u>583,117</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	84,489	84,489
Reserves	118,984	92,236
	<u>203,473</u>	<u>176,725</u>
Non-controlling interests	(190)	(202)
Total equity	<u>203,283</u>	<u>176,523</u>
Non-current liabilities		
Borrowings	290,550	214,197
Deferred tax liabilities	3,045	3,096
	<u>293,595</u>	<u>217,293</u>
Current liabilities		
Trade and other payables	193,771	178,094
Borrowings	13,985	7,743
Current tax liabilities	1,564	3,464
	<u>209,320</u>	<u>189,301</u>
Total liabilities	<u>502,915</u>	<u>406,594</u>
TOTAL EQUITY AND LIABILITIES	<u>706,198</u>	<u>583,117</u>
Net assets per share (RM)	<u>0.24</u>	<u>0.21</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Share Capital RM'000	Warrants Reserve # RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Fair Value Reserve ^ RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Sub Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Six months to 30 June 2015										
Balance as at 1 January 2015	84,489	14,082	7,575	35,457	4,254	-	30,868	176,725	(202)	176,523
Profit for the period	-	-	-	-	-	-	25,574	25,574	12	25,586
<u>Other comprehensive income:</u>										
Currency translation reserve	-	-	1,174	-	-	-	-	1,174	-	1,174
Total comprehensive income for the period	-	-	1,174	-	-	-	25,574	26,748	12	26,760
Balance as at 30 June 2015	84,489	14,082	8,749	35,457	4,254	-	56,442	203,473	(190)	203,283
Six months to 30 June 2014										
Balance as at 1 January 2014	56,326	-	7,390	35,457	4,254	8,957	(18,264)	94,120	(175)	93,945
Profit for the period	-	-	-	-	-	-	23,228	23,228	(11)	23,217
<u>Other comprehensive (loss)/income:</u>										
Currency translation difference	-	-	322	-	-	-	-	322	(2)	320
Available-for-sale financial assets:										
- fair value loss	-	-	-	-	-	(756)	-	(756)	-	(756)
- reclassification adjustment included in profit or loss	-	-	-	-	-	(8,201)	-	(8,201)	-	(8,201)
Total comprehensive (loss)/income for the period	-	-	322	-	-	(8,957)	23,228	14,593	(13)	14,580
Rights issue with warrants	28,163	14,082	-	-	-	-	-	42,245	-	42,245
	28,163	14,082	-	-	-	-	-	42,245	-	42,245
Balance as at 30 June 2014	84,489	14,082	7,712	35,457	4,254	-	4,964	150,958	(188)	150,770

* 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 period ended 31 December 2014.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30/06/2015 RM'000	Period ended 30/06/2014 RM'000
OPERATING ACTIVITIES		
Profit for the period attributable to equity holders of the Company	25,574	23,228
Adjustments for :		
Tax expense	1,271	8,451
Depreciation of property, plant and equipment	1,115	1,301
Depreciation of investment properties	71	71
Allowance for doubtful debts	19	32,904
Property, plant and equipment - written off	-	19
- impairment loss	-	2,050
- gain on disposals	(190)	(24)
Gain on disposal of available-for-sale financial assets	-	(8,201)
Interest income	(24,759)	(33,874)
Finance costs	14,609	16,171
Net unrealised foreign exchange (gain)/loss	(5,237)	5,171
Dividend income	-	(206)
Non-controlling interests	12	(11)
Share of results of associates	318	(240)
	<u>12,803</u>	<u>46,810</u>
<i>Changes in working capital :</i>		
Receivables	(134,591)	(18,483)
Payables	23,695	(44,076)
Cash flows used in operations	(98,093)	(15,749)
Tax paid	(3,435)	(2,709)
Net cash flows used in operating activities	<u>(101,528)</u>	<u>(18,458)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(149)	-
Dividends received	-	206
Proceeds from disposal of property, plant and equipment	298	23
Proceeds from disposal of other investments	-	66,219
Income/profit on placements of deposits	161	1,060
Net cash flows generated from investing activities	<u>310</u>	<u>67,508</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(7,170)	(105,842)
Proceeds from borrowings	82,266	93,351
Proceeds from rights issue	-	42,245
Rights issue expenses	-	(1,868)
Repayments of hire purchase creditors	(312)	(112)
Interest paid	(217)	(2,075)
Release of/(Additional) deposits pledged as security	1,885	(5,709)
Net cash flows generated from financing activities	<u>76,452</u>	<u>19,990</u>
Net movement in cash and cash equivalents	(24,766)	69,040
Cash and cash equivalents at the beginning of the period	43,634	11,558
Currency translation differences	6,344	(10,930)
Cash and cash equivalents at the end of the period	<u>25,212</u>	<u>69,668</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 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 period ended 31 December 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 period ended 31 December 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 period ended 31 December 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 119, Defined Benefit Plans: Employee Contributions	1 January 2015
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2015
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2015

The adoption of the amendments to the existing standards do 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 period ended 31 December 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 financial quarter because of their nature, size, or incidence.

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 financial quarter.

6. Debt and Equity Securities

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

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7. Dividend

For the current financial 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 quarter to 30 June 2015 is as follows:

	Engineering and Construction	Property and Development	Investment and Others	Total
	RM '000	RM '000	RM '000	RM '000
Revenue				
Segment revenue	156,986	207	170	157,363
Less: Inter-segment sales	(42,202)	-	(82)	(42,284)
	<u>114,784</u>	<u>207</u>	<u>88</u>	<u>115,079</u>
Results				
Segment profit/(loss)	25,090	295	(1,951)	23,434
Finance costs	(10,493)	-	(123)	(10,616)
Share of results of associates	(97)	-	-	(97)
Profit/(loss) before taxation	<u>14,500</u>	<u>295</u>	<u>(2,074)</u>	<u>12,721</u>
Tax expense	(2,470)	(80)	(17)	(2,567)
Net profit/(loss) for the period	<u>12,030</u>	<u>215</u>	<u>(2,091)</u>	<u>10,154</u>
Attributable to:				
Equity holders of the parent	<u>12,021</u>	<u>215</u>	<u>(2,091)</u>	<u>10,145</u>
Non-controlling interests	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
	<u>12,030</u>	<u>215</u>	<u>(2,091)</u>	<u>10,154</u>

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

There was no material event subsequent to the end of the current financial quarter.

10. Changes in Composition of the Group

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

13. Review of Performance

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

	Individual Quarter		Variance RM '000	Variance %
	Quarter ended 30/06/2015	Quarter ended 31/03/2015		
	RM '000	RM '000		
<u>Revenue</u>				
Engineering and Construction	114,784	87,734	27,050	30.8%
Property and Development	207	190	17	8.9%
Investment and Others	88	88	-	-
Total	115,079	88,012	27,067	30.8%
<u>Profit After Zakat and Taxation</u>				
Engineering and Construction	12,030	17,106	(5,076)	-29.7%
Property and Development	215	55	160	290.9%
Investment and Others	(2,091)	(1,729)	(362)	20.9%
Total	10,154	15,432	(5,278)	-34.2%

For the current quarter under review, the Group recorded revenue from Engineering and Construction segment of RM14.8 million as compared to a revenue of RM87.7 million in the immediate preceding quarter.

The revenue for both quarters were mainly contributed by the local projects of RM89.1 million (31.03.2015: RM63.9 million). In addition, there was a revenue recognition of RM25.7 million (31.03.2015: RM23.8 million) from Meena project in Abu Dhabi.

The Group recorded Profit After Zakat and Taxation ("PAZT") of RM10.2 million for the current quarter which is lower than the PAZT of RM15.4 million in the immediate preceding quarter due to higher finance expense on the discounting of trade receivables and higher tax expense due to local projects.

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

	Individual quarter		Variance		Six		Variance	
	Quarter ended 30/06/2015	Quarter ended 30/06/2014			months to 30/06/2015	months to 30/06/2014		
	RM '000	RM '000			RM '000	RM '000		
<u>Revenue</u>								
Engineering and Construction	114,784	60,835	53,949	88.7%	202,518	136,526	65,992	48.3%
Property and Development	207	190	17	8.9%	397	371	26	7.0%
Investment and Others	88	-	88	0.0%	176	234	(58)	-24.8%
Total	115,079	61,025	54,054	88.6%	203,091	137,131	65,960	48.1%
<u>Profit After Zakat and Taxation</u>								
Engineering and Construction	12,030	13,766	(1,736)	-12.6%	29,136	17,471	11,665	66.8%
Property and Development	215	68	147	>100%	270	104	166	>100%
Investment and Others	(2,091)	(1,278)	(813)	63.6%	(3,820)	5,642	(9,462)	>-100%
Total	10,154	12,556	(2,402)	19.1%	25,586	23,217	2,369	10.2%

13. Review of Performance (Continued)

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

For the current quarter under review, the Group's revenue from Engineering and Construction segment was RM114.8 million as compared to a revenue of RM60.8 million in the corresponding quarter last year, higher by RM54.0 million or 88.7%. This was mainly attributed by the revenue of local projects of RM89.1 million (30.06.2014: RM56.3 million) and the revenue from Meena project in Abu Dhabi of RM25.7 million (30.06.2014: RM4.5 million).

The revenue recorded from Property and Development segment from rental income of office premises and car park bays for the quarter was marginally higher as compared to the corresponding quarter last year.

The Group recorded current quarter PAZT of RM10.2 million (30.06.2014: RM12.6 million). The lower PAZT in the current quarter was mainly due to higher finance expense from discounting of trade receivables and lower gross profit. The higher gross profit for the corresponding quarter last year was mainly due to the writeback on costs arising from the commercial settlement of the project in Indonesia amounting to RM9.7 million.

For the current period under review, the Group's revenue from Engineering and Construction segment of RM202.5 million as compared to a revenue of RM136.5 million in the corresponding period last year, higher by RM66.0 million or 48.3%. This was mainly attributed to local projects of RM152.9 million (30.06.2014: RM132.0 million) and the revenue from Meena project and Royal Chalet project in Abu Dhabi of RM49.6 million (30.06.2014: RM4.5 million).

The Group's current period PAZT of RM25.6 million was mainly due to lower finance expense of RM14.6 million (30.06.2014: RM16.2 million) and lower income tax of RM1.3 million (30.06.2014: RM8.5 million) offset by lower gross profit of RM21.0 million (30.06.2014: RM23.1 million).

The Group is reviewing work progress of the Meena project and may take the appropriate action, where necessary, in accordance with the provisions of the contract.

14. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax - current	2,569	2,906	4,379	4,850
Malaysian income tax - group tax relief	-	-	(3,057)	-
Overseas income tax	-	2,895	-	3,603
	2,569	5,801	1,322	8,453
Deferred tax	(2)	(1)	(51)	(2)
Tax expense	2,567	5,800	1,271	8,451

The Malaysian income tax group relief of RM3.1 million was in relation to a refund by the Inland Revenue Board on our application for the Group relief in the preceding quarter ended 31.03.2015.

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

15. Borrowings and Debt Securities

Details of Group's borrowings as at 30 June 2015 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	289,601	-	289,601
Hire purchase	-	485	485	-	949	949
	13,500	485	13,985	289,601	949	290,550

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 attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter		Cumulative Quarter	
	Quarter ended	Quarter ended	Six months to	Six months to
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Profit attributable to equity holders of the parent (RM'000)	10,145	12,571	25,574	23,228
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	797,956
Basic earnings per share (sen)	1.20	1.49	3.03	2.91
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	915,935	844,895	909,887	797,956
Diluted earnings per share (sen)	1.11	1.49	2.81	2.91

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 30/06/2015 RM'000	As at 31/12/2014 RM'000
(Accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(846,873)	(854,526)
- Unrealised	5,237	3,665
	(841,636)	(850,861)
(Accumulated losses)/retained earnings of the associates:		
- Realised	(5,271)	(4,641)
- Unrealised	2,202	1,889
	(3,069)	(2,752)
Consolidated adjustments	901,147	884,481
Total retained earnings as per consolidated accounts	56,442	30,868

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, including the status of pending material litigations in respect of the Group since the last annual reporting date as at 31 December 2014, except in relation to the matter stated in Note 32(b) of the Audited Financial Statements, where the Court of Appeal, Abu Dhabi, on 16 June 2015 ordered the case to be returned to the technical experts committee appointed by the Court of First Instance previously to review the objections raised by the contractor against the said committee's earlier report and to submit a supplementary report. The next hearing at Court of Appeal has been fixed on 7 September 2015.

20. Current Year Prospects

Prospects for the Group remain positive with stable earnings contributions from on-going local projects. The Group has taken positive steps to improve its performance through continuous assessment of internal and external risks and implementation of strategies to control costs. With the current projects in hand, the performance of the Group is expected to be satisfactory.

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 24 August 2015.

By order of the Board

Norlida Jamaludin
Secretary

Kuala Lumpur
24 August 2015