

**Explanatory Notes**

**1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134: *Interim Financial Reporting* and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. These explanatory notes attached to the interim financial statements 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 December 2010.

**2. Significant accounting policies**

**2.1 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- Amendment to IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners
- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-Based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 'Improvements to FRS (2010)'
- IC Interpretation 4: Determining Whether An Arrangement Contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- TR i-4: Shariah Compliant Sale Contracts

**2.2 FRS and IC Interpretations issued but not yet effective**

The Company has not adopted the following FRS and IC Interpretations that have been issued but not yet effective:

**Effective for annual periods beginning on or after 1 July 2011**

- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

**Effective for annual periods beginning on or after 1 January 2012**

- FRS 124: Related Party Disclosures
- IC Interpretation 15: Agreements for the Construction of Real Estate

The directors expect that the adoption of the FRS and IC Interpretations above will have no material impact on the financial statements in the period of initial application.

**3. Seasonal or cyclical factors**

The Group's performance in the current quarter and financial year-to-date was not 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 current quarter and financial year-to-date.

**5. Changes in estimates**

There were no significant changes in the estimates of amounts reported in prior quarters which have a material impact on the current financial statements.

**6. Debt and equity securities**

There were no share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year-to-date.

**7. Dividends paid**

No dividend has been paid in the current quarter and year ended 31 December 2010.

**8. Segmental Reporting**

The segment revenue and segment results for business segments predominantly conducted in Malaysia for the financial year-to-date were as follows:

	Construction	Property Development	Toll concession	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>						
External sales	68,960	5,413	8,721	2,387	-	85,481
Inter-segment sales	65,683	-	-		(65,683)	-
<b>Total Revenue</b>	<b>134,643</b>	<b>5,413</b>	<b>8,721</b>	<b>2,387</b>	<b>(65,683)</b>	<b>85,481</b>
<b>RESULTS</b>						
Segment operating profit/(loss)	3,647	1,267	6,651	(1,966)	-	9,599
Interest expense						(7,671)
Share of profit of associate						133
<b>Profit before taxation</b>						<b>2,061</b>
Income tax expense						(1,582)
<b>Profit for the year</b>						<b>479</b>

**9. Carrying amount of revalued assets**

There were no changes to the revalued amount of property, plant and equipment brought forward to the current quarter and financial year-to-date.

**10. Material subsequent event**

There were no material subsequent events that have been reflected in the financial statements for the current quarter under review.

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

There were no changes in the composition of the Group during the current quarter under review.

**12. Changes in contingent liabilities and contingent assets**

There were no changes in other contingent liabilities or assets since the last annual Statement of Financial Position as at 31 December 2010.

**13. Capital commitments**

Capital Expenditure :	<b>Group</b>
Approved and contracted for:	<b>2011</b>
Property, plant and equipment	<b>RM '000</b>
	11,880

The Sale and Purchase Agreement entered on the 23 December 2009, in relation to the Sale & Purchase Agreement for the proposed acquisition of all that parcel of land held under Lot 393, Section 5 KTL D, Kuching, Sarawak together with the 10-storey building erected thereon ("SPA") has been mutually revoked and cancelled on 11 November 2011.

**14. Review of performance**

During the quarter under review, the Group recorded total revenue of RM36.8 million as compared to RM59.8 million reported in the corresponding quarter of the preceding year. The main contributors to this quarter's revenue are Matang Revised Route project, the Construction of Sg Triang Dam under Package 5 of the Triang Water Scheme project, the Faculty of Medicine and Health Science of Universiti Malaysia Sarawak (UNIMAS), Bintulu Compressor Station Building Works, Kapit Water Treatment Plant and also the Auto Blast and Priming Workshop Contract at Pasir Gudang, Johore.

The group recorded a profit before tax of RM1.805 million against a loss before tax of RM0.75 million in the corresponding quarter of the preceding year.

**15. Material changes in the quarterly results**

The Group recorded revenue of RM36.8 million and profit before tax of RM1.805 million as compared to revenue of RM24.2 million and profit before tax of RM0.12 million recorded in the immediate preceding quarter.

**16. Commentary on prospects**

Outlook for the Group looks promising judging from the positive development involving two new projects registered during the quarter. Firstly, documentation process for the construction and disposal of Hypermarket to a confirmed buyer is near finalization with a project value of RM155.6 million.

Secondly, with the receipt of Letter of Intent under Design and Build as reported earlier for the Proposed Construction of a General Hospital in Petra Jaya, the book order value would be enhanced by an additional sum of approximately RM500 million. Pre-award issuance process involving the fulfilling of all the prerequisite requirements is in progress.

The Group's performance for the remaining quarter will also be further enhanced by the toll operation's performance based on the increase in the traffic volume for the year to date due to the continuing development in the vicinity.

**17. Variance of Actual Profit from Forecast Profit**

Not applicable.

**18. Profit Guarantee**

Not applicable.

**19. Taxation**

	RM'000
Tax expenses – underprovision in prior year	1,429
Current Year Tax expenses	153

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit.

**20. Sale of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties during the quarter and financial year-to-date.

**21. Quoted securities**

Details of quoted securities are as follows:

	RM'000
Total investments at fair value	<u>296</u>

**22. Status of corporate proposals**

There were no corporate proposals during the quarter and financial year-to-date.

**23. Borrowings**

Short and long term borrowings	RM'000
Unsecured	40,775
Hire Purchase	1,990
Secured	<u>106,435</u>
	<u><b>149,201</b></u>

**24. Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off Balance Sheet risk as at the date of this announcement

**25. Material Litigation**

On 12 April 2005, Zalpoint Tanah Putih Sdn. Bhd. ("ZTPSB"), a wholly-owned subsidiary of Zecon International Limited (ZTPSB was formerly a wholly-owned subsidiary of Zecon Land Sdn Bhd ("ZLSB"), which is in turn a wholly-owned subsidiary of the Company, was served with a Writ of Summons dated 30 March 2005 by Estatequest Sdn. Bhd. ("Sub-developer"), for damages on loss of profits totalling RM12,968,780, declaratory orders, interests and costs.

According to the Sub-developer, ZTPSB had breached the Memorandum of Agreement ("MOA") dated 19 August 1999 entered between ZTPSB and the said Sub-developer relating to, inter-alia, the charging of the land for the Tanah Putih Development Project ("Project") by ZTPSB. The Sub-developer alleged that ZTPSB had failed to make partial redemption of the sub-lots or parcels allocated to the Sub-developer and as a result, they could not continue with the remaining development of the Project.

ZTPSB had instructed their solicitors, Messrs Reddi & Co Advocates, to vigorously defend the claim made by the Sub-developer.

Under the Share Sale Agreement (SSA) entered between the vendors of ZTPSB (“Vendors”) and ZLSB dated 15 December 2003, the Vendors had provided an indemnity clause in the SSA, to hold ZLSB harmless from and against any damages, deficiencies, losses, costs, liabilities and expenses (including legal fees and disbursements) resulting from and arising out of any breach of presentations, warranties, covenants and agreements made by the Vendors.

In addition, counter-claims were made by ZTPSB on 12 May 2005 against both the Sub-developer and directors of the Sub-developer for breach of contract and personal liability as guarantors, respectively.

The full trial has been disposed of on 13 April 2009 and the Court passed judgement on 24 April 2009 dismissing the Plaintiff’s claim and ZTPSB’s counter claim. Both the Plaintiff and ZTPSB filed Notice of Appeal on their claims and counter claims on 7 May 2009 and 19 May 2009 respectively.

Hearing for both appeals was initially fixed on 17 November 2011. However, they were not heard on the said date and has been further adjourned to 13 February 2012.

**26. Dividend payable**

The Board has not declared any interim dividend in the current quarter in respect of the financial year ending 31 December 2011.

**27. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 Sep		30 Sep	
	2011	2010	2011	2010
Net profit attributable to equity holders of the Company (RM'000)	1,911	(2,294)	679	(2,390)
Weighted average number of ordinary shares in issue ('000)	119,106	119,106	119,106	119,106
Basic earnings per ordinary share for profit for the year (sen)	1.60	(1.93)	0.57	(2.01)

**28. Breakdown of realised and unrealised profit or loss**

The breakdown of the retained earnings of the group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No 1, Determination of Realised and Unrealised Profit or Loss in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants.

	As at 30 Sep 2011 RM	As at 31 Dec 2010 RM
Total retained earnings of the Group		
- Unrealised	17,664,375	17,695,051
- Realised	15,131,450	14,715,559
Total share of retained Earnings from Associate		
- Unrealised		
- Realised	592,364	459,690
Less : Consolidation adjustment	(2,645,863)	(2,806,525)
<b>Retained earnings/(accumulated losses) as per financial statements</b>	<b>30,742,326</b>	<b>30,063,775</b>

**29. Authorisation for Issue**

The interim financial statements were authorized for issue in accordance with the resolution passed at the Board of Directors' Meeting held on 23 November 2011.