



ZECON BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	1.10.2017 to 31.12.2017	1.10.2016 to 31.12.2016	1.07.2017 to 31.12.2017	1.07.2016 to 31.12.2016
	Unaudited RM '000	Unaudited RM '000	Unaudited RM '000	Unaudited RM '000
Revenue	63,314	64,380	145,678	103,723
Cost of sales	(70,714)	(55,853)	(143,563)	(85,008)
Gross (loss)/profit	(7,400)	8,527	2,115	18,715
Other operating income	8,513	1,048	13,825	1,646
Administrative expenses	(3,911)	(5,093)	(10,116)	(9,909)
Other expenses	-	(17)	-	(22)
Operating (loss)/profit	(2,798)	4,465	5,824	10,430
Finance costs	(10,425)	(4,025)	(15,423)	(7,785)
Share of profit of associates	67	-	115	74
(Loss)/profit before taxation	(13,156)	440	(9,484)	2,719
Income tax expense	(2,139)	(234)	(5,113)	(358)
(Loss)/profit for the period	(15,295)	206	(14,597)	2,361
(Loss)/profit for the period attributable to:				
Owners of the parent	(13,336)	413	(12,544)	2,845
Non controlling interest	(1,959)	(207)	(2,053)	(484)
	(15,295)	206	(14,597)	2,361
Earnings per share attributable to owners of the parent (sen per share)				
Basic	(10.66)	0.35	(10.03)	2.39
Diluted	(10.66)	0.35	(10.03)	2.39

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



ZECON BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2017 Unaudited RM'000	30 June 2017 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	13,805	14,622
Prepaid lease payments	114	115
Land held for development	81,385	81,385
Investment properties	351,034	351,034
Intangible assets	802	802
Investment and share of profit in associates	2,312	2,198
Investment securities	103	172
Amount due from customer on contract works	235,102	157,984
Service concession receivables	21,963	12,871
	706,620	621,183
Current assets		
Investment securities	13	17
Development costs	9,985	11,639
Inventories	2,304	2,304
Amount due from customers for contract work	65,530	67,095
Accrued billings in respect of property development costs	16,029	15,107
Trade and other receivables	199,305	78,038
Deposits with licensed banks	9,509	24,731
Cash and bank balances	25,131	33,054
Tax recoverables	689	247
	328,495	232,232
TOTAL ASSETS	1,035,115	853,415
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	128,972	122,665
Share premium	-	-
Other reserves	4,185	4,258
Retained earnings	126,252	(7,018)
	259,409	119,905
Non controlling interest	100,675	93,542
Total equity	360,084	213,447



ZECOM BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2017 Unaudited RM'000	30 June 2017 Audited RM'000
Non-current liabilities		
Borrowings	259,903	222,027
Trade and other payables	82,180	82,187
Deferred tax liabilities	20,112	15,093
	<u>362,195</u>	<u>319,307</u>
Current liabilities		
Borrowings	113,525	128,370
Amount due to customers for contract work	5,961	2,762
Trade and other payables	183,462	177,455
Progress billings in respect of property development costs	1,197	1,155
Current tax payable	8,691	10,919
	<u>312,836</u>	<u>320,661</u>
Total liabilities	675,031	639,968
TOTAL EQUITY AND LIABILITIES	1,035,115	853,415

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



ZEGON BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company						Non controlling interests (NCI) RM'000	Total equity RM'000
	Non-Distributable				Distributable	Total equity attributable to owners of the parents RM'000		
	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Other reserve RM'000	Retained earnings RM'000			
31 DECEMBER 2017								
Balance as at 1 July 2017	122,665	-	(16)	4,274	(7,018)	119,905	93,542	213,447
Issuance of ordinary shares	6,307	-	-	-	-	6,307	-	6,307
Transaction with Non-Controlling Interest	-	-	-	-	145,814	145,814	9,186	155,000
Total comprehensive Income for the period	-	-	-	(73)	(12,544)	(12,617)	(2,053)	(14,670)
Closing balance as at 31 December 2017	128,972	-	(16)	4,201	126,252	259,409	100,675	360,084
30 JUNE 2017								
Balance as at 1 July 2016	119,106	3,559	3	4,193	(21,197)	105,664	57,851	163,515
Profit After Taxation for the Financial Year	-	-	-	-	14,179	14,179	32,691	46,870
Other Comprehensive Income	-	-	(19)	81	-	62	1	63
Transaction with Non-Controlling Interest	-	-	-	-	-	-	2,999	2,999
Transition to No-Par value Regime on 31 Jan 2017 *	3,559	(3,559)	-	-	-	-	-	-
Closing balance as at 30 June 2017	122,665	-	(16)	4,274	(7,018)	119,905	93,542	213,447

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements

*

The Companies Act 2016, which become enforceable on 31 January 2017, abolished the concept of authorised share capital and par-value of share capital. As a result, the amount standing to the credit of the share premium account become part of the Company's share capital as set out in Section 618(2) of the Act. However, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account in the sum of RM3.559 million for the purposes set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares issued or the relative entitlement of any of the members as a result of the no-par value regime.



ZECON BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.7.2017 to 31.12.2017 Unaudited RM '000 6 months	1.7.2016 to 31.12.2016 Unaudited RM '000 6 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(9,484)	2,719
Adjustments for :		
Amortisation of prepaid land lease payments	2	2
Bad debt written off, net	-	393
Depreciation of property, plant and equipment	1,211	1,015
Gain on disposal of property, plant and equipment	(3,880)	-
Interest expense	15,423	7,785
Interest income	(150)	(1,008)
Impairment on receivables	-	6
Reversal of impairment on receivables	(55)	(283)
Share of results of associates	(115)	(74)
Operating profit before working capital changes	2,952	10,555
Increase in development costs	1,655	372
Increase in current assets	(922)	(2,211)
Increase/(decrease) in current liabilities	42	(162)
Increase in amount due to Service Concession Receivables	(9,092)	-
Increase in amount due from/to customers for contract work	(72,031)	(44,643)
Decrease in receivables	2,789	2,899
Increase in payables	6,040	8,402
Cash used in operations	(68,567)	(24,788)
Interest paid	(15,148)	(7,785)
Interest received	150	845
Taxation paid	(2,807)	(1,844)
Net cash used in operating activities	(86,372)	(33,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transaction with non-controlling interest	-	2,999
Purchase of property, plant and equipment	(560)	(1,160)
Purchase of other investment	-	(1)
Proceeds from issuance of ordinary share capital	6,307	-
Proceeds from disposal of property, plant and equipment	3,880	-
Proceeds from partial disposal of subsidiaries, net of cash received	31,000	-
Net cash generated from investing activities	40,627	1,838



ZECOM BERHAD (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.7.2017 to 31.12.2017 Unaudited RM '000	1.7.2016 to 31.12.2016 Unaudited RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(7,168)	(3,252)
Repayment of hire purchase payables	(859)	(513)
Repayment of banker's acceptances and revolving credits	(5,000)	-
Hire purchase financing obtained	-	1,239
Proceeds from drawdown of term loan	42,033	24,470
(Increase)/decrease in fixed deposits pledged	(28)	14,857
Net cash generated from financing activities	28,978	36,801
Net (decrease)/increase in cash and cash equivalents	(16,767)	5,067
Cash and cash equivalents at the beginning of the year	41,900	69,283
Cash and cash equivalents at the end of the year	25,133	74,350

PART A: Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the period ended 31 December 2017 were prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2017. 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 year ended 30 June 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27th February 2018.

2. Changes in accounting policies

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial year:

- FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
- Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to FRS 107: Disclosure Initiative
- Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 140 – Transfers of Investment Property
- Annual Improvements to FRS Standards 2014 – 2016 Cycles:
 - Amendments to FRS 12: Clarification of the Scope of Standard
- Annual Improvements to FRS Standards 2014 – 2016 Cycles:
 - Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters
 - Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above amended FRS did not have any material impact on the accounting policies, financial performance and position of the Group.

2. Significant accounting policies (contd.)

Malaysian Financial Reporting Standards (MFRS Framework)

MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venture (herein called “transitioning entities”).

As announced by MASB on 8 September 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 30 June 2019. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

3. Seasonality or cyclicity of operations

The business operations of the Group are not materially affected by any seasonal or cyclicity fluctuations during the quarter under review.

4. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter ended 31 December 2017.

5. Changes in accounting estimate and judgement

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements.

(a) Impairment of goodwill on consolidation

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill and brands are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There is no impairment on the goodwill on consolidation during the current quarter's result.

(b) Constructions contracts and property development

The Group recognises construction contracts and property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts costs and property development costs incurred for work performed to date bear to the estimated total construction costs and property development costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs and property development costs incurred, the estimated total construction and property development revenue and costs, as well as the recoverability of the construction and property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

5. Changes in accounting estimate and judgement (contd.)

(c) Useful life of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 7 to 10 years. These are common life expectancies applied in the construction industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

There is no material effect on the current quarter's result due to the changes in estimation of useful life.

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

In the current quarter under review, the group has not recorded significant impairment on the receivables.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, re-sales and repayments of debt and equity securities for the current quarter under review. There were no share buy-back during the quarter.

7. Dividends paid

No interim ordinary dividend has been declared by Zecon Berhad for the financial year ended 31 December 2017.

8. Segmental Reporting

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

	Construction		Property Development		Service Concession		Others		Adjustment and eliminations		Total	
	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017	1.7.2017 to 31.12.2017	1.7.2016 to 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External sales	66,751	67,128	3,715	3,776	74,909	32,383	303	436	-	-	145,678	103,723
Inter-segment sales	4,351	37,563	(919)	(2,209)	-	-	576	828	(4,008)	(36,182)	-	-
Total Revenue	71,102	104,691	2,796	1,567	74,909	32,383	879	1,264	(4,008)	(36,182)	145,678	103,723
Segment (loss)/profit - Note A	(9,880)	8,212	184	(47)	16,933	3,678	(1,413)	(1,413)			5,824	10,430

Note A

Segment profit is reconciled to profit before tax presented in the condensed consolidated statement of comprehensive income as follows:-

	1.7.2017 to 31.12.2017 RM'000	1.7.2016 to 31.12.2017 RM'000
Segment profit	5,824	10,430
Share of profit in associate	115	74
Finance Cost	(15,423)	(7,785)
(Loss)/profit before tax	(9,484)	2,719

8. Segmental Reporting (cont'd)

(i) Construction Sector

The sector continues to record construction revenue from Pan Borneo Highway - Phase 1 project and other existing projects. At the end of current quarter, Pan Borneo Highway - Phase 1 project has contributed 79.5% of the total revenue in this sector.

The sector losses is mainly due to additional costs recorded.

(ii) Property Sector

There is lesser activity on the property development sector. The revenue is mainly recognised from the Mydin Supermall development project and sales of existing shophouses at Vista Tunku.

(iii) Service Concession

At the end of current quarter, the sector contributed 52.6% to the total revenue of the Group.

The service concession are excuted based on concession agreement with the Government of Malaysia and Universiti Kebangsaan Malaysia ("UKM") for the Children's Specialist Hospital located at UKM Campus.

(iii) Others

Revenue and profit from other operations mainly consists of activities by the Group's Asset Management services.

9. Event after the Reporting Period

There are no material events subsequent to the reporting date that have any material effect on the quarter ended 31 December 2017.

10. Changes in the composition of the Group

The Company had, on 27 November 2017, entered into a conditional share purchase agreement with the State Financial Secretary of Sarawak for the disposal of 3,920,000 ordinary shares in Zecon Medicare Sdn Bhd , a wholly-owned subsidiary of Zecon, which represent 49% of the total number of issued shares of Zecon Medicare, for a cash consideration of RM155.0 million.

As at the date of this report, the Group is still in the process of satisfying the conditions stipulated under the share purchase agreement.

11. Capital commitments

There were no material capital commitments in respect of the Group that had arisen since 30 June 2017 till the date of this quarterly report.

12. Change in contingent liabilities and contingent assets

There were no material changes in the contingent liabilities or contingent assets since the last annual report date.

The Group acknowledge the contingent liabilities in respect of the corporate guarantees given to licensed banks by the holding company for the credit facilities granted to subsidiaries amounting to RM675,656,000, utilised or unutilised.

13. Related Party Transactions ("RPT")

The aggregate gross value of RPT for the period ended 30 September 2017 were as follows:

	31 December 2017	31 December 2016
	RM'000	RM'000
Aggregate gross value of RRPT	33	242

The RPT comprise transactions controlled by or connected to certain substantial shareholders and/or Directors of the Company, namely Datuk Haji Zainal Abidin Bin Haji Ahmad, and Haji Abg Azahari Abg Osman.

The above transactions have been entered into in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public.

14. Fair value of instruments

Other than those disclosed below, the fair value of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amount due to the relatively short-term maturity of the financial instruments.

	Carrying Amount RM'000	Fair value of financial instrument carried at fair value			Total Fair Value RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 December 2017					
Financial Asset					
Other investments:					
- quoted shares	116	116	-	-	116
31 December 2016					
Financial Asset					
Other investments:					
- quoted shares	83	83	-	-	83

PART B: Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Review of performance

(a) Financial review for current quarter and financial year to date

	Individual Period (2nd quarter)			Cumulative Period		
	CY quarter	PYC Quarter	changes	CY to-date	PYC period	changes
	31.12.2017	31.12.2016		31.12.2017	31.12.2016	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	63,314	64,380	-2%	145,678	103,723	40.45%
Gross profit	(7,400)	8,527	-187%	2,115	18,715	-88.70%
Profit before interest and tax	(2,798)	4,465	-163%	5,824	10,430	-44.16%
Profit before tax	(13,156)	440	-3090%	(9,484)	2,719	-448.80%
Profit after tax	(15,295)	206	-7525%	(14,597)	2,361	-718.25%
Profit attributable to the ordinary equity holders of the parent	(13,336)	413	-3329%	(12,544)	2,845	-540.91%

The major factors contributing towards the losses during the current quarter was the recognition of the potential Liquidated Ascertained Damages (LAD) on one of our current projects.

Despite acknowledging the potential negotiation of the said LAD, the management of the group proceeded to account for the same in the interest of prudence and good corporate governance.

During the current quarter, the Shareholder's Fund of the Group has significantly increased due to the impact of the monetisation of assets through disposal of 49% of equity of Zecon Medicare Sdn Bhd, a wholly-owned subsidiary of the Company to State Financial Secretary of Sarawak. The said disposal has shown a sharp increase in the Shareholder's Fund to RM259.4million as at 31 December 2017 as compared to the Shareholder's Fund of RM119.9million as at the audited figure for the year ended 30 June 2017. In the process, the overall gearing ratio for the Group has improved accordingly.

15. Review of performance (cont'd)

(b) Financial review for current quarter compare with immediate preceding quarter

	Current quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	changes %
Revenue	63,314	82,364	-23.13%
Gross profit	(7,400)	9,515	-177.77%
Profit before interest and tax	(2,798)	8,622	-132.45%
Profit before tax	(13,156)	3,672	-458.28%
Profit after tax	(15,295)	698	-2291.26%
profit attributable to the ordinary equity holders of the parent	(13,336)	792	-1783.84%

The factors contributed to current quarter losses are explained on Note 15(a) above.

[The Rest Of This Page is Intentionally Left Blank]

16. Commentary on prospects

The construction sector shall continue to be the major contributor towards the Gross Revenue as a result of the progress on site with respect to our Pan Borneo Highway Phase 1 Project and the Hospital Pakar Kanak-Kanak Universiti Kebangsaan Malaysia ("HPKK-UKM") project.

The completion of the proposed sale of equity in Zecon Medicare Sdn Bhd, a wholly owned subsidiary of Zecon Berhad to the State Financial Secretary, Sarawak would enhance the group financial position. This would facilitate the group's effort to pare down the relevant borrowings besides contributing towards the working capital requirement of the current projects.

The Board expects better performance going forward.

17. Profit forecast or profit guarantee

The Group has not announced any profit forecast or profit guarantee for the current financial year in any public document and hence this information is not applicable.

18. Income Tax Expense

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Current tax :				
Malaysian income tax	(65)	37	119	104
Under provision in prior years	(25)	-	(25)	-
	(90)	37	94	104
Deferred tax				
Relating to origination and reversal of temporary differences	2,229	197	5,019	254
Over provision in prior year	-	-	-	-
	2,139	234	5,113	358

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. During the current financial year, the income tax rate applicable to the subsidiary in Australia is 27.5%.

19. Status of corporate proposals

(a) Redeemable convertible unsecured loan stocks

On 4th July 2016, KAF Investment Bank Berhad, on behalf of the board of directors of Zecon Berhad has announced that the Group proposes to undertake the following:-

- (i) proposed reduction of the issued and paid-up share capital of Zecon via the cancellation of RM0.90 of the par value of the ordinary shares of RM1.00 each in Zecon to RM0.10 each in Zecon ("Zecon Share(s)" or "Share(s)") pursuant to Section 64 of the Companies Act, 1965 ("Act") ("Proposed Par Value Reduction");
- (ii) proposed amendments to the Memorandum and Articles of Association of Zecon to facilitate the implementation of the Proposed Par Value Reduction ("Proposed Amendments");
- (iii) proposed bonus issue of up to 163,274,690 new Zecon Shares ("Bonus Share(s)") on the basis of one (1) Bonus Share for every one (1) existing Zecon Share held on an entitlement date to be determined after the Proposed Par Value Reduction ("Proposed Bonus Issue of Shares");
- (iv) proposed renounceable rights issue of up to RM136,062,242 nominal value of five (5)- year, 5%, redeemable convertible unsecured loan stocks ("RCULS") at 100% of its nominal value of RM0.10 each on the basis of twenty-five (25) RM0.10 nominal value of RCULS together with three (3) new Zecon Shares ("Free Shares") for every six (6) existing Zecon Shares held at an entitlement date to be determined after the Proposed Par Value Reduction and the Proposed Bonus Issue of Shares ("Proposed Rights Issue of RCULS with Free Shares"); and
- (v) proposed establishment of a long term incentive plan of up to 15% for the eligible directors and employees of Zecon and its subsidiary companies (excluding dormant subsidiary companies) ("Proposed LTIP").

Collectively referred to as "Proposals".

On 30 September 2016, KAF Investment Bank Berhad ("KAF"), had on behalf of the Company submitted the draft circular and relevant applications in relation to the Proposals ("Submission") to Bursa Securities and the Securities Commission Malaysia ("SC").

SC had vide its letter dated 6 February 2017, approved our application for the issuance of the RCULS pursuant to the Proposed Rights Issue of RCULS under Section 214(1) of the Capital Markets & Services Act, 2007.

However, due to the 'no par value regime' in the new Companies Act, 2016 which came into effect on 31 January 2017, the Company has on 22 March 2017 submitted the amended Submission to Bursa Securities ("Bursa").

On 27 April 2017, the Company also submitted its revised principal terms and conditions of RCULS ("Revised PTC") to the SC for approval.

19. Status of corporate proposals (contd)

(a) Redeemable convertible unsecured loan stocks (contd)

Bursa had, vide its letter dated 14 June 2017, approved the following:-

- (i) listing of and quotation for up to 198,510,250 RCULS to be issued pursuant to the Proposed Rights Issue of RCULS, on the Main Market of Bursa Securities; and
- (ii) listing of and quotation for up to 198,510,250 new ordinary shares to be issued pursuant to the conversion of the RCULS arising from the Proposed Rights Issue of RCULS, on the Main Market of Bursa Securities.

The approval granted by Bursa Securities is subject to the following conditions:-

1. Zecon and KAF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of RCULS;
2. Zecon and KAF Investment to inform Bursa Securities upon the completion of the Proposed Rights Issue of RCULS;
3. Zecon and KAF Investment to furnish a certified true copy of the resolution passed by shareholders at the shareholders' meeting for the Proposed Rights Issue of RCULS; and
4. Zecon to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of RCULS is completed.

Bursa Securities had, vide its letter dated 4 August 2017, granted the Company an extension of time until 6 October 2017 to comply with Paragraph 9.33(1)(b) of the Listing Requirements.

On 4 December 2017, the Board of the Company has decided to abort the Proposed Right Issue of RCULS due to recent fund received from private placement and potential fund from disposal of 49% equity interest in Zecon Medicare Sdn Bhd.

(b) Private Placement

On 14 September 2017 and 25 September 2017, the Group has issued 3,818,000 shares at RM0.55 per share and 8,092,600 shares at RM0.53 per share, giving total gross consideration of RM6,388,978.

20. Borrowings

	Currency denomination	Unaudited 31 December 2017 RM'000	Audited 30 June 2017 RM'000	Unaudited 31 December 2016 RM'000
Short term borrowings				
Secured	RM	113,525	128,370	128,659
Unsecured	RM	-	-	-
		113,525	128,370	128,659
Long term borrowings				
Secured	RM	259,903	222,027	195,540
Unsecured	RM	-	-	-
		259,903	222,027	195,540
TOTAL BORROWINGS		373,428	350,397	324,199

21. Off balance sheet financial instruments

As at the date of this report, there are no financial instrument with off balance sheet risks entered into by the Group.

22. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 December 2017.

23. Gains/Losses arising from fair value changes of financial liabilities

There were no material gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 31 December 2017.

24. Material Litigation

Neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of the Group and the Directors of the Company are not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group, except for an arbitration in KLRCA (Kuala Lumpur Regional Centre of Arbitration) between POSCO Engineering Co. Limited and Zecon Engineering & Construction Sdn Bhd.

25. Additional disclosure on profit for the year

The following amounts have been included in arriving at profit before taxation:

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Amortization of prepaid land lease payment	1	1	2	2
Bad Debt written off	-	393	-	393
Depreciation of property, plant and equipment	559	494	1,211	1,015
Gain on disposal of property, plant and equipment	(3,360)	-	(3,880)	-
Interest expense	10,425	4,025	15,423	7,785
Interest income	(33)	(541)	(150)	(1,008)
Impairment on receivables	(28)	6	-	6
Impairment of goodwill	-	-	-	-
Impairment on development costs	-	-	-	-
Rental income	158	(145)	239	(149)
Reversal on impairment on receivables	(113)	(276)	(115)	(283)

26. Dividend payable

The Board of Zecon Berhad has not declared any interim dividend in the current quarter in respect of the financial period ending 31 December 2017.

27. Earnings Per Share

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the company	(13,336)	413	(12,544)	2,845
Weighted average number of ordinary shares in issue **	125,061	119,106	125,061	119,106
Basic earnings per ordinary share for profit for the year (sen)	(10.66)	0.35	(10.03)	2.39
Weighted average number of ordinary shares for diluted earning per share computation **	125,061	119,106	125,061	119,106
Diluted earnings per ordinary share for profit for the year (sen)	(10.66)	0.35	(10.03)	2.39

** On 14 September 2017 and 25 September 2017, the Group has issued 3,818,000 shares at RM0.55 per share and 8,092,600 shares at RM0.53 per share, giving total gross consideration of RM6,388,978.

28. Auditors' report in preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 30 June 2017 was not qualified.

29. 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.

	31 December 2017	Audited 30 June 2017
	RM'000	RM'000
Total retained earnings of the Group		
- Unrealised	122,307	127,407
- Realised	7,764	(137,450)
	<u>130,071</u>	<u>(10,043)</u>
Total share of retained earnings from Associate		
- Unrealised	-	-
- Realised	(10,229)	(10,344)
	<u>119,842</u>	<u>(20,387)</u>
Add : Consolidation adjustment	6,410	13,369
Retained earnings as per financial statements	<u>126,252</u>	<u>(7,018)</u>

30. 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 27th February 2018.

By order of the Board

Koh Fee Lee
(MAICSA 7019845)
Dated 27/02/2018