THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Malaysia Securities Berhad has not perused the contents of this Circular relating to the Proposed Amendments (as defined herein) prior to its issuance.

ZECON

ZECON BERHAD

Registration No. 198501002015 (134463-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

I. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 576,473,700 NEW IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES IN ZECON BERHAD ("ZECON" OR THE "COMPANY") ("ICPS") ON THE BASIS OF 4 ICPS FOR EVERY 1 EXISTING ORDINARY SHARE IN ZECON HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER AT AN ISSUE PRICE OF RM0.08 PER ICPS ("PROPOSED RIGHTS ISSUE OF ICPS");

II. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY TO FACILITATE THE PROPOSED RIGHTS ISSUE OF ICPS ("PROPOSED AMENDMENTS"); AND

III. PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF ZECON (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED ESOS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting of the Company ("**EGM**") which is scheduled to be held at Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Friday, 17 July 2020 at 9.30 a.m. or at any adjournment thereof, together with the Proxy Form are enclosed herein.

A member of the Company entitled to attend, speak and vote at the EGM is entitled to appoint not more than 2 proxies to attend, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the registered office of the Company at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The lodging of the Proxy Form shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Wednesday, 15 July 2020 at 9.30 a.m.
Date and time of the EGM	:	Friday, 17 July 2020 at 9.30 a.m.
Venue of the EGM	:	Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak

This Circular is dated 24 June 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"Advances"	:	Being an advance by Datuk Haji Zainal to Zecon Group for a total amount of RM10,711,111 as at 31 December 2019
"Board"	:	The Board of Directors of Zecon
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"By-Law(s)"	:	The rules, terms and conditions of the Proposed ESOS (a draft of which is set out in **Appendix III** of this Circular)
"Circular"	:	This Circular to shareholders of Zecon dated 24 June 2020 in relation to the Proposals
"Constitution"	:	The constitution of Zecon, as may be amended from time to time
"Conversion Mode I"	:	Being a conversion ratio of 2 ICPS to be converted into 1 Zecon Share
"Conversion Mode II"	:	Being a conversion ratio of a combination of 1 ICPS and RM0.08 in cash for 1 Zecon Share
"Conversion Price"	:	RM0.16 based on the Conversion Ratio
"Conversion Ratio"	:	Conversion Mode I and Conversion Mode II, collectively
"Datuk Haji Zainal"	:	Datuk Haji Zainal Abidin bin Haji Ahmad
"Dawla Capital"	:	Dawla Capital Sdn Bhd (Registration No. 199201007077 (238581-X))
"Director(s)"	:	The director(s) of Zecon and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets And Services Act 2007
"Effective Date"	:	The date for the implementation of the Proposed ESOS being the date of full compliance with all relevant requirements of Chapter 6 of the Listing Requirements including the approvals and/ or conditions referred to in By-Laws thereof having been obtained and/ or complied with
"EGM"	:	Extraordinary General Meeting of the Company
"Eligible Person(s)"	:	Director(s) and/ or employee(s) of Zecon and its subsidiaries, which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS in the manner as indicated in the By-Laws
"Entitled Shareholder(s)"	:	The shareholders of Zecon who are registered as a member and whose names appear in the Record of Depositors of Zecon at the close of business on the Entitlement Date
"Entitlement Date"	:	A date to be determined and announced later by the Board, on which shareholders of Zecon must be registered as a member and whose names appear in the Record of Depositors as at 5.00 p.m. of the said date in order to participate in the Proposed Rights Issue of ICPS
"EPS"	:	Earnings per Share

"ESOS"	:	Employees' share option scheme
"ESOS Committee"	:	The committee comprising such persons as may be appointed and duly authorised by the Board, to administer the ESOS in accordance with the provisiosn of By-Laws
"ESOS Option(s)"	:	ESOS option(s) to be granted pursuant to the Proposed ESOS in accordance with the By-Laws
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending 30 June, as the case may be
"ICPS"	:	Irredeemable convertible preference shares in Zecon to be issued pursuant to the Proposed Rights Issue of ICPS
"Issue Price"	:	RM0.08 per ICPS
"Interested Director(s)"	:	Datuk Haji Zainal and Haji Zainurin bin Haji Ahmad, collectively
"Interested Major Shareholder(s)"	:	Dawla Capital and Datuk Haji Zainal, collectively
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	27 May 2020, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Maximum Scenario"	:	Assuming the Proposed Rights Issue of ICPS is fully subscribed by the Entitled Shareholders and/ or their renouncee(s), and the ICPS are fully converted into new Zecon Shares based on the Conversion Mode II
"MFRS 2"	:	Malaysian Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standard Board
"Minimum Scenario"	:	Assuming the Proposed Rights Issue of ICPS is implemented at the Minimum Subscription Level basis and the ICPS are fully converted into new Zecon Shares based on the Conversion Mode I
"Minimum Subscription Level"	:	The minimum subscription of 243,531,300 ICPS by the Undertaking Shareholders which is based on the minimum level of funds of RM19,482,504 that the Company intends to raise from the Proposed Rights Issue of ICPS based on the Issue Price
"NA"	:	Net assets attributable to the owners of the Company
"Official List"	:	A list specifying all securities listed on the Main Market and Ace Market of Bursa Securities
"Proposals"	:	The Proposed Rights Issue of ICPS, the Proposed Amendments and the Proposed ESOS, collectively
"Proposed Amendments"	:	Proposed amendments to the Constitution to facilitate the Proposed Rights Issue of ICPS
"Proposed ESOS"	:	Proposed establishment of an ESOS of up to 15% of the total number of issued shares of Zecon (excluding treasury shares, if any) for the benefit of Eligible Persons to subscribe for Zecon Shares according to the terms set out in the By-Laws

"Proposed Rights Issue of ICPS"	:	Proposed renounceable rights issue of up to 576,473,700 ICPS on the basis of 4 ICPS for every 1 existing Zecon Share held on an Entitlement Date to be determined later at the Issue Price
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
"Set-Off Arrangement"	:	The arrangement between Zecon and the Undertaking Shareholders to off-set the Advances owing to Datuk Haji Zainal via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS
"TERP"	:	Theoretical ex-rights price
"Undertakings"	:	Irrevocable and unconditional undertakings provided by the Undertaking Shareholders to subscribe in full for their ICPS entitlements under the Minimum Subscription Level
"Undertaking Shareholders"	:	Datuk Haji Zainal and Dawla Capital, shareholders of Zecon, who have provided their Undertakings to collectively subscribe for a minimum of 243,531,300 ICPS pursuant to the Proposed Rights Issue of ICPS to achieve the minimum amount of funds of RM19,482,504 that the Company intends to raise from the Proposed Rights Issue of ICPS
"UOBKH" or the "Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price
"Zecon" or the "Company"	:	Zecon Berhad (Registration No. 198501002015 (134463-X))
"Zecon Group" or the "Group"	:	Zecon and its subsidiary companies, collectively
"Zecon Share(s)"or "Share(s)"	:	Ordinary share(s) in Zecon

All references to the "Company" and "Zecon" in this Circular are made to Zecon Berhad (Registration No. 198501002015 (134463-X)) and references to the "Group" are made to the Zecon Group and its subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to our Company, or where the context requires, shall include our subsidiaries.

All references to "you" in this Circular are made to our shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting or incorporating the singular shall, where applicable include the plural and vice versa and words denoting or incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. You are advised to read the Circular in its entirety for further details of the Proposals and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary of the Proposals	**Proposed Rights Issue of ICPS** ➢ The Proposed Rights Issue of ICPS entails a renounceable rights issue of up to 576,473,700 ICPS on the basis of 4 ICPS for every 1 existing Zecon Share held by the Entitled Shareholders on the Entitlement Date. ➢ Basis: 4 ICPS for every 1 existing Zecon Share held by the Entitled Shareholders. For illustrative purposes, the conversion of the ICPS into new Zecon Shares under the Minimum Scenario and Maximum Scenario pursuant to the Proposed Rights Issue of ICPS are set out as follows:-	**Sections 2, 3 and 4**

	Minimum Scenario	**Maximum Scenario**
No. of ICPS	243,531,300	576,473,700
No. of new Zecon Shares to be issued based on Conversion Mode I	121,765,650	288,236,850
No. of new Zecon Shares to be issued based on Conversion Mode II	243,531,300	576,473,700

➢ Issue price of RM0.08 per ICPS with a tenure 5 years commencing from and inclusive of the date of issuance of the ICPS.

➢ The ICPS can be converted into new Zecon Shares in the following manner:-

(i) by surrendering 2 ICPS to be converted into 1 new Zecon Share (i.e. Conversion Mode I); and/ or

(ii) a combination of 1 ICPS and RM0.08 in cash for 1 new Zecon Share (i.e. Conversion Mode II).

➢ The conversion price of the ICPS is RM0.16 for 1 new Zecon Share.

➢ The Undertaking Shareholders, namely Dawla Capital and Datuk Haji Zainal, have provided their respective Undertakings for the Proposed Rights Issue of ICPS and have undertaken to subscribe in full for their respective entitlements under the Proposed Rights Issue of ICPS. The Proposed Rights Issue of ICPS will be undertaken on the Minimum Subscription Level, as such, we will not procure any underwriting arrangement for the remaining portion of the ICPS which are not subscribed for by other Entitled Shareholders.

Key information	Description	Reference to Circular

Set-Off Arrangement in relation to the Proposed Rights Issue of ICPS

- For information purpose, Datuk Haji Zainal had, since May 2018 to December 2019, advanced his monies accumulating to RM10,711,111 which was mainly used for our Group's working capital requirements. The amount outstanding to the said Advances remains unchanged as at the LPD and the said Advances are interest free with no specific repayment terms.

- It is our intention to off-set the Advances owing to Datuk Haji Zainal via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS.

- As the said Advances of RM10,711,111 will be capitalised pursuant to the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS, the cash inflow to Zecon from the Proposed Rights Issue of ICPS under the Minimum Scenario will be RM8,771,393. However, assuming the Proposed Rights Issue of ICPS is fully subscribed by all the Entitled Shareholders and/ or their renouncee(s), Zecon will raise a balance cash inflow of up to RM35,406,785 under the Maximum Scenario.

Proposed Amendments

- The Proposed Amendments entail consequential amendments to our Constitution to facilitate the issuance of the ICPS under the Proposed Rights Issue of ICPS.

Proposed ESOS

- We proposed to undertake an establishment of an ESOS of up to 15% of the total number of issued shares of Zecon (excluding treasury shares, if any) at any point in time.

- The Proposed ESOS involves the granting of ESOS Options to the employees and executive directors and non-executive directors of Zecon and subsidiaries, which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws.

Utilisation of proceeds

Proposed Rights Issue of ICPS — **Sections 2.7 and 4.9**

The gross proceeds to be raised from the Proposed Rights Issue of ICPS will be utilised in the following manner:-

	Timeframe for utilisation from completion	Minimum Scenario RM'000	Maximum Scenario RM'000
Set-Off Arrangement	Immediately	10,711	10,711
Future viable investment	Within 12 months	1,000	3,000
Partial repayment of bank borrowings	Within 3 months	3,668	5,487
Working capital	Within 6 months	3,404	26,220
Estimated expenses	Upon completion	700	700
Total gross proceeds		**19,483**	**46,118**

Key information	Description	Reference to Circular
	Proposed ESOS The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of our Group, as and when received, within the tenure of the ESOS. As such, the exact timeframe for utilisation of the proceeds cannot be determined at this juncture.	
Rationale and justifications for the Proposals	**Proposed Rights Issue of ICPS** The Proposed Rights Issue of ICPS is part of our strategy to secure funding to meet our minimum level of funding as well as to minimise the immediate dilution effect on our EPS. Furthermore, the subscription of ICPS will provide the Entitled Shareholders with an opportunity to further increase their equity participation in the Company. As the ICPS will be listed and traded on the Main Market of Bursa Securities, depending on the future performance of our Group, the Entitled Shareholders and/ or their renouncee(s) may be able to benefit from future capital appreciation in the ICPS. **Proposed Amendments** The Proposed Amendments are undertaken to facilitate the implementation of the Proposed Rights Issue of ICPS. **Proposed ESOS** The Proposed ESOS will enable us to recognise and reward the Eligible Persons, to motivate the Eligible Persons towards improved performance through greater productivity as well as to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in our equity.	**Section 6**
Approvals required	The Proposals are subject to the following approvals being obtained:- ➢ Bursa Securities, which was obtained on 20 May 2020; ➢ Our shareholders at the forthcoming EGM; ➢ Any consent and/ or waiver of the existing financiers/ creditors of Zecon, where required; and ➢ Any other relevant authority and/ or parties, if required.	**Section 10**
Inter-conditionality of the Proposals	➢ The Proposed Rights Issue of ICPS and the Proposed Amendments are inter-conditional upon each other; and ➢ The Proposed ESOS is not conditional upon both the Proposed Rights Issue of ICPS and the Proposed Amendments, and vice versa.	**Section 10**
Interested parties and any conflict of interest from the Proposals	**Proposed Rights Issue of ICPS and Proposed Amendments** ➢ **Dawla Capital**, being a party to the Set-Off Arrangement pursuant to the Proposed Rights Issue of ICPS, is our major shareholder. As at the LPD, it holds 50,189,475 Zecon Shares, representing approximately 34.83% equity interest in Zecon ➢ **Datuk Haji Zainal**, being a party to the Set-Off Arrangement pursuant to the Proposed Rights Issue of ICPS as well as the controlling shareholder of Dawla Capital, is our Group Managing Director and major shareholder. As at the LPD, he holds 10,693,350 Zecon Shares, representing approximately 7.42% equity interest in Zecon; and	**Section 11**

Key information	Description	Reference to Circular
	➢ **Haji Zainurin bin Haji Ahmad**, being the brother of Datuk Haji Zainal, is our Deputy Managing Director and shareholder. As at the LPD, he holds 525,000 Zecon Shares, representing approximately 0.36% equity interest in Zecon. **Proposed ESOS** All of our Directors are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective proposed allocation under the Proposed ESOS.	
Directors' recommendation	Our Board recommends that you **VOTE IN FAVOUR** for the resolutions pertaining to the Proposals, which will be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular and the Notice of EGM as enclosed.	**Section 14**

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ZECON

ZECON BERHAD
Registration No. 198501002015 (134463-X)
(Incorporated in Malaysia)

Registered Office

8th Floor, Menara Zecon
No. 92, Lot 393, Section 5 KTLD
Jalan Satok
93400 Kuching, Sarawak

24 June 2020

Board of Directors

Datu Haji Hamzah bin Haji Drahman *(Independent Non-Executive Chairman)*
Datuk Haji Zainal Abidin bin Haji Ahmad (*Group Managing Director)*
Haji Zainurin bin Haji Ahmad (*Deputy Managing Director)*
Dato' Abdul Majit bin Ahmad Khan *(Senior Independent Non-Executive Director)*
Richard Kiew Jiat Fong *(Independent Non-Executive Director)*
Datuk Haji Bolhassan bin Di @ Ahmad bin Di *(Independent Non-Executive Director)*
Hui Kok Yuan *(Non Independent Non-Executive Director)*
Haji Sazali bin Md Salleh *(Non Independent Non-Executive Director)*
Haji Jamil bin Jamaludin *(Executive Director)*

To: Our shareholders

Dear Sir/ Madam,

I. PROPOSED RIGHTS ISSUE OF ICPS;

II. PROPOSED AMENDMENTS; AND

III. PROPOSED ESOS

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1. INTRODUCTION

On 28 February 2020, UOBKH had, on behalf of our Board, announced that we proposed to undertake the following:-

i. a renounceable rights issue of up to 576,473,700 ICPS on the basis of 4 ICPS for every 1 existing Zecon Share held on an Entitlement Date at the Issue Price;

ii. amendments to the Constitution to facilitate the Proposed Rights Issue of ICPS; and

iii. establishment of an ESOS of up to 15% of the total number of issued shares of Zecon (excluding treasury shares, if any) at any point in time.

On 21 May 2020, UOBKH had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 20 May 2020, approved the following:-

a. admission of the ICPS to the Official List of Bursa Securities pursuant to the Proposed Rights Issue of ICPS;

b. the listing and quotation for up to 576,473,700 ICPS to be issued pursuant to the Proposed Rights Issue of ICPS;

c. the listing and quotation for up to 576,473,700 new Zecon Shares to be issued arising from the conversion of the ICPS; and

d. the listing and quotation for such number of new Zecon Shares, representing up to 15% of total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the Proposed ESOS,

on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 10** of this Circular.

For your information, the Proposed Amendments entail the incorporation of the salient terms of the ICPS which is set out in **Appendix I** of this Circular.

On 9 June 2020, UOBKH had, on behalf of our Board, submitted an application to Bursa Securities to seek for an extension of time for Zecon to issue the Circular to our shareholders. Subsequently, Bursa Securities had, vide its letter dated 19 June 2020, resolved to grant Zecon an extension of time until 26 June 2020, to comply with Paragraph 9.33(1)(b) of the Listing Requirements to issue the Circular to our shareholders.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF ICPS

2.1 Basis and number of ICPS to be issued

The Proposed Rights Issue of ICPS entails a renounceable rights issue of up to 576,473,700 ICPS on the basis of 4 ICPS for every 1 existing Zecon Share held by the Entitled Shareholders on the Entitlement Date.

As at the LPD, our issued share capital is RM132,247,370 comprising 144,118,425 Zecon Shares. In the event that all the Entitled Shareholders and/ or their renouncee(s) fully subscribe for their entitlements under the Proposed Rights Issue of ICPS, the maximum number of ICPS to be issued pursuant to the Proposed Rights Issue of ICPS is 576,473,700 ICPS.

The Proposed Rights Issue of ICPS is to be undertaken on the Minimum Subscription Level basis after taking into consideration the minimum level of funds that we wish to raise from the Proposed Rights Issue of ICPS amounting to RM19,482,504 as detailed in **Section 2.3** of this Circular.

The said minimum level of funds will be partially satisfied via the capitalisation of the Advances owing by Zecon Group to Datuk Haji Zainal pursuant to the Set-Off Arrangement as set out in **Section 2.4** of this Circular. For information purpose, Datuk Haji Zainal had, since May 2018 to December 2019, advanced his monies accumulating to RM10,711,111 which was mainly used for our Group's working capital requirements. Further details on the utilisation of the Advances are set out in **Section 2.7** of this Circular.

Despite the Advances being interest free with no specific repayment terms, the Set-Off Arrangement allows our Group to repay the Advances through the ICPS entitlements, instead of having to source from internally generated funds and/ or bank borrowings, which may otherwise place further constraints on our working capital position, cash flow requirements, gearing level and our debt servicing ability in the short term. This also alleviates the liquidity concern and risk faced by our Group in having to source for internal funds to repay the Advances at later stage in the event Datuk Haji Zainal demands for immediate repayment of the said Advances. As such, our intention to undertake the Set-Off Arrangement through the Proposed Rights Issue of ICPS not only allows our Group to meet the fund raising objectives, but also provides a timely opportunity to capitalise the Advances in conjunction thereto.

After taking into consideration the above and further justifications for the Set-Off Arrangement as set out in **Section 2.4** of this Circular, it is our intention to off-set the Advances owing to Datuk Haji Zainal via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS. As the said advances of RM10,711,111 will be capitalised pursuant to the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS (details of which are set out in **Section 2.4** of this Circular), the cash inflow to Zecon from the Proposed Rights Issue of ICPS under the Minimum Scenario will be RM8,771,393. However, assuming the Proposed Rights Issue of ICPS is fully subscribed by all the Entitled Shareholders and/ or their renouncee(s), Zecon will raise a balance cash inflow of up to RM35,406,785 under the Maximum Scenario. Further details on the utilisation of the proceeds are set out in **Section 2.7** of this Circular.

The actual number of ICPS to be issued would depend on the total issued shares of Zecon as at the Entitlement Date and the eventual subscription rate.

The Proposed Rights Issue of ICPS is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/ or renounce their entitlements to the ICPS in full or in part. The ICPS will be provisionally allotted to the Entitled Shareholders.

Fractional entitlements of the ICPS, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company.

Any ICPS which is not subscribed or validly subscribed shall be made available for excess application by the other Entitled Shareholders and/ or their renouncee(s). It is the intention of the Board to allocate the excess ICPS in a fair and equitable manner on a basis to be determined by the Board.

The ICPS can be converted into new Zecon Shares in the following manner:-

i. by surrendering 2 ICPS to be converted into 1 new Zecon Share (i.e. Conversion Mode I); and/ or

ii. a combination of 1 ICPS and RM0.08 in cash for 1 new Zecon Share (i.e. Conversion Mode II).

For illustrative purposes, the conversion of the ICPS into new Zecon Shares under the Minimum Scenario and Maximum Scenario pursuant to the Proposed Rights Issue of ICPS are set out as follows:-

	Minimum Scenario	**Maximum Scenario**
No. of ICPS	243,531,300	576,473,700
No. of new Zecon Shares to be issued based on Conversion Mode I	121,765,650	288,236,850
No. of new Zecon Shares to be issued based on Conversion Mode II[*1]	243,531,300	576,473,700

Note:-

*[*1]* *The maximum number of new Zecon Shares to be issued assuming the ICPS are converted by tendering 1 ICPS and paying the difference of the Conversion Price, i.e. RM0.08. The maximum proceeds to be raised is set out as follows:-*

	Minimum Scenario	***Maximum Scenario***
No. of ICPS tendered	*243,531,300*	*576,473,700*
Difference between Conversion Price and ICPS tendered (RM)	*0.08*	*0.08*
Total (RM)	***19,482,504***	***46,117,896***

Our Board had determined the 2 modes of conversion of the ICPS after taking into consideration the flexibility it provides to our shareholders to determine the manner they wish to convert their ICPS to increase their equity participation in Zecon as:-

i. Conversion Mode I will allow our shareholders to increase their shareholdings without incurring additional cost to convert their ICPS. However, the number of Zecon Shares to be issued and allotted is lesser; and

ii. Conversion Mode II will provide further flexibility to our shareholders to increase their shareholdings as the number of Zecon Shares to be issued and allotted is higher as well as allowing us to raise funds from the conversion of the ICPS which is beneficial to our Company.

The salient terms of the ICPS are further set out in **Appendix I** of this Circular.

2.2 Basis and justification for the Issue Price and Conversion Price of the ICPS

The issue price of RM0.08 of the ICPS and the conversion price of RM0.16 for 1 new Zecon Share were determined and fixed by our Board after taking into consideration the following:-

i. our minimum funding requirement amounting to RM19,482,504, further details of which are set out in **Section 2.7** of this Circular;

ii. the TERP of Zecon Shares of RM0.30 based on the 5-day VWAP of Zecon Shares up to 27 February 2020, being the last trading day prior to the announcement of the Proposals dated 28 February 2020 ("**LTD**");

iii. the prevailing market conditions and the historical trading prices of Zecon Shares for the past 12 months. For information purpose, the issue price of the ICPS at RM0.08 each represents the following discount to the TERP computed based on 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Zecon Shares up to and including the LTD:-

	VWAP RM	**TERP**	**(Discount) RM**	**%**
5-day VWAP of Zecon Shares up to and including the LTD	0.58	0.30	(0.22)	(73.33)
1-month VWAP of Zecon Shares up to and including the LTD	0.62	0.31	(0.23)	(74.19)
3-month VWAP of Zecon Shares up to and including the LTD	0.59	0.30	(0.22)	(73.33)
6-month VWAP of Zecon Shares up to and including the LTD	0.53	0.28	(0.20)	(71.43)
12-month VWAP of Zecon Shares up to and including the LTD	0.43	0.25	(0.17)	(68.00)

(Source: Bloomberg)

Based on the above, the Issue Price represents a discount ranging from approximately 68.00% to approximately 74.19% over the TERP, computed based on 5-day VWAP, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12-month VWAP of Shares up to the LTD.

Further, the conversion price of the ICPS at RM0.16 each represents the following discount to the TERP computed based on 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Zecon Shares up to and including the LTD:-

	VWAP	**TERP**	**(Discount)**	
	RM		**RM**	**%**
5-day VWAP of Zecon Shares up to and including the LTD	0.58	0.30	(0.14)	(46.67)
1-month VWAP of Zecon Shares up to and including the LTD	0.62	0.31	(0.15)	(48.39)
3-month VWAP of Zecon Shares up to and including the LTD	0.59	0.30	(0.14)	(46.67)
6-month VWAP of Zecon Shares up to and including the LTD	0.53	0.28	(0.12)	(42.86)
12-month VWAP of Zecon Shares up to and including the LTD	0.43	0.25	(0.09)	(36.00)

(Source: Bloomberg)

Based on the above, the Conversion Price represents a discount ranging from approximately 36.00% to approximately 48.39% over the TERP, computed based on 5-day VWAP, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12-month VWAP of Shares up to the LTD; and

iv. the Proposed Rights Issue of ICPS is undertaken on a Minimum Subscription Level (based on the Undertakings provided by the Undertaking Shareholders) and as such, the Issue Price and Conversion Price are determined at a discount with the intention to entice the Entitled Shareholders (other than the Undertaking Shareholders) to subscribe for their respective entitlements which will allow us to raise up to RM46,117,896 from the Proposed Rights Issue of ICPS to facilitate the utilisation of proceeds as set out in **Section 2.7** of this Circular. For avoidance of doubt, pursuant to the Set-Off Arrangement as set out in **Section 2.4** of this Circular, the net cash inflow to Zecon from the Proposed Rights Issue of ICPS implemented at the Minimum Subscription Level basis will be RM8,771,393.

In addition to the above, our Board had also taken into consideration the current economy outlook, the prospects of the industries in which we operate in as well as our future prospects as set out in **Section 7** of this Circular as further justifications for the Issue Price and the Conversion Price.

2.3 Shareholder's undertaking and underwriting arrangement

Our Board has determined to undertake the Proposed Rights Issue of ICPS on a Minimum Subscription Level basis, after taking into consideration the minimum level of funds that we wish to raise from the Proposed Rights Issue of ICPS which will be channelled towards the proposed utilisation of proceeds as set out in **Section 2.7** of this Circular.

For avoidance of doubt, under the Minimum Subscription Level basis, approximately 55% of the proceeds (i.e. RM10.71 million) to be raised from the Proposed Rights Issue of ICPS is earmarked for the Set-Off Arrangement, whilst the remaining 45% of the proceeds (i.e. RM8.77 million) represents the cash inflow to be raised to our Group which is earmarked mainly for repayment of bank borrowings and working capital requirements. Our Board is of the view that the proportion of cash inflow amounting to RM8.77 million to be raised is reasonably adequate to address our current funding requirements to meet our short-term obligations and liabilities, and to strengthen our financial position.

With respect to the above, our Board has also taken into consideration further justification for the need to channel the funds mainly towards repayment of bank borrowings and working capital requirements:-

i. the partial repayment of bank borrowings is aimed at paring down our bank borrowings so as to reduce our gearing ratio and reducing our interest cost servicing going forward, thus improving our liquidity position; and

ii. the financing of our working capital requirements (mainly comprising general administrative and operating expenses, and repayment to creditors) is aimed at sustaining our operating cycle to ensure our operations and project needs are met adequately on a day-to-day basis.

Further, as set out in **Section 2.1** of this Circular, the Proposed Rights Issue of ICPS not only allows our Group to meet the fund raising objectives, but also provides a timely opportunity to capitalise the Advances owing to Datuk Haji Zainal in conjunction thereto.

To meet the Minimum Subscription Level, Dawla Capital and Datuk Haji Zainal, the shareholders of Zecon, had on 28 February 2020 provided their respective irrevocable and unconditional undertakings to subscribe in full for their respective entitlements under the Proposed Rights Issue of ICPS based on their shareholdings as at 28 February 2020 at the Issue Price and any additional entitlements under the Proposed Rights Issue of ICPS if they increase their respective shareholdings in Zecon from the announcement of the Proposals dated 28 February 2020 up to and including the Entitlement Date. They have also undertaken that they will not dispose any Zecon Shares from the date of their letters of undertaking dated 28 February 2020 up to the completion of the Proposed Rights Issue of ICPS.

A summary of the Undertakings is set out below:-

Undertaking Shareholders	**Shareholdings as at the LPD**		**ICPS to be subscribed under the Undertakings**		**Funding required**
	No. of Zecon Shares	**%[*1]**	**No. of ICPS**	**%[*2]**	**RM**
Dawla Capital[*3]	50,189,475	34.83	200,757,900	34.83	16,060,632[*4]
Datuk Haji Zainal	10,693,350	7.42	42,773,400	7.42	3,421,872[*4]
Total	**60,882,825**	**42.25**	**243,531,300**	**42.25**	**19,482,504**

Notes:-

[*1] *Computed based on 144,118,425 Zecon Shares in issue*

[*2] *Computed based on 576,473,700 ICPS available for subscription under the Maximum Scenario*

*3 *The directors and shareholders of Dawla Capital are Datuk Haji Zainal and Datin Hajjah Azlina Binti Abdullah. Details of their shareholdings in Dawla Capital are as follows:-*

Name	***No. of shares***	***%***
Datuk Haji Zainal	*19,750,000*	*98.75*
Datin Hajjah Azlina Binti Abdullah	*250,000*	*1.25*
Total	***20,000,000***	***100.00***

*4 *As set out in **Section 2.1** of this Circular, Zecon intends to off-set the Advances owing to Datuk Haji Zainal amounting to RM10,711,111 pursuant to a Set-Off Arrangement via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS. Hence, the cash outlay required by the Undertaking Shareholders to fund the subscription of the ICPS will be reduced by an equivalent amount (in aggregate) of RM10,711,111*

*In this regards, the cash inflow to Zecon will be reduced by the aforesaid amount of RM10,711,111 in gross proceeds arising from the subscription of the ICPS by the Undertaking Shareholders under the Proposed Rights Issue of ICPS which is earmarked to off-set the Advances owing by Zecon Group to Datuk Haji Zainal. Further details of the Set-Off Arrangement are set out in **Section 2.4** of this Circular*

The Undertaking Shareholders have confirmed that they have sufficient financial resources to fulfil their respective Undertakings and satisfy in full the subscription amount payable in connection with the performance of their Undertakings. The said confirmations have been verified by UOBKH, being the adviser for the Proposed Rights Issue of ICPS.

As the Proposed Rights Issue of ICPS will be undertaken on a Minimum Subscription Level basis, we will not procure any underwriting arrangement for the remaining portion of the ICPS which are not subscribed for by other Entitled Shareholders.

After taking into consideration the Undertakings, the subscription of the ICPS by the Undertaking Shareholders will not give rise to any mandatory general offer obligation pursuant to the Rules. However, like any other Entitled Shareholders, should the Undertaking Shareholders and any other persons connected to them ("**PACs**") (if any), either individually or collectively, convert their ICPS into new Zecon Shares to the following extent:-

i. their shareholdings increase to above 33% of issued shares in Zecon; or

ii. their shareholdings increase by more than 2% in any 6-month period in the case where their aggregate shareholdings are between 33% and 50% of issued shares in Zecon,

the Undertaking Shareholders would, in such event, be obliged to extend a mandatory take-over offer for all the remaining Zecon Shares not already owned by them and their PACs (if any). However, it is not the intention of the Undertaking Shareholders to undertake a mandatory take-over offer in such event. In this regards, the Undertaking Shareholders shall observe at all times when dealing in their ICPS to avoid triggering such obligation to extend the mandatory take-over offer. In addition, should the need arise, the Undertaking Shareholders may make an application to the Securities Commission Malaysia ("**SC**") to seek an exemption under Paragraph 4.08 of the Rules from the obligation to extend the mandatory take-over offer, the application of which may be made at a later date but prior to triggering the said obligation.

Further, the public shareholding spread of Zecon will not fall below the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements pursuant to the issuance of the ICPS under the Proposed Rights Issue of ICPS.

However, assuming the full conversion of ICPS based on Minimum Subscription Level, the public shareholding spread of Zecon may fall below 25% as shown below in the pro forma public shareholding spread:-

	Shareholdings as at the LPD		<---- Assuming full conversion of ICPS ---->			
			Conversion Mode I		Conversion Mode II	
	No. of Zecon Shares ('000)	%	No. of Zecon Shares ('000)	%	No. of Zecon Shares ('000)	%
Directors/ substantial shareholders/ persons connected	88,718	61.6	210,484	79.2	332,250	85.7
Public	55,400	38.4	55,400	20.8	55,400	14.3
Total	**144,118**	**100.0**	**265,884**	**100.0**	**387,650**	**100.0**

As set out in **Section 10(i)** of this Circular, the approval obtained from Bursa Securities on 20 May 2020 is also subject to the condition that Zecon must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals, including Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

A listed issuer which fails to maintain the abovesaid public shareholding spread requirement may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. In respect of the breach of Paragraph 8.02(1) of the Listing Requirements, Bursa Securities may take or impose any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements, and/ or may suspend the trading in the securities of Zecon pursuant to Paragraph 16.02 of the Listing Requirements.

The Undertaking Shareholders are mindful of the above, and they had via letters of undertaking dated 28 February 2020 provided their respective irrevocable and unconditional undertakings to observe and monitor their dealings in the ICPS from time to time to ensure that the conversion of their ICPS would not result in Zecon being in breach of the public shareholding spread requirement. If the need arises, the Undertaking Shareholders may sell or place out their ICPS, or that they may procure our Company to take the necessary steps such as embarking on placement or offer for sale exercise, at any point in time prior to maturity, to the extent of ensuring our public shareholding spread is met at all times.

2.4 Set-Off Arrangement

As set out in **Section 2.3** of this Circular, the Undertaking Shareholders had provided irrevocable undertakings to subscribe for RM19,482,504 in value for the ICPS to be issued pursuant to the Proposed Rights Issue of ICPS, as summarised in the table below:-

Undertaking Shareholders	ICPS to be subscribed under the Undertakings No. of ICPS	Funding required RM
Dawla Capital[*1]	200,757,900	16,060,632
Datuk Haji Zainal	42,773,400	3,421,872
Total	**243,531,300**	**19,482,504**

Note:-

*[*1] Being an entity controlled by Datuk Haji Zainal*

For information purpose, one of the Undertaking Shareholders, namely Datuk Haji Zainal had, since May 2018 to December 2019, advanced his monies accumulating to RM10,711,111 as at 31 December 2019 to Zecon Group mainly for our Group's working capital purposes, further details of which are set out in **Section 2.7** of this Circular. The amount outstanding to the said Advances remains unchanged as at the LPD and the said Advances are interest free with no specific repayment terms.

Datuk Haji Zainal had provided the Advances to Zecon Group during the material points in time as an expedient mean to supplement our short-term funding requirements, and in order to ensure our Group's ability to achieve sustainable and viable operations in our on-going projects. As at 30 June 2018 and 30 June 2019, we faced certain events indicating the existence of a material uncertainty which may cast significant doubt about the ability of our Group to continue as a going concern. Such events include amongst others, our negative working capital position (i.e. current liabilities exceeding current assets), negative operating cash flow position, and default in payment of bank facility.

Therefore, Zecon Group had in part relied on the Advances to bridge the temporary downturn of events and to meet our working capital requirements, comprising mainly the overhead expenses, staff costs and project costs. This in turn allows our Group to ease our cash flow and/ or working capital requirements for our on-going project needs.

Notwithstanding that the Advances are interest free with no specific repayment terms, it is our intention to off-set the Advances owing to Datuk Haji Zainal via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS, after having taken into consideration the following justifications:-

i. the Set-Off Arrangement allows our Group to repay the Advances through the ICPS entitlements, instead of having to source from internally generated funds and/ or bank borrowings, which may otherwise place further constraints on our working capital position, cash flow requirements, gearing level and our debt servicing ability in the short term. This also alleviates the liquidity concern and risk faced by our Group in having to source for internal funds to repay the Advances at later stage in the event Datuk Haji Zainal demands for immediate repayment of the said Advances, which may otherwise affect our working capital requirements at the relevant point in time; and

ii. The Set-Off Arrangement is undertaken in conjunction with the Proposed Rights Issue of ICPS. As such, the Proposed Rights Issue of ICPS not only allows our Group to meet the fund raising objectives (i.e. cash inflow to our Group ranging from RM8.77 million up to RM35.41 million), but also provides a timely opportunity to capitalise the Advances amounting to RM10,711,111 as settlement purposes for such liability.

Under the Set-Off Arrangement between the Undertaking Shareholders and us, the Undertaking Shareholders' capital outlay pursuant to their Undertakings will be satisfied in the following manner:-

		Mode of satisfaction for ICPS subscription	
Undertaking Shareholders	**Total capital outlay RM**	**Outlay to be capitalised against Advances under Set-Off Arrangement RM**	**Cash outlay RM**
Dawla Capital[*1]	16,060,632	7,289,239	8,771,393
Datuk Haji Zainal	3,421,872	3,421,872	-
Total	**19,482,504**	**10,711,111**	**8,771,393**

Note:-

*[*1] Being an entity controlled by Datuk Haji Zainal*

As the amount of RM10,711,111 (being part of the amount to be raised from the Proposed Rights Issue of ICPS implemented based on Minimum Subscription Level basis) will be set-off against the Advances which are to be capitalised pursuant to the Set-Off Arrangement, the net cash inflow to Zecon will be reduced by RM10,711,111 (being the set-off amount) from the Proposed Rights Issue of ICPS and accordingly, the net cash inflow to Zecon from the Proposed Rights Issue of ICPS implemented at the Minimum Subscription Level basis will be RM8,771,393.

2.5 Ranking of the ICPS and the new Zecon Shares to be issued arising from the conversion of the ICPS

Please refer to **Appendix I** of this Circular for the ranking of the ICPS and the new Zecon Shares to be issued arising from the conversion of the ICPS.

2.6 Listing and quotation for the ICPS and the new Zecon Shares to be issued arising from the conversion of the ICPS

Bursa Securities had, vide its letter dated 20 May 2020, approved the admission of the ICPS to the Official List of Bursa Securities as well as the listing and quotation for the ICPS and the new Zecon Shares arising from the conversion of the ICPS on the Main Market of Bursa Securities pursuant to the Proposed Rights Issue of ICPS.

2.7 Utilisation of proceeds

Based on the issue price RM0.08 per ICPS, the gross proceeds from the Proposed Rights Issue of ICPS are intended to be utilised in the following manner:-

	Timeframe for utilisation from completion date of Proposed Rights Issue of ICPS	**Minimum Scenario**		**Maximum Scenario**	
		RM'000	**%**	**RM'000**	**%**
Set-Off Arrangement[*1]	Immediately	10,711	55.0	10,711	23.2
Subtotal (Set-off amount)		**10,711**	**55.0**	**10,711**	**23.2**
Future viable investment[*2]	Within 12 months	1,000	5.1	3,000	6.5
Partial repayment of bank borrowings[*3]	Within 3 months	3,668	18.8	5,487	11.9
Working capital[*4]	Within 6 months	3,404	17.5	26,220	56.9
Estimated expenses[*5]	Upon completion	700	3.6	700	1.5
Subtotal (Cash inflow to Zecon)		**8,772**	**45.0**	**35,407**	**76.8**
Grand total gross proceeds		**19,483**	**100.0**	**46,118**	**100.0**

For the avoidance of doubt, Datuk Haji Zainal had earlier advanced a total amount of RM10,711,111 as at 31 December 2019 to Zecon Group. As the amount of RM10,711,111 (being part of the amount to be raised from the Proposed Rights Issue of ICPS) will be set-off against the Advances which are to be capitalised pursuant to the Set-Off Arrangement as set out in **Section 2.4** of this Circular, the net cash inflow to Zecon will be reduced by RM10,711,111 (being the set-off amount) from the Proposed Rights Issue of ICPS and accordingly, the net cash inflow to Zecon will be RM8,771,393 and RM35,406,785 under the Minimum Scenario and Maximum Scenario, respectively.

Notes:-

*1 *Pursuant to the Set-Off Arrangement as set out in **Section 2.4** of this Circular, we intend to off-set the Advances of RM10,711,111 owing by us to Datuk Haji Zainal via the capitalisation of the Advances through the ICPS entitlements of the Undertaking Shareholders pursuant to their respective Undertakings under the Proposed Rights Issue of ICPS. The amount outstanding to the Advances remain unchanged as at the LPD and the said Advances are interest free with no specific repayment terms.*

In this respect, there will be no cash inflow to Zecon amounting to RM10,711,111 as the proceeds to be raised from the Proposed Rights Issue of ICPS will be partially utilised to capitalise against the Advances by an equivalent amount under the Set-Off Arrangement.

*For information purpose, Zecon had during May 2018 to December 2019 relied in part on the Advances from Datuk Haji Zainal to bridge the temporary downturn of events (i.e. credit crunch mainly due to the delay in payments/ collections from our clients) faced by our Group and to meet our working capital requirements, further details of which are set out in **Section 2.4** of this Circular. The said Advances have been utilised in the following manner:-*

Utilisation	***RM***	***%***
Project costs	*246,083*	*2.3*
Staff costs	*3,951,649*	*36.9*
*Other overheads^*	*6,373,379*	*59.5*
Repayment of borrowings	*140,000*	*1.3*
Total	***10,711,111***	***100.0***

^ *For information purpose, the breakdown of the other overheads is as follows:-*

Utilisation	***RM***	***%***
Payment on behalf of our shareholders' portion to MBSB Bank Berhad (Escrow Account-i)	*4,000,000*	*62.8*
Rental of office premise	*900,000*	*14.1*
Statutory payments such as income tax and Employees' Provident Fund)	*473,810*	*7.4*
Legal fees	*431,200*	*6.8*
Project working capital	*403,389*	*6.3*
Maintenance cost for property, plant and equipment	*78,370*	*1.2*
Bank processing fees and charges	*24,305*	*0.4*
Administrative expenses such as utilities and stationeries	*62,305*	*1.0*
Total	***6,373,379***	***100.0***

*2 *Apart from expanding our business organically (i.e. the provision of affordable housing through our property development business), we may also expand inorganically, via joint venture, collaborative arrangements, business agreements, and/ or mergers and acquisitions of businesses or investments that will be in similar industry/ sector to that of its existing business. In line with the above, up to RM3.00 million of the proceeds which may be raised from the Proposed Rights Issue of ICPS shall be utilised to finance any suitable and viable potential business(es)/ investment(s), within 12 months from completion of the Proposed Rights Issue of ICPS. This may include, but not limited to, tendering and/ or bidding cost for new projects, investment(s) in joint ventures for co-participation in undertaking construction projects or property development activities, and strategic investment in business(es) which are complementary in nature with our existing businesses, such as industrialised building system (IBS) and project management entities. As potential acquisition(s) of business(es)/ investment(s) may cost a substantial amount, the proceeds raised from the Proposed Rights Issue of ICPS may allow us to capitalise on suitable and viable investment opportunities as and when it arises, which in turn may generate positive returns to our Group in the future.*

As at the LPD, we are still exploring options for identifying suitable business(es)/ investment(s) or strategic acquisition(s)/ collaboration(s) and will continuously seek and identify such opportunities. We shall make the necessary announcements in accordance with the Listing Requirements as and when new business(es)/ investment(s) which are likely to materialise have been identified. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, we will seek the necessary approval from our shareholders

*3 *The proceeds for the partial repayment of borrowings will be utilised as follows:-*

Type of facility	Effective interest rate of facility	Amount outstanding as at the LPD	Proposed utilisation of proceeds		Estimated interest cost savings (per annum) arising from the repayment	
			Minimum Scenario	Maximum Scenario	Minimum Scenario	Maximum Scenario
	%	RM'000	RM'000	RM'000	RM'000	RM'000
Term loan	7.00	37,617	428	645	30	45
Ijarah Financing	8.39	33,610	781	2,318	66	194
Islamic Working Capital Financing	6.20	22,000	2,329	2,329	144	144
Hire purchase (SME)	7.85	1,240	130	195	10	15
Total		**94,467**	**3,668**	**5,487**	**250**	**398**

*4 *The proceeds earmarked for working capital is intended to be utilised as follows:-*

	Minimum Scenario RM'000	Maximum Scenario RM'000
General administrative and operating expenses (i.e. staff training and staff welfare)	1,866	5,185
Repayment of creditors^	1,538	21,035
Total	**3,404**	**26,220**

^ *For information purpose, the breakdown of the repayment of creditors is as follows:-*

Description	Minimum Scenario RM'000	Maximum Scenario RM'000
- Tax payable to Inland Revenue Board of Malaysia	312	624
- Other creditors	111	406
- Trade Creditors		
a) Hospital Petra Jaya	720	1,928
b) Mydin Supermall	122	244
c) Faculty of Medicine and Health Sciences, Universiti Malaysia Sarawak ("**FMHS**")	20	40
d) Sime Darby Melawati	253	2,021
- Sarawak Government (land premium)	-	15,772
Total	**1,538**	**21,035**

Our Group intends to utilise a portion of the proceeds for the repayment of creditors in respect of the following projects:-

Name of project	Nature of project	Gross development value RM'000	Gross development cost RM'000	Commencement date	Completion date	Stage of completion
Hospital Petra Jaya	Construction	495,000	482,476	30 May 2013	-	Project has been terminated on 2 August 2018
Mydin Supermall	Construction	155,851	140,853	20 August 2013	-	Pending issuance of final certificate from Lembaga Tabung Haji
FMHS	Construction	182,000	154,153	26 October 2009	15 September 2014	Completed
Sime Darby Melawati	Construction	82,970	80,481	31 May 2013	20 December 2017	Completed

*5 *The proceeds earmarked for estimated expenses in relation to the Proposals shall be utilised in the following manner:-*

	RM'000
Professional fees (i.e. adviser, reporting accountants and solicitors)	*500*
Regulatory fees (i.e. fees payable to Bursa Securities, SC and Companies Commission of Malaysia)	*100*
Other incidental expenses such as printing and advertising costs and miscellaneous expenses	*100*
Total	***700***

The actual proceeds to be raised from the Proposed Rights Issue of ICPS will depend on the subscription level of the ICPS. Any variation to the actual proceeds raised will be adjusted against the proceeds allocated for our Group's working capital requirements.

Pending utilisation of the proceeds from the Proposed Rights Issue of ICPS for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for our Group.

The exact quantum of proceeds that may be raised from the conversion of the ICPS will depend upon the actual number of ICPS as and when converted during the tenure of the ICPS, as well as dependent on the mode of conversion of the ICPS into new Zecon Shares. As such, the exact timeframe for utilisation of the proceeds from the conversion of the ICPS is not determinable at this juncture. Any gross proceeds to be raised from the conversion of the ICPS shall be utilised as additional general working capital to finance our Group's day-to-day operations including amongst others, repayment to trade creditors, sales and marketing expenses, staff and administrative expenses and other operating expenses (i.e. utilities, office expenses), the breakdown of which has not been determined at this juncture.

3. DETAILS OF THE PROPOSED AMENDMENTS

The Proposed Amendments entail consequential amendments to our Constitution to facilitate the issuance of the ICPS under the Proposed Rights Issue of ICPS.

Further information on the Proposed Amendments are set out in **Appendix II** of this Circular.

4. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS involves the granting of ESOS Options to the employees and executive and non-executive directors of Zecon and subsidiaries, which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws to subscribe for new Zecon Shares at specified price to be determined in the manner set out in **Section 4.5** of this Circular.

The Proposed ESOS will be administered by the ESOS Committee and shall be governed by the By-Laws. The decision as to whether or not to stagger the allocation of the ESOS Options over the duration of the Proposed ESOS shall be determined by the ESOS Committee at a later date.

The salient features of the Proposed ESOS are set out below:-

4.1 Maximum number of Zecon Shares available under the Proposed ESOS

The maximum number of new Zecon Shares, which may be allotted pursuant to the Proposed ESOS shall not exceed in aggregate 15% of our total number of issued shares (excluding treasury shares, if any) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time throughout the duration of the ESOS as set out in **Section 4.4** of this Circular.

4.2 Basis of allocation and maximum allowable allocation

The maximum number of new Zecon Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority, length of service and/ or the potential for future development and contribution to the success and development of our Group of the Eligible Person and shall be subject to the following:-

i. The Directors and senior management of our Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options;

ii. The allocation to an Eligible Person, who either singly or collectively, through persons connected to the Eligible Person, holds 20% or more of the total number of issued shares of Zecon (excluding treasury shares, if any), must not exceed 10% of the total number of new Zecon Shares to be issued under the Proposed ESOS;

iii. That at any one time during the ESOS Period, not more than 50% of the total number of ESOS Options available under the Proposed ESOS could be allocated, in aggregate to the Directors and senior management of our Group who are Eligible Persons.

The aforesaid maximum allocation to the Directors and senior management of our Group was determined after taking into consideration, the number of Eligible Persons falling within the grading of directors and senior management of our Group, as well as their position, seniority, length of service, performance and contribution to our Group; and

iv. That the number of ESOS Options made available under the Proposed ESOS shall not exceed the amount stipulated in **Section 4.1** of this Circular.

In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the ESOS Options or persons connected with them.

The ESOS Committee also has the discretion to determine whether the ESOS Options are subject to any vesting period and if so, whether the vesting conditions are subject to performance target. As at the date of this Circular, we have yet to determine any specific performance targets which are required to be achieved before the ESOS Options can be exercised by an Eligible Person. The ESOS Committee has the discretion to determine whether the Eligible Person is required to achieve any specific performance target(s) before he/ she may exercise the ESOS Options granted to him/ her. Any such performance target(s) if set, shall be stated in the offer letter to the Eligible Person.

For information purpose, the potential cost to Zecon arising from the granting of the ESOS Options could not be determined at this juncture. As set out in **Section 8.4** of this Circular, the potential cost arising from the grant of the ESOS Options, which is expected to vest at each Date of Offer, is measured by the fair value of the ESOS Options, which is determined after taking into consideration, amongst others, the historical volatility of Zecon Shares, the risk-free rate, the subscription price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options.

4.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who meet the following conditions as at the date on which an offer is made by the ESOS Committee in writing ("**Date of Offer**") shall be eligible to participate in the Proposed ESOS:-

i. the Director or employee shall have attained the age of at least 18 years;

ii. the Director or employee has been on the payroll of any company within the Zecon Group for a continuous period of at least 1 year (which shall include any probation period) and his employment has been confirmed and has not served a notice of resignation or received a notice of termination by the relevant company within the Zecon Group; or such employee or Director is serving in a specific designation under an employment contract for a continuous period of at least 1 year (which shall include any probation period), and has not served a notice of resignation or received a notice of termination by the relevant company within the Zecon Group;

iii. the Director or employee is not a participant of any other ESOS implemented by any company within the Zecon Group which is in force for the time being, if any;

iv. if the employee is employed by a company incorporated in Malaysia which is acquired, and becomes our subsidiary upon such acquisition during the duration of the ESOS, the employee must have completed service for a continuous period of at least 1 year in that subsidiary following the date that such company becomes or is deemed to be our subsidiary;

v. in the case of a Director or employee (who is the chief executive officer or a major shareholder of Zecon) and persons connected with them, the specific allocation of new Zecon Shares to such Director, employee or persons connected with them under the ESOS shall have been approved by the shareholders of Zecon at a general meeting provided always that such Director, employee and person connected to them shall not have voted on the resolution approving the said allocation; and

vi. the Director or employee has fulfilled any other eligibility criteria and/or falls within such grade/ category as may be determined by the ESOS Committee at its sole discretion from time to time.

Only Eligible Persons of our Group (excluding dormant subsidiaries), who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws are eligible to participate.

In the case of our Director or chief executive or major shareholder and/ or persons connected to them who is an Eligible Person, their specific allotments under the Proposed ESOS shall be approved by our shareholders in a general meeting.

4.4 Duration

The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the Effective Date.

On or before the expiry of the abovesaid initial 5-year period, the Proposed ESOS may be extended by the ESOS Committee at its absolute discretion, without having to obtain approval from our shareholders in general meeting, for a further period of up to 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed a duration of 10 years from the Effective Date.

4.5 Basis of determining the subscription price

Subject to any adjustments made under the By-Laws and pursuant to the Listing Requirements, the subscription price shall be based on the 5-day VWAP of Zecon Shares immediately preceding the Date of Offer, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time during the duration of the ESOS, at the ESOS Committee's discretion. The Subscription Price as determined by the ESOS Committee shall be conclusive and binding on the Eligible Persons.

4.6 Ranking of the ESOS Options and new Zecon Shares to be issued arising from the exercise of the ESOS Options

The Eligible Persons who have accepted the offer ("**Grantee(s)**") will not be entitled to any voting right or participation in any form of distribution and/ or offer of further securities in Zecon until and unless such Grantees exercise their ESOS Options into new Zecon Shares.

The new Zecon Shares to be allotted and issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Zecon Shares, except that the new Zecon Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distribution ("**Distribution**") that may be declared, made or paid to shareholders, for which the entitlement date for the Distribution precedes the date of allotment and issuance of the said new Zecon Shares. The new Zecon Shares will be subject to all provisions of the Constitution relating to transfer, transmission or otherwise.

4.7 Holding period

Pursuant to the Paragraph 8.20 of the Listing Requirements, an eligible Director who is a non-executive Director of Zecon and/ or any of its subsidiary companies, which are not dormant, shall not sell, transfer or assign the Zecon Shares obtained through the exercise of the ESOS Options offered to him/ her within 1 year from the Date of Offer. If a non-executive director of Zecon and/ or any of our subsidiary companies is appointed to the position of an executive director at any time during the duration of the ESOS, this section shall not be applicable to him/ her immediately following such appointment.

Save for the non-executive Directors, the new Zecon Shares allotted and issued to the Grantees pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/ or assignment. Notwithstanding the above, the ESOS Committee shall be entitled to prescribe or impose, in relation to any offer for the ESOS Options, any condition relating to any retention period or restriction on transfer as it sees fit.

4.8 Listing and quotation for the new Zecon Shares to be issued arising from the exercise of the ESOS Options

Bursa Securities had vide its letter dated 20 May 2020, approved the listing and quotation for such number of new Zecon Shares, representing up to 15% of the total number of Zecon Shares (excluding treasury shares, if any) to be issued pursuant to the Proposed ESOS on the Main Market of Bursa Securities.

4.9 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the subscription price payable upon the exercise of the ESOS Options.

The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of our Group, as and when received, within the tenure of the ESOS. As such, the exact timeframe for utilisation of the proceeds cannot be determined at this juncture.

The proceeds for working capital will be utilised to finance our Group's day-to-day operations including amongst others, repayment to trade creditors, sales and marketing expenses, staff and administrative expenses and other operating expenses (i.e. utilities, office expenses). Notwithstanding the foregoing, the detailed allocation to each component of the working capital cannot be determined at this juncture as there is no certainty in the timing and amount to be raised from the exercise of the ESOS Options.

5. FUND RAISING EXERCISES IN THE PAST 12 MONTHS

For shareholders' information, we had on 15 May 2019 announced the private placement of up to 10% of the total number of issued shares of Zecon ("**Private Placement**"). A total of 13,101,675 Zecon Shares were placed out at an issue price of RM0.25 per Zecon Share, which raised gross proceeds of RM3.28 million. Further details on the utilisation of proceeds are set out below:-

Proposed utilisation	**Actual proceeds raised RM'000**	**Actual utilisation RM'000**
Working capital[*1]	3,195	3,195
Expenses	80	80
Total	**3,275**	**3,275**

Note:-

[*1] *The proceeds earmarked for working capital has been utilised by our Group mainly for the repayment to trade creditors and suppliers, payment of finance cost as well as defrayment of overhead expenses*

The Private Placement was completed on 17 July 2019. Save for the Private Placement, we had not undertaken any other fund raising exercises in the past 12 months.

6. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

6.1 Proposed Rights Issue of ICPS

The Proposed Rights Issue of ICPS is undertaken to raise proceeds to be utilised in the manner as set out in **Section 2.7** of this Circular. After due consideration of the various options available as well as our capital structure, our Board is of the opinion that the Proposed Rights Issue of ICPS is the most appropriate means of raising funds due to the following:-

i. The issuance of ICPS would enable us to secure funding to meet our minimum level of funding required of RM19,482,504 under the Minimum Scenario and up to RM46,117,896 under the Maximum Scenario, for the purposes as set out in **Section 2.7** of this Circular;

ii. The issuance of ICPS would minimise the immediate dilution effect on our EPS, which would otherwise have an immediate impact if it were an issuance of ordinary shares instead, as the ICPS are expected to be converted over a period of time during its tenure;

iii. The subscription of ICPS will provide the Entitled Shareholders with an opportunity to further increase their equity participation in Zecon by converting their ICPS into new Zecon Shares at predetermined Conversion Ratio over the tenure of the ICPS, and that we may also be able to raise additional proceeds as and when the ICPS are converted; and

iv. As the ICPS will be listed and traded on the Main Market of Bursa Securities, depending on the future performance of our Group, the Entitled Shareholders and/ or their renouncee(s) may be able to benefit from future capital appreciation in the ICPS.

In addition, as set out in **Section 2.7** of this Circular, part of the proceeds amounting to RM10,711,111 to be raised from the Proposed Rights Issue of ICPS is earmarked for the capitalisation of Advances pursuant to the Set-Off Arrangement. Notwithstanding that the Advances are interest free with no specific repayment terms, our Board (save for the Interested Directors) opines that such Set-Off Arrangement is necessary to be undertaken in conjunction with the Proposed Rights Issue of ICPS at this point in time in view of the following reasons:-

i. the Set-Off Arrangement allows our Group to repay the Advances through the ICPS entitlements, instead of having to source from internally generated funds and/ or bank borrowings, which may otherwise place further constraints on our working capital position, cash flow requirements, gearing level and our debt servicing ability in the short term. This also alleviates the liquidity concern and risk faced by our Group in having to source for internal funds to repay the Advances at later stage in the event Datuk Haji Zainal demands for immediate repayment of the said Advances, which may otherwise affect our working capital requirements at the relevant point in time; and

ii. The Proposed Rights Issue of ICPS not only allows our Group to meet the fund raising objectives (i.e. potentially raising cash inflow to our Group ranging from RM8.77 million up to RM35.41 million), but also provides a timely opportunity to capitalise the Advances as settlement purposes for such liability.

6.2 Proposed Amendments

The Proposed Amendments are undertaken to facilitate the implementation of the Proposed Rights Issue of ICPS.

6.3 Proposed ESOS

The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Person(s) to the corporate goals of our Group. The Proposed ESOS will provide the Eligible Person(s) with an opportunity to have equity participation in Zecon and help achieve the positive objectives as set out below:-

i. To recognise the contribution of the Eligible Person(s) whose services are valued and considered vital to the operations and continued growth of our Group;

ii. To motivate the Eligible Persons towards improved performance through greater productivity and loyalty;

iii. To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in our equity; and

iv. To reward the Eligible Persons by allowing them to participate in our Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Zecon Shares, upon exercising of the ESOS Options.

The Proposed ESOS is also extended to our non-executive directors of Zecon in recognition of their contributions toward our Company. Notwithstanding that they are not involved in our day-to-day business operations, they are from time to time consulted on corporate governance matters and to provide independent oversight on certain areas such as risk management, financial reporting and audit functions, remuneration system, internal control, and the strategic direction of our Company. As such, the Proposed ESOS serves to motivate them in promoting the interests of our Group by enabling them to participate in the evaluation of the aforesaid matters and the long term growth of our Group. Further, the allocation of ESOS to our non-executive directors of Zecon will enable us to provide the reward in a form of shares as an alternative to paying fees in cash which may supplement our internal cash flows for our Group's existing business and/ or other working capital requirements.

7. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020 (2019: 4.3%), which was the lowest growth since the third quarter of 2009 of -1.1%, reflecting the early impact of measures taken both globally and domestically to contain the spread of the coronavirus disease ("**COVID-19**") pandemic, including the introduction of the Movement Control Order ("**MCO**") in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, electrical and electronics, as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the electrical and electronics manufacturing subsector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail subsectors, and a temporary halt in ongoing investments.

Domestic demand registered a modest growth of 3.7% in the first quarter of 2020 (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter.

Nonetheless, growth was supported by continued expansion in private and public consumption. During the first quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth. The MCO in the second half of March affected spending to some extent, but mainly for big-ticket and leisure-related items such as car purchases and recreational services. Amid soft labour market conditions, stimulus measures such as bringing forward the Bantuan Sara Hidup disbursement from the second quarter to March, and the cut in the Overnight Policy Rate particularly in January provided important support to spending. The availability of online delivery platforms also cushioned the impact of movement restrictions. Public consumption expanded at a faster pace of 5.0% (4Q 2019: 1.3%), supported by higher spending on both emoluments and supplies and services.

Gross fixed capital formation registered a larger contraction of 4.6% (4Q 2019: -0.7%), weighed by lower capital spending from both the private and public sectors. This reflected weaker global demand conditions and disruptions to supply chains, which led to slower progress in capital spending. Furthermore, ongoing investment projects were temporarily halted during the MCO. By type of assets, the weakness was broad-based, as investment in structures as well as machinery and equipment declined by 4.0% (4Q 2019: 0.1%) and 6.2% (4Q 2019: -2.6%), respectively. Private investment growth registered its first contraction of -2.3%, since the fourth quarter of 2010 (4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. In addition, the MCO had resulted in some disruption to ongoing construction projects and delivery of machinery and equipment. Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)

Against this highly challenging global economic outlook, Malaysia's Gross Domestic Product ("**GDP**") growth is projected to be between -2.0 to 0.5% in 2020 (2019: 4.3%). The domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and small and medium enterprises ("**SMEs**"). The economic stimulus measures were complemented by two consecutive Overnight Policy Rate (**"OPR**") reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees' Provident Fund savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

Headline inflation is forecasted to average within the range of -1.5 to 0.5% in 2020 (2019: 0.7%), mainly reflecting significantly lower global oil and commodity prices. Without the direct downward impact from lower global oil prices, underlying inflation, as measured by core inflation, is projected to remain positive, averaging between 0.8 to 1.3%. This reflects subdued demand pressures, expectations for a negative output gap this year, as well as weak labour market conditions.

(Source: Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia)

7.2 Overview and outlook of the construction industry in Malaysia

The construction sector declined by 7.9% during the first quarter of 2020 (4Q 2019: +1.0%), reflecting mainly the halt in activities during the MCO. This had more than offset the progress in the large transportation projects and activities in the affordable housing segments during the early part of the quarter.

Domestically, the economic impact of the MCO is expected to be broad-based, with the largest impact likely felt by the consumer-oriented and labour-intensive industries. This includes the services sector, particularly consumer services and construction sectors. Capital-intensive sectors such as mining and electrical and electronics (E&E) are expected to be the least impacted. In terms of employment, the impact from the slowdown would be larger on the self-employed and those working in small and medium enterprises. However, under the Conditional MCO that was effective 4 May 2020, most sectors of the economy were allowed to operate, albeit in a controlled and prudent setting and by observing stringent Standard Operating Procedures. Notwithstanding the lifting of movement restrictions, international travel restrictions and social distancing measures are expected to continue for the remainder of the year.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)

Growth in the construction sector moderated, following the completion of large projects, smaller scale and fewer number of new projects and an oversupply of properties.

Growth in the construction sector moderated to 0.1% (2018: 4.2%), reflecting mainly the completion and near completion of large infrastructure and mixed development projects. In the non-residential and residential subsectors, fewer and smaller new projects amid the commercial property glut and elevated level of unsold residential properties also contributed to the lower growth. While the civil engineering subsector remained the key contributor to growth, the delay in construction work for major highways, in addition to the completion of large petrochemical projects, led to a moderation in construction growth during the year.

(Source: Economic, Monetary and Financial Developments in 2019, Economic and Monetary Review 2019, Bank Negara Malaysia)

The Malaysian economy expanded by 3.6% in the fourth quarter of 2019 (3Q 2019: 4.4%), supported by higher private sector spending (7.4%; 3Q 2019: 5.4%). However, growth was affected by a decline in net exports. On the supply side, higher growth in the services and construction sectors was weighed down by supply disruptions in the commodities sector. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.6% during the fourth quarter (3Q 2019: 0.9%). For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%).

Growth in the construction sector recovered (1.0%; 3Q 2019: -1.5%) during the fourth quarter. The recovery was mainly attributable to the turnaround in the residential sub-sector, supported by affordable housing activities. Civil engineering activities were also higher, supported by large transportation projects. In addition, higher growth in special trade sub-sector was due mainly to the ongoing solar projects and higher installation and finishing works from the completion of petrochemical and mixed development projects. The non-residential sub-sector however remained in contraction, amid ongoing oversupply of commercial properties.

(Source: Developments in the Malaysian Economy, Fourth Quarter 2019, Quarterly Bulletin, Bank Negara Malaysia)

7.3 Overview and outlook of the property sector in Malaysia

The property market performance recorded a slight improvement with a marginal increase in 2019. A total of 328,647 transactions worth RM141.40 billion were recorded, showing an increase of 4.8% in volume and 0.8% in value compared to 2018, which recorded 313,710 transactions worth RM140.33 billion.

Sectoral market activity performance improved marginally: residential (6.0%), commercial (7.2%), industrial (3.8%) and agriculture (2.0%) with the exception of development land sub-sector, which declined slightly by 1.2%. In terms of value of transactions, residential sub-sector recorded a 5.3% growth, whereas commercial, industrial, agriculture and development land sub-sectors recorded otherwise, decreased by -1.8%, -1.1%, -4.4% and -9.1% respectively.

The residential sub-sector led the overall property market, with 63.7% contribution. This was followed by agriculture sub-sector (20.9%), commercial (7.8%), development land (5.7%) and industrial (1.9%). In terms of value, residential took the lead with 51.2% share, followed by commercial (20.5%), industrial (10.5%), development land (9.0%) and agriculture (8.8%).

Fewer new launches in 2019 and better sales performance led to the decrease in residential overhang and unsold under construction and not constructed. After four consecutive years of increase, the overhang recorded a decline in 2019. There were 30,664 overhang units worth RM18.82 billion, decreased by 5.1% in volume and 5.2% in value against 2018 (32,313 units worth RM19.86 billion).

By state, Johor retained the highest number and value of overhang in the country with 5,627 units worth RM4.7 billion, accounting to 18.4% and 25% respectively of the national total. Nevertheless, the state's overhang situation improved as the numbers reduced by 7.2% though value increased by 2.1%. Perak came second with 5,024 units worth RM1.52 billion, followed by Selangor (4,687 units worth RM3.75 billion) and Pulau Pinang (3,353 units worth RM2.59 billion). As for WPKL, though only 2,605 units were recorded, the overhang value was the third highest at RM2.6 billion.

By type, condominium/apartment units formed 46.6% (14,276 units) of the national's overhang and mostly were in the price range of RM200,000 – RM300,000 (3,863 units). Two to three storey terrace (8,591 units) formed another 28% of the total and mostly were in the price range of RM300,000 – RM400,000 (1,771 units). By price range, those priced RM300,000 to RM500,000 (7,883 units) formed 25.7% while priced above RM500,000 (12,528 units) formed 40.9% of the total residential overhang.

The unsold under construction and not constructed improved as the number dropped to 72,692 units and 16,774 units, down by 10.2% and 15.6% respectively.

The COVID-19 outbreak is expected to take its toll on the world economies and the Malaysian economy, in particular tourism-related sectors such as airlines, retail, food and beverage and hospitality; as well as the manufacturing and selected services sector. The magnitude of the impact on the Malaysian economy would depend on the duration and spread of the outbreak not only in Malaysia but also in other countries, especially those that are Malaysia's major trading partners.

Nevertheless, government have introduced several incentives which to help cushion-off the impact on the property market namely:-

(i) The revision of the base year for RPGT to 1 Jan 2013 (initially 1 Jan 2000) for property purchased before the date.

(ii) The reduction of price threshold for foreign purchasers from RM1 million to RM600,000 for unsold completed high-rise properties in urban areas.

(iii) The reduction of OPR by 25 basis points to 2.75% on 22 Jan 2020, will lead to lower borrowing cost for home loans, to remain accommodative and supportive of property market.

Another significant mega-project which is expected to have high positive impact on the property market landscape is the revival of Bandar Malaysia project. Bandar Malaysia is a 196-hectare integrated property development project located in Sungai Besi which was suspended in 2017. The development plan was revised and officially resumed in Dec 2019 with the signing of an agreement between TRX City Sdn. Bhd. and IWH CREC Sdn. Bhd. The project is a long-term development of over 20 years which is expected to start in 2020 and spur the property market in the long run.

(Source: Property Market Report 2019, Valuation & Property Services Department, Ministry of Finance Malaysia)

7.4 Additional information

Presently, our Group is principally involved in the following operating segments:-

a.	Construction segment	-	Piling works, foundation engineering and building construction
b.	Property development	-	Development of properties
c.	Service concession	-	Construct, operate and maintenance of hospital

i. Commentaries on the financial performance and financial position of Zecon

The financial summary of our Group based on the audited results for the past 3 financial years up to the FYE 2019 and the latest unaudited quarterly results for the 6-month FPE 31 December 2019, is set out below:-

	<----------Audited---------->			Unaudited
	FYE 2017 RM'000	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**6-month FPE 31 December 2019 RM'000**
Segmental revenue:-				
- Construction segment	166,724	192,992	234,842	232,594
- Property development	6,086	63,924	7,497	1,429
- Service concession	72,780	209,823	127,699	89,584
- Others	607	623	404	152
Total revenue	**246,197**	**467,362**	**370,442**	**323,759**
Other income	122,329	163,445	64,747	25,343
Gross profit/ (loss)	1,125	(27,864)	7,186	52,970
Profit/ (Loss) before taxation ("**PBT**"/"(**LBT**)")	54,060	74,868	(5,705)	39,744
Profit/ (Loss) after taxation attributable to owners of the Company ("**PAT**"/ "(**LAT**)")	14,179	13,233	(20,974)	34,033
Earnings/ (Loss) per Share (sen)	11.90	10.33	(16.01)	23.61
Gross profit/ (loss) margin (%)	0.46	(5.96)	1.94	16.36
PAT margin (%)	5.76	2.83	(5.66)	10.51
Total interest-bearing borrowings	350,397	469,657	614,700	657,189
Total fixed deposits, cash and bank balances	57,785	53,012	25,427	29,842
Net cash generated from/ (used in) operating activities	(98,315)	(255,815)	(169,888)	(38,365)
Non-current assets	621,183	986,760	1,147,882	1,280,620
Current assets	223,432	219,818	226,471	303,077
Non-current liabilities	319,307	112,041	125,351	99,539
Current liabilities	320,661	715,708	929,825	1,125,933
Shareholders' funds/ NA	112,139	274,201	216,881	254,182
Weighted average no. of Zecon Shares outstanding ('000)	119,106	128,039	131,017	144,118
NA per Share (RM)	0.94	2.14	1.66	1.76
Current ratio (times)	0.70	0.31	0.24	0.27
Gearing ratio (times)	3.12	1.71	2.83	2.59

FYE 2017

For the FYE 2017, we recorded revenue of RM246.20 million which represents an increase of RM11.50 million or 4.90% as compared to the preceding financial year of RM234.70 million. The increase in revenue was mainly contributed by the construction segment which recorded an increase in revenue of approximately RM54.34 million or 48.36%, mainly due to the progress billing recognised in our on-going project, namely Pan Borneo Highway respectively in the financial year under review.

We recorded PBT of RM54.06 million for the FYE 2017 which represents a decrease of RM50.73 million as compared to the PBT of the preceding financial year of RM104.79 million. The PBT was mainly attributable to one-off write-back of trade and other payables of RM104.72 million. Excluding the one-off write-back, we would have recorded an adjusted LBT of RM50.66 million, which would be higher than the adjusted LBT of RM46.14 million in the preceding financial year, mainly due to cost overrun in the Hospital Petra Jaya project as well as higher finance costs experienced by our Group due to the direct impact of a large borrowing amount for the pre-funded equity injection particularly in the Hospital Pakar Kanak-Kanak, Universiti Kebangsaan Malaysia ("**HPKK**") project.

FYE 2018

For the FYE 2018, we recorded revenue of RM467.36 million which represents an increase of RM221.16 million or 89.83% as compared to the preceding financial year of RM246.20 million. The increase in revenue was mainly contributed by our 3 key business segments i.e. construction, property development and service concession. The higher revenue in our construction and service concession segments were mainly due to the progress billing recognised in our on-going projects, namely Pan Borneo Highway and HPKK, respectively in the financial year under review, whilst the higher revenue in its property development segment was mainly due to the sales achieved for our Vista Tunku shop-houses in Petra Jaya, Kuching, Sarawak and a Mydin Supermall project located in Petra Jaya, Kuching, Sarawak.

We recorded PBT of RM74.87 million for the FYE 2018 which represents an increase of RM20.81 million or 38.49% as compared to the PBT of RM54.06 million for the FYE 2017. The PBT was mainly attributable to one-off fair value gain of RM133.54 million on investment properties (i.e. leasehold land located in Kuching, Sarawak) pursuant to a revaluation conducted by the Company. Excluding the one-off items, we would have recorded an adjusted LBT of RM58.67 million, which would be higher than the adjusted LBT of RM50.66 million in the preceding financial year, mainly due to project cost written off in line with the termination of Hospital Petra Jaya project where the progress billing of the project was impaired due to uncertainties on the collection arising from the said termination and cost overrun incurred from additional billings by subcontractors attributable from the termination of Hospital Petra Jaya project, and also sustained by the high finance costs experienced by our Group.

FYE 2019

For the FYE 2019, we recorded revenue of RM370.44 million which represents a decrease of RM96.88 million or 20.73% as compared to the preceding financial year of RM467.32 million. The decrease in revenue was mainly contributed by our property development and service concession business segments. The lower revenue in our property development segment was mainly due to the near completion of Mydin Supermall project located in Petra Jaya, Kuching, Sarawak whilst the lower revenue in the service concession segments was mainly due to the lower progress billing recognised in our on-going project, namely HPKK in the financial year under review.

We recorded LBT of RM5.71 million for the FYE 2019 as compared to the PBT of RM74.87 million for the FYE 2018. Excluding the one-off items in the preceding financial year, our LBT of RM5.71 million for the FYE 2019 would be lower than the adjusted LBT of RM58.67 million in the preceding financial year, mainly due to the lower progress billings on HPKK project coupled with the one-off cost from the refinancing of our HPKK project's financing in the financial year under review.

Unaudited 6-month FPE 31 December 2019

For the FPE 31 December 2019, we recorded revenue of RM323.76 million which represents an increase of RM144.38 million or 80.49% as compared to the preceding financial period of RM179.38 million. The increase in revenue was mainly contributed by our construction segment which recorded an increase in revenue of approximately RM145.11 million or 165.88%, mainly due to the recognition of additional progress billing involving our Hospital Petra Jaya project in the financial period under review.

We recorded PBT of RM39.74 million for the FPE 31 December 2019 as compared to the LBT of RM3.45 million for the FPE 31 December 2018. The PBT recorded was in tandem with the increase in gross profit in the same financial period under review.

ii. Value creation to our Group and shareholders

As highlighted in **Section 2.7** of this Circular, the Proposed Rights Issue of ICPS is expected to raise up to RM19.48 million and RM46.12 million under the Minimum Scenario and Maximum Scenario, respectively.

A portion of the proceeds raised from the Proposed Rights Issue of ICPS will be used to off-set the Advances of RM10,711,111 owing by us to Datuk Haji Zainal under the Set-Off Arrangement as highlighted in **Section 2.4** of this Circular. The Set-Off Arrangement is expected to reduce our Group's liabilities without any cash outflows and allows us to ease our cash balances for working capital purposes and/ or to finance our on-going projects. Whilst taking into cognisant that dividends (if any) may be paid for the ICPS allocated to the ICPS holders, including Datuk Haji Zainal, and comparing thereto with the Advances which are interest free, our Board (save for the Interested Directors) views that the Set-Off Arrangement remains an integral feature to the overall scheme of the Proposed Rights Issue of ICPS after having into taking into consideration the following benefits:-

(a) our Board's priority remains focused on ensuring that our Group can meet its fund raising objectives via the Proposed Rights Issue of ICPS, which serves as one of the key measures to strengthen our financial position and at the same time, to address our current funding requirements to meet our obligations and liabilities in the short term. This also alleviates the liquidity concern and risk faced by our Group in having to source for internal funds to repay the Advances at later stage in the event Datuk Haji Zainal demands for immediate repayment of the said Advances, which may otherwise affect our working capital requirements at the relevant point in time;

(b) the Set-Off Arrangement entailing the capitalisation of Advances through ICPS entitlements of the Undertaking Shareholders enables our Group to ease our cash flow needs to finance our working capital requirements and/ or finance our on-going projects, instead of having to rely on internal and/ or external funds which may otherwise place further constraints on our gearing level and current ratio, which stood at about 2.59 times and 0.27 times respectively based on the latest unaudited quarterly results for the 6-month FPE 31 December 2019; and

(c) by conserving cash flow and strengthening our financial position, our Group may in turn redeploy available capital in a timely opportunity to maximise return on investments or assets, such as to fund our on-going projects and/ or to undertake new viable projects, as means to improve our overall financial performance and growth prospect in the future. Further, should there be any dividends declared by us in the future, all the ICPS holders and shareholders in our Company would be similarly be entitled to such dividends.

Further, we have also allocated approximately up to RM3.00 million to fund any suitable and viable potential business(es)/ investment(s) as and when it arises which is expected to contribute positively to the future earnings of our Group.

The proceeds earmarked for working capital will be used for our day-to-day operations, which include amongst others, repayment to creditors and administrative expenses such as staff expenses, legal and professional fees, and rental expenses which is expected to support our Group's operations moving forward. Although this will not directly result in the expansion of our business, such intended purpose of utilisation will however enable our Group to retain adequate cash level as well as flexibility over its working capital management via the allocation of our cash needs to be utilised in a more efficient manner, such as to meet our short term obligations and liabilities in a timely manner, and/ or to free up sufficient capital to finance our project and/ or other operational needs. This in turn may place our Group on a better financial or liquidity position, which may further in turn enable our Group to demonstrate financial capability to execute and undertake projects.

Furthermore, the Proposed Rights Issue of ICPS is undertaken with the intention to raise funds in an expeditious manner without incurring additional interest cost or servicing additional principal payments, thereby minimising any potential cash outflow in respect of interest servicing costs and principal repayments. The Proposed Rights Issue of ICPS will also provide our Group with the flexibility and control over internally generated funds while reducing reliance on conventional bank borrowings which will require our Group to service interest and repay the principal sum on a periodic basis.

In addition, the Proposed ESOS is intended to incentivise our Group's Directors and employees and to align their individual goals with our Group's long term objectives.

iii. Impact of the Proposals to our Group and shareholders

After taking into consideration the various methods of fund raising, our Board is of the view that the Proposals are the most appropriate avenues to raise funds for our Group due to the following factors:-

(a) the Proposals allow our Group to raise capital via equity financing as opposed to bank borrowings (which may be subjected to servicing of additional interest cost and/ or principal repayment), which in turn will enable us to ease our cash flow and/ or working capital requirements for our business needs;

(b) the proceeds raised from the Proposed Rights Issue of ICPS will be used to partially repay our bank borrowings, which in turn will reduce our gearing ratio and improve our financial position as further set out in **Section 8.2** of this Circular. Further, we expect to derive an estimated interest cost savings of RM0.25 million (under Minimum Scenario) and/ or up to RM0.40 million (under Maximum Scenario) per annum through the aforesaid partial repayment of our bank borrowings, whch can otherwise be utilised for our working capital requirements;

(c) the issuance of ICPS though the Proposed Rights Issue of ICPS would minimise the immediate dilution effect on our EPS, which would otherwise have an immediate impact if it were an issuance of ordinary shares instead, as the ICPS are expected to be converted over a period of time during its tenure, and that we may also be able to raise additional proceeds as and when the ICPS are converted over the tenure;

(d) the issuance of ICPS though the Proposed Rights Issue of ICPS would also minimise the immediate dilution effect on our shareholders' shareholdings in Zecon as the ICPS are expected to be converted over a period of time during its tenure. The subscription of ICPS by the Entitled Shareholders provides them an opportunity to further increase their equity participation in our Company by converting their ICPS into new Zecon Shares at predetermined Conversion Ratio over the tenure of the ICPS, and that they may benefit from future capital appreciation of the listed ICPS; and

(e) the Proposed ESOS not only serves to align the interests of the Eligible Person(s) to the corporate goals of our Group, but also motivates them in promoting the interests of our Group by enabling them to participate in the long term growth of our Group. In addition, any proceeds to be raised from the exercise of the ESOS Options will be utilised for the working capital requirements of our Group, as and when received, within the tenure of the ESOS.

iv. Implications of COVID-19 on the business and operations of our Group

The World Health Organisation had on 11 March 2020 declared the COVID-19 outbreak as a global pandemic. As a measure to contain the outbreak, the Government of Malaysia had announced MCO which is effective from 18 March 2020. As a result of the MCO, our Group's operations was temporarily suspended during the earlier phases of MCO, i.e. from 18 March 2020 to 3 May 2020.

On 1 May 2020, the Government of Malaysia announced the transition into Conditional MCO ("**CMCO**"), thereby allowing the resumption of several economic sectors and businesses effective from 4 May 2020 onwards, subject to compliance with certain standard operating procedures ("**SOPs**"). Subsequently on 7 June 2020, the CMCO has further been transitioned into a recovery MCO ("**RMCO**") with effect from 10 June 2020 until 31 August 2020, which allowed the opening up of almost all economic sectors and businesses subject to adherence with the SOPs. Since then and up til the LPD, our Group has been gradually implementing SOP measures (such as COVID-19 screening test on workers and disinfection works at site) to ensure the safe and smooth resumption of our business operations, particularly our on-going construction projects as elaborated in **Section 7.4(vi)** of this Circular.

Although we do not anticipate adverse disruption insofar as supply of construction materials are concerned, we may encounter difficulties in the execution of our projects due to certain restrictions put in place to enable the full compliance with SOPs (such as to ensure workers are fully screened for COVID-19 test and/ or to ensure work sites are adequately equipped with protective equipments) which may take time. With the global travel restriction by most of the countries affected by COVID-19, our foreign specialist installers of medical equipment for our HPKK project are unable to travel to supervise the installation of their equipments. This may potentially cause temporary delay in the completion of our projects. Notwithstanding this, our Group is taking steps to mitigate such temporal effect by closely monitoring the progress of our operations and also reviewing our cost management from time to time. Through this, we seek to reassess our monthly expenditure vis-à-vis our financial budget and performance, and are therefore able to effect certain cost control measures throughout certain divisions or operations to offset any foreseeable potential loss of revenue.

Premised on the above, and barring any unforeseen circumstances, our Board opines that the COVID-19 outbreak and CMCO/ RMCO are not expected to have any material adverse impact on our business and operations in the long run. Notwithstanding that, our Board wishes to highlight that as the circumstances pertaining to the said outbreak are rather fluid and uncertain in these unprecendented times, there can be no assurance that the statements made above, which are based on information and circumstances known at this juncture, will continue to be accurate moving forward.

v. Adequacy of the Proposals in addressing the financial concerns of our Group

Earlier on 8 November 2019, Zecon had announced that its independent auditor has included a statement of material uncertainty related to going concern in its independent auditors' report dated 22 October 2019 in respect of the financial statements of our Group for the FYE 2019, in which attention is drawn to the following:-

(a) For the FYE 2019, we recorded revenue and cost from construction contracts of RM221.46 million and RM236.90 million, respectively;

(b) For the FYE 2019, we recorded revenue and cost from service concession of RM127.70 million and RM121.61 million, respectively; and

(c) As at 30 June 2019, our Group's investment properties which are carried at fair value, amounted to RM593.38 million.

Material uncertainty related to going concern is not a modified or qualified opinion as stipulated under Paragraph 22 of International Standards on Auditing 701 – Communicating Key Audit Matters in the Independent Auditor's Report. It is therefore inappropriate to relate Key Audit Matters directly with adverse opinion on the financial scenario of our Group.

As such, our Group has taken and intends to take the following measures in mitigating the potential of the existence of material uncertainty which include the following:-

a. On 17 July 2019, we have raised RM3.28 million from a private placement exercise to mainly finance our working capital requirements;

b. Vide an announcement dated 2 May 2019, Zecon had fully settled its syndicated term financing arranged by Affin Hwang Investment Berhad in favour of its subsidiary, namely Zecon Medicare Sdn Bhd, through a refinancing exercise in the form of term loan facility of up to approximately RM595.54 million granted by MBSB Bank Berhad. Apart from this, Zecon is also in the midst of several discussions with other financial institutions to refinance and/ or restructure other existing financing facilities;

c. Monetization of certain property assets of our Group as an alternative, if deemed necessary and required by our Group at the relevant point in time; and

d. The undertaking of the Proposals (being subject matter of this Circular). The Proposals have been identified as one of the key measures to allow our Group to meet its fund raising objectives by raising capital through equity financing means. The fund raising objectives serve to ease our cash flow requirements through the Set-Off Arrangement, and also to strengthen our financial position and address our current funding requirements to meet our short term obligations and liabilities.

The Proposals, particularly the Proposed Rights Issue of ICPS, form part of our plan to address the existence of material uncertainty relating to our Group's ability to continue on a going concern basis in the immediate term, by improving our working capital position (through the conservation of our immediate cash flow needs), debt servicing ability and gearing level (via the repayment of bank borrowings). In addition, the funds raised from the Proposed Rights Issue of ICPS allows our Group to meet our short term obligations and liabilities in a timely manner, and to finance our project and/ or other operational need.

In respect of the existence of material uncertainty relating to default in payment of bank facility, we are currently undertaking measures to address this matter via amongst others, initiating discussions with our financial institutions to refinance and/ or restructure our existing financing facilities (such as highlighted in item (b) above), and pursuing claims through arbitration so as to recover certain sum to partially settle the default sum, as further set out in **Section 4, Appendix V** of this Circular.

Premised on the above, our Board is of the view that the proceeds to be raised from the Proposed Rights Issue of ICPS and Proposed ESOS, supplemented by the credit facilities of our Group are adequate to address our Group's financial needs for the time being and we will review and assess our Group's general working capital requirements from time to time to further strengthen our Group's financial position.

Further, proceeds raised from the Proposed Rights Issue of ICPS will be used to partially repay our bank borrowings, which in turn will reduce our gearing ratio and improve our financial position. The proceeds raised from the Proposals will also allow us to maintain flexibility over our cash flow and facilitate our working capital requirements for our existing business. We are actively exploring potential avenues to increase our Group's revenue stream. We will also continuously monitor and assess operational cost as well as improve efficiency where possible to further strengthen our Group's financial results.

vi. Future prospects of our Group

Zecon is principally involved in construction, property development/ investment and service concession. The construction business is our main revenue driver, contributing RM234.84 million or approximately 63.4% of our revenue for the FYE 2019. Our outstanding order book as at the LPD are set out as follows:-

Location	Type of project/ description	Month of commencement/ Estimated month of completion	Total contract value RM'000	Outstanding order book as at the LPD RM'000
Cheras, Kuala Lumpur	Development of the proposed HPKK project	July 2014/ August 2020	689,459	85,556
Serian and Pantu, Sarawak	Development and Upgrading of the Proposed Pan Borneo Highway in the state of Sarawak, Malaysia - Phase 1	March 2016/ January 2021	1,385,773	620,140
	Total		**2,075,232**	**705,696**

As illustrated in the table above, we have an outstanding order book of approximately RM705.70 million. We intend to focus on the execution of our order book and at the same time, we will explore opportunities to tender for contracts to replenish our order book to ensure a sustainable revenue stream for our construction business for the medium to long term.

The outbreak of COVID-19 is an event of force majeure that is beyond the control of our Group. The Government of Malaysia had on, 27 March 2020, announced a Second Economic Stimulus Package 2020 (ESP2) themed Prihatin Rakyat valued at RM250 billion as part of its effort to spur the economy of Malaysia amidst the outbreak of COVID-19. Subsequently, the Government of Malaysia had on, 5 June 2020, announced a Short-Term Economic Recovery Plan (Resolve, Resilience, Restart, Recovery, Revitalise and Reform) in weathering the health and economic challenges due to the COVID-19. The Government of Malaysia has also introduced several incentives to help cushion-off the impact on the property market as highlighted in **Section 7.3** of this Circular. Nevertheless, the success of the aforesaid measures or any future measures which may be introduced by the Government of Malaysia cannot be ascertain at this juncture, and the impact of COVID-19 on our Group's financial performance remains uncertain at this juncture.

Based on our Group's current state of operations as well as feedback with our Group's customers and suppliers, we expect that the effects of the COVID-19, MCO, CMCO and RMCO on its business and operations moving forward are likely to be temporary. Further, in view of our Group's cash flow position and given the uncertainty of the COVID-19, the Proposals will enable our Group to reduce our Group reliance on our internally generated funds and/ or bank borrowings and thus, enabling us to improve our cash flow for our other business and/ or working capital requirements. The proceeds raised from the Proposals will facilitate to address our immediate financing needs as set out in **Section 2.7** of this Circular and thus, the Proposals are deemed as the most appropriate avenue for raising funds at this juncture. Our Board will also continue to review our business strategies to enhance future earnings as well as increase shareholders' value in the long run.

(Source: Management of Zecon)

8. EFFECTS OF THE PROPOSALS

The Proposed Amendments will not have any effect on our issued share capital and substantial shareholders' shareholdings as well as our Group's NA, gearing and earnings and EPS.

8.1 Issued share capital

The pro forma effects of the Proposed Rights Issue of ICPS and the Proposed ESOS on our issued share capital are set out below:-

	<---------- Minimum Scenario ---------->				<---------- Maximum Scenario ---------->			
	No. of Zecon Shares	**RM**	**No. of ICPS**	**RM**	**No. of Zecon Shares**	**RM**	**No. of ICPS**	**RM**
Issued share capital as at the LPD	144,118,425	132,247,370	-	-	144,118,425	132,247,370	-	-
Issuance of ICPS	-	-	243,531,300	19,482,504[*1]	-	-	576,473,700	46,117,896[*1]
	144,118,425	**132,247,370**	**243,531,300**	**19,482,504**	**144,118,425**	**132,247,370**	**576,473,700**	**46,117,896**
Assuming full conversion of ICPS	121,765,650[*2]	19,482,504	(243,531,300)	(19,482,504)	576,473,700[*3]	92,235,792	(576,473,700)	(46,117,896)
Issued share capital after assuming full conversion of ICPS	**265,884,075**	**151,729,874**	**-**	**-**	**720,592,125**	**224,483,162**	**-**	**-**
Assuming full exercise of the ESOS Options	21,617,763[*4]	5,404,441[*5]	-	-	21,617,763[*4]	5,404,441[*5]	-	-
Enlarged issued share capital	**287,501,838**	**157,134,315**	**-**	**-**	**742,209,888**	**229,887,603**	**-**	**-**

Notes:-

*[*1] Computed based on the issue price of RM0.08 per ICPS*

*[*2] Assuming the ICPS are fully converted into new Zecon Shares based on the Conversion Mode I*

*[*3] Assuming the ICPS are fully converted into new Zecon Shares based on the Conversion Mode II*

*[*4] Computed based on the maximum number of new Zecon Shares which may be allotted under the Proposed ESOS of up to 15% of the total number of issued Shares as at the LPD*

*[*5] Assuming the exercise price of RM0.25, which represents the TERP of Zecon Shares of RM0.25, calculated based on the 5-day VWAP of Zecon Shares up to and including the LPD of RM0.42*

8.2 NA per Share and gearing

Based on the latest audited consolidated financial statements of our Group as at 30 June 2019, the pro forma effects of the Proposed Rights Issue of ICPS on the consolidated NA per Share and gearing of our Group are set out below:-

Minimum Scenario

	Audited as at 30 June 2019 RM'000	I After subsequent events[*1] RM'000	II After I and the Proposed Rights Issue of ICPS RM'000	III After II and assuming full conversion of the ICPS[*5] RM'000
Share capital	128,972	132,247	132,247	151,730[*6]
Other reserves	(250)	(250)	(250)	(250)
ICPS - equity component	-	-	19,483[*2]	-
Retained earnings	88,159	88,159	87,459[*3]	87,459
Shareholders' funds/ NA	**216,881**	**220,156**	**238,939**	**238,939**
No. of Shares ('000)	131,017	144,118	144,118	265,884[*5]
NA per share (RM)	1.66	1.53	1.66	0.90
Total borrowings (RM'000)	614,700	614,700	611,032[*4]	611,032
Gearing ratio (times)	2.83	2.79	2.56	2.56

Notes:-

*[*1] After adjusting for the issuance of 13,101,675 Zecon Shares at RM0.25 per Share pursuant to the Private Placement*

*[*2] Computed based on the issuance of 243,531,300 ICPS at an issue price of RM0.08 per ICPS. For information purpose, the ICPS is classified as equity in accordance with Malaysian Financial Reporting Standards 132 Financial Instruments: presentation*

*[*3] After deducting the estimated expenses of RM700,000 in relation to the Proposals*

*[*4] Assuming partial repayment of borrowings amounting to RM3.67 million*

*[*5] Assuming the 243,531,300 ICPS are fully converted into new Zecon Shares based on the Conversion Mode I*

*[*6] Adjusted for the reversal of ICPS - equity component account upon the conversion of ICPS*

Maximum Scenario

	Audited as at 30 June 2019 RM'000	I After subsequent events[*1] RM'000	II After I and the Proposed Rights Issue of ICPS RM'000	III After II and assuming full conversion of the ICPS[*5] RM'000
Share capital	128,972	132,247	132,247	224,483[*6]
Other reserves	(250)	(250)	(250)	(250)
ICPS - equity component	-	-	46,118[*2]	-

Maximum Scenario	**Audited as at 30 June 2019 RM'000**	**I After subsequent events[*1] RM'000**	**II After I and the Proposed Rights Issue of ICPS RM'000**	**III After II and assuming full conversion of the ICPS[*5] RM'000**
Retained earnings	88,159	88,159	87,459[*3]	87,459
Shareholders' funds/ NA	**216,881**	**220,156**	**265,574**	**311,692**
No. of Shares ('000)	131,017	144,118	144,118	720,592[*5]
NA per share (RM)	1.66	1.53	1.84	0.43
Total borrowings (RM'000)	614,700	614,700	609,213[*4]	609,213
Gearing ratio (times)	2.83	2.79	2.29	1.95

Notes:-

*[*1] After adjusting for the issuance of 13,101,675 Zecon Shares at RM0.25 per Share pursuant to the Private Placement*

*[*2] Computed based on the issuance of 576,473,700 ICPS at an issue price of RM0.08 per ICPS. For information purpose, the ICPS is classified as equity in accordance with Malaysian Financial Reporting Standards 132 Financial Instruments: presentation*

*[*3] After deducting the estimated expenses of RM700,000 in relation to the Proposals*

*[*4] Assuming partial repayment of borrowings amounting to RM5.49 million*

*[*5] Assuming the 576,473,700 ICPS are fully converted into new Zecon Shares based on the Conversion Mode II*

*[*6] Adjusted for the reversal of ICPS - equity component account upon the conversion of ICPS*

The Proposed ESOS is not expected to have an immediate effect on the NA per Share and gearing of our Group until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. The effects on the NA per Share and gearing of our Group will depend on, amongst others, the subscription price of the ESOS Option(s), the number of new Zecon Shares to be issued upon the exercise of the ESOS Option(s) and the potential effect on the future earnings of our Group arising from the adoption of the MFRS 2 on share-based payment.

Any potential effects on the NA per Share and gearing of our Group will depend on the number of new Zecon Shares to be issued upon exercise of the ESOS Option(s) and the price at which a Grantee shall be entitled to subscribe for new Zecon Shares pursuant to the exercise of an ESOS Option ("**ESOS Option Price**").

For illustration purposes only, in any event, our Group's NA per Share will increase if the ESOS Option Price exceeds the consolidated NA per Share at the point of exercise and conversely, will decrease if the ESOS Option Price is less than the NA per Share at such point of exercise.

8.3 Substantial shareholdings structure

The Proposed ESOS is not expected to have an immediate effect on our substantial shareholders' shareholdings until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. Any potential effect on our substantial shareholdings will depend on the number of ESOS Options granted and new Zecon Shares to be issued arising from the exercise of the ESOS Options at any point in time.

The pro forma effects of the Proposed Rights Issue of ICPS on the substantial shareholders' shareholdings as at the LPD are set out below:-

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Rights Issue of ICPS				II After I and assuming full conversion of the ICPS[*3]			
	<--------Direct------>		<------Indirect------>		<-------Direct------->		<-------Indirect------->		<-------Direct------->		<-------Indirect------->	
Substantial shareholders	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**
Dawla Capital	50,189,475	34.83	-	-	50,189,475	34.83	-	-	150,568,425	56.63	-	-
Digital Network Sdn Bhd	14,192,975	9.85	-	-	14,192,975	9.85	-	-	14,192,975	5.34	-	-
Mentari Hijau Sdn Bhd	12,520,600	8.69	-	-	12,520,600	8.69	-	-	12,520,600	4.71	-	-
Datuk Haji Zainal	10,693,350	7.42	50,189,475[*1]	34.83	10,693,350	7.42	50,189,475[*1]	34.83	32,080,050	12.07	150,568,425[*1]	56.63
Haji Sazali bin Md Salleh	150,000	0.10	12,520,600[*2]	8.69	150,000	0.10	12,520,600[*2]	8.69	150,000	0.06	12,520,600[*2]	4.71

Notes:-

[*1] *Deemed interested by virtue of his substantial shareholdings in Dawla Capital*

[*2] *Deemed interested by virtue of his substantial shareholdings in Mentari Hijau Sdn Bhd*

[*3] *Assuming the ICPS are fully converted into new Zecon Shares by the Undertaking Shareholders based on the Conversion Mode I*

The subscription of the ICPS by the Undertaking Shareholders, namely Dawla Capital and Datuk Haji Zainal, will not give rise to any mandatory general offer obligation pursuant to the Rules. However, like any other Entitled Shareholders, should the Undertaking Shareholders and any PACs (if any), either individually or collectively, convert their ICPS into new Zecon Shares to the following extent that:-

i. their shareholdings increase to above 33% of issued shares in Zecon; or

ii. their shareholdings increase by more than 2% in any 6-month period in the case where their aggregate shareholdings are between 33% and 50% of issued shares in Zecon,

the Undertaking Shareholders would, in such event, be obliged to extend a mandatory take-over offer for all the remaining Zecon Shares not already owned by them and their PACs (if any). However, it is not the intention of the Undertaking Shareholders to undertake a mandatory take-over offer in such event. In this regards, the Undertaking Shareholders shall observe at all times when dealing in their ICPS to avoid triggering such obligation to extend the mandatory take-over offer. In addition, should the need arise, the Undertaking Shareholders may make an application to the SC to seek an exemption under Paragraph 4.08 of the Rules from the obligation to extend the mandatory take-over offer, the application of which may be made at a later date but prior to triggering the said obligation.

Maximum Scenario

	Shareholdings as at the LPD				I After the Proposed Rights Issue of ICPS				II After I and assuming full conversion of the ICPS[*3]			
	<--------Direct------>		<-------Indirect------>		<-------Direct------->		<-------Indirect------->		<-------Direct------->		<-------Indirect------->	
Substantial shareholders	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**	**No. of Zecon Shares**	**%**
Dawla Capital	50,189,475	34.83	-	-	50,189,475	34.83	-	-	250,947,375	34.83	-	-
Digital Network Sdn Bhd	14,192,975	9.85	-	-	14,192,975	9.85	-	-	70,964,875	9.85	-	-
Mentari Hijau Sdn Bhd	12,520,600	8.69	-	-	12,520,600	8.69	-	-	62,603,000	8.69	-	-
Datuk Haji Zainal	10,693,350	7.42	50,189,475[*1]	34.83	10,693,350	7.42	50,189,475[*1]	34.83	53,466,750	7.42	250,947,375[*1]	34.83
Haji Sazali bin Md Salleh	150,000	0.10	12,520,600[*2]	8.69	150,000	0.10	12,520,600[*2]	8.69	750,000	0.10	62,603,000[*2]	8.69

Notes:-

[*1] *Deemed interested by virtue of his substantial shareholdings in Dawla Capital*

[*2] *Deemed interested by virtue of his substantial shareholdings in Mentari Hijau Sdn Bhd*

[*3] *Assuming the ICPS are fully converted into new Zecon Shares by all of the Entitled Shareholders based on the Conversion Mode II*

8.4 Earnings and EPS

The Proposed Rights Issue of ICPS, which is anticipated to be completed by the third quarter of 2020, is not expected to have any material effect on the earnings of our Group for the FYE 2021. However, the EPS of our Group may be diluted over time as a result of the increase in the number of Zecon Shares as and when the ICPS are converted into new Zecon Shares during the tenure of the ICPS. Notwithstanding that, the proceeds from the Proposed Rights Issue of ICPS are expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

The Proposed ESOS is not expected to have any immediate effect on the EPS of our Group until such time when the ESOS Options are exercised. Any potential effect on the EPS of our Group in the future would depend on the number of ESOS Options granted and exercised, and the subscription price payable upon the exercise of the ESOS Options, as well as the impact of the MFRS 2 on share-based payment.

Under the MFRS 2 on share-based payment, the cost arising from the issuance of the ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at each Date of Offer and is recognised in the statement of comprehensive income, thereby reducing the earnings of our Group. The fair value of the ESOS Options is determined after taking into consideration, amongst others, the historical volatility of Zecon Shares, the risk-free rate, the subscription price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options. Hence, the potential effect on the EPS of our Group, as a consequence of the recognition of the said cost, cannot be determined at this juncture.

Nevertheless, we have taken note of the potential impact of the MFRS 2 on our Group's future earnings and shall take into consideration such impact on the allocation and granting of ESOS Options to the Eligible Persons.

8.5 Convertible securities

As at the LPD, we do not have any convertible securities.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Zecon Shares traded on Bursa Securities for the past 12 months from June 2019 to May 2020 are set out below:-

	High RM	**Low RM**
2019		
June	0.315	0.255
July	0.335	0.265
August	0.410	0.300
September	0.345	0.280
October	0.395	0.280
November	0.620	0.315
December	0.690	0.500
2020		
January	0.700	0.565
February	0.670	0.540
March	0.545	0.225
April	0.440	0.335
May	0.445	0.355
Last transacted market price of Zecon Shares as at 27 February 2020 (being the latest trading day prior to the announcement on the Proposals)		0.585
As at the LPD		0.415

(Source: Bloomberg)

10. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals being obtained:-

i. Bursa Securities, for the following:-

(a) admission of the ICPS to the Official List of Bursa Securities;

(b) listing and quotation for up to 576,473,700 ICPS to be issued pursuant to the Proposed Rights Issue of ICPS;

(c) listing and quotation for the 576,473,700 new Zecon Shares to be issued arising from the conversion of the ICPS; and

(d) listing and quotation for such number of Zecon Shares, representing up to 15% of total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the Proposed ESOS,

on the Main Market of Bursa Securities, the approval of which has been obtained vide its letter dated 20 May 2020 subject to the following conditions:-

	Conditions	**Status of compliance**
a.	Zecon and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
b.	Zecon and UOBKH to inform Bursa Securities upon the completion of the Proposed Rights Issue of ICPS;	To be complied
c.	Zecon and UOBKH 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 ICPS is completed;	To be complied
d.	UOBKH is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed ESOS;	To be complied
e.	Zecon to furnish Bursa Securities on a quarterly basis a summary of the total number of ordinary shares listed pursuant to the conversion of ICPS as at the end of each quarter together with a detailed computation of the listing fees payable; and	To be complied
f.	Zecon to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options under the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fees payable,	To be complied

ii. The shareholders of Zecon for the Proposals at the forthcoming EGM;

iii. Any consent and/ or waiver of the existing financiers/ creditors of the Company, where required; and

iv. Any other relevant authority/ parties, if required.

The conditionality of the Proposals is set out below:-

i. The Proposed Rights Issue of ICPS and the Proposed Amendments are inter-conditional upon each other; and

ii. The Proposed ESOS is not conditional upon both the Proposed Rights Issue of ICPS and the Proposed Amendments, and vice versa.

Save as disclosed above, the Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

11.1 Proposed Rights Issue of ICPS and Proposed Amendments

Save as disclosed below, none of the Directors and/ or major shareholders of Zecon and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Rights Issue of ICPS and Proposed Amendments, save for their respective entitlements as our shareholders under the Proposed Rights Issue of ICPS (including the right to apply for additional ICPS under the excess application), which are also available to all other shareholders of the Company:-

i. **Dawla Capital**, being a party to the Set-Off Arrangement pursuant to the Proposed Rights Issue of ICPS as set out in **Section 2.4** of this Circular, is our major shareholder. As at the LPD, it holds 50,189,475 Zecon Shares, representing approximately 34.83% equity interest in Zecon;

ii. **Datuk Haji Zainal**, being a party to the Set-Off Arrangement pursuant to the Proposed Rights Issue of ICPS as set out in **Section 2.4** of this Circular as well as the controlling shareholder of Dawla Capital, is our Group Managing Director and major shareholder. As at the LPD, he holds 10,693,350 Zecon Shares, representing approximately 7.42% equity interest in Zecon; and

iii. **Haji Zainurin bin Haji Ahmad**, being the brother of Datuk Haji Zainal, is our Deputy Managing Director and shareholder. As at the LPD, he holds 525,000 Zecon Shares, representing approximately 0.36% equity interest in Zecon.

Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and/ or voting at the relevant Board meeting(s) in relation to the Proposed Rights Issue of ICPS and the Proposed Amendments, whilst the Interested Directors and Interested Major Shareholders will abstain from voting in respect of their direct and/ or indirect shareholdings on the resolutions pertaining to the Proposed Rights Issue of ICPS and the Proposed Amendments to be tabled at the forthcoming EGM.

Further, the Interested Directors and Interested Major Shareholders have undertaken that they will ensure that person(s) connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolutions pertaining to the Proposed Rights Issue of ICPS and the Proposed Amendments to be tabled at the same EGM.

11.2 Proposed ESOS

All our Directors are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective allocations under the Proposed ESOS.

Accordingly, our Directors have abstained and will continue to abstain from all Board deliberations and/ or voting at the relevant Board meeting(s) in relation to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed ESOS. Our Directors will also abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolutions at the forthcoming EGM to be tabled for their respective proposed allocations, if any, as well as the proposed allocations to the persons connected with them, if any.

Further, our Directors have undertaken that they will ensure that person(s) connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolutions at the same EGM to be tabled for their respective proposed allocations, if any, as well as the proposed allocations to the persons connected with them.

The person(s) connected with our Directors are also eligible to participate in the Proposed ESOS vis-à-vis of their respective allocations under the Proposed ESOS are as follows:-

i. **Muhammad Nasri bin Zainal Abidin**, being a person connected to Datuk Haji Zainal by virtue of being his son. He is also the Facilities Management Executive of one of our subsidiary company namely, Zecon Medicare Sdn Bhd. As at the LPD, he does not hold any equity interest in Zecon; and

ii. **Dayangku Balqis Sharbanu binti Awangku Abdul Malit @ Awangku Malyx**, being a person connected to Datuk Haji Zainal by virtue of being his daughter-in-law. She is also our Group's Human Resource Manager. As at the LPD, she does not hold any equity interest in Zecon.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the third quarter of 2020. The tentative timetable in relation to the Proposals is set out below:-

Date	Events
17 July 2020	• Convening of EGM to obtain the approval of shareholders of Zecon for the Proposals
End July 2020	• Implementation of the Proposed ESOS • Announcement on the Entitlement Date for the Proposed Rights Issue of ICPS
Mid August 2020	• Entitlement Date for the Proposed Rights Issue of ICPS • Issuance of abridged prospectus in relation to the Proposed Rights Issue of ICPS
Early September 2020	• Closing date of acceptance and application for the ICPS
Mid September 2020	• Listing and quotation for the ICPS pursuant to the Proposed Rights Issue of ICPS • Completion of the Proposals

13. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, our Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

14. DIRECTORS' STATEMENT AND RECOMMENDATION

14.1 Proposed Rights Issue of ICPS and Proposed Amendments

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Rights Issue of ICPS and Proposed Amendments, including but not limited to the terms of the ICPS, rationale, utilisation of proceeds and the pro forma effects, is of the opinion that the Proposed Rights Issue of ICPS and Proposed Amendments are in the best interest of the Company. Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Rights Issue of ICPS and Proposed Amendments at the forthcoming EGM.

14.2 Proposed ESOS

Our Board, having considered all aspects of the Proposed ESOS, including but not limited to the rationale and the effects, is of the opinion that the Proposed ESOS is in the best interest of the Company. Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed ESOS at the forthcoming EGM.

However, in view that all of our Directors are eligible to participate in the Proposed ESOS, they have abstained and will continue to abstain from deliberating and making any recommendations at all relevant Board meetings on the resolutions pertaining to their respective allocations as well as allocation to persons connected to them, if any, under the Proposed ESOS. They will also abstain and ensure that persons connected to them, if any, abstain from voting in respect of their direct and/ or indirect interests in Zecon, on the resolutions pertaining to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS at the forthcoming EGM. Where the resolutions are not related to their respective allocations or to the persons connected to them, if any, our Directors, after having considered all aspects of the Proposed ESOS, are of the opinion that the Proposed ESOS is in the best interest of the Company.

15. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Friday, 17 July 2020 at 9.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, speak and vote in person at the forthcoming EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at our registered office at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodgement of the Proxy Form shall not preclude you from attending, speaking and voting in person at the forthcoming EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
ZECON BERHAD

DATU HAJI HAMZAH BIN HAJI DRAHMAN
Independent Non-Executive Chairman

SALIENT TERMS OF THE ICPS

The salient terms of the ICPS are as follows:-

Issue size	:	Up to 576,473,700 ICPS
Issue price	:	RM0.08 per ICPS
Issue date	:	The date on which the ICPS is issued pursuant to the Proposed Rights Issue of ICPS
Tenure	:	5 years commencing from and inclusive of the date of issuance of the ICPS. For each ICPS issue, the tenure will commence on and including the date of issuance of the relevant ICPS up to and including maturity date
Maturity date	:	The day immediately preceding the 5th anniversary of the Issue Date of ICPS and if such date is not a market day, then on the immediate preceding market day
Dividend rate	:	The Company has full discretion to decide whether to declare any dividend as well as the quantum of such dividend. Dividend, if declared, shall be payable annually in arrears and non-cumulative preferential dividend, in priority over all ordinary shares of the Company
Redemption	:	Not redeemable for cash
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of ICPS shall comprise 100 ICPS, or such other denomination as determined by Bursa Securities from time to time
Form and denomination	:	The ICPS will be issued in registered form and constituted by the Constitution of the Company
Conversion rights	:	a. Each ICPS carries the entitlement to be converted into new Shares at the Conversion Ratio (as defined herein) through the surrender of the ICPS b. No adjustment to the Conversion Price (as defined herein) shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion c. If the conversion results in a fractional entitlement to the ordinary shares of the Company, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement
Conversion period	:	a. The ICPS may be converted at any time within 5 years commencing on and including the date of issue of the ICPS up to and including the maturity date, as determined by the Conversion Ratio and Conversion Price b. Any remaining ICPS that are not converted by the maturity date shall be automatically converted into new Shares at the Conversion Ratio of 2 ICPS to be converted into 1 new Share
Conversion Price	:	The conversion price for the ICPS to be converted into 1 new Share is RM0.16 based on the Conversion Ratio
Conversion Ratio	:	Conversion ratio of the ICPS for 1 new Share is via:- a. 2 ICPS to be converted into 1 Share; and/ or b. a combination of 1 ICPS and RM0.08 in cash for 1 Share
Ranking of the ICPS and liquidation preference	:	The ICPS will rank *pari passu* amongst themselves, and will rank in priority to any other class of shares in the capital of the Company. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital:-

a. The ICPS shall confer on the holders the rights to receive in priority to the holders of ordinary shares in the Company, cash repayment in full of the amount of any non-cumulative preferential dividend that has been declared and remaining in arrears. After the payment of any dividends to the holders of ICPS, the remaining assets shall be distributed first to the holders of ICPS in full of the amount which is equal to the issue price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of the Company

b. In the event that the Company has insufficient assets to permit payment of the full issue price to the ICPS holders, the assets of the Company shall be distributed pro rata on an equal priority, to the ICPS holders in proportion to the amount that each ICPS holders would otherwise be entitled to receive

Ranking of new Shares to be issued arising from conversion of the ICPS : The new Shares to be issued arising from the conversion of the ICPS shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the new Shares to be issued arising from the conversion of the ICPS will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the said new Shares

Adjustment to Conversion Price and/ or Conversion Ratio : The Conversion Price and/ or Conversion Ratio will be adjusted at the determination of the Company, in all or any of the following cases:-

a. an alteration to the number of Shares by reason of consolidation or subdivision; or

b. a bonus issue of fully paid-up ordinary shares by the Company or any other capitalisation issue for accounting purpose; or

c. a capital distribution to shareholders made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is loss or unrepresented by assets; or

d. a rights issue of ordinary shares by the Company; or

e. any other circumstances that the Board deems necessary,

provided that any adjustment to the conversion price will be rounded down to the nearest one sen (RM0.01). No adjustment to the Conversion Price and/ or Conversion Ratio will be made unless the computation has been certified by the external auditors of the Company

Rights of the ICPS holders : The ICPS holders have the rights to receive notices, reports and audited financial statements and to attend general meetings of the Company. The ICPS holders are however not entitled to any voting right or participation in any rights, allotments and/ or other distribution in the Company except in the following circumstances:-

a. when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months*;

b. on a proposal to reduce the Company's share capital;

c. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;

d. on a proposal that affects rights attached to the ICPS;

e. on a proposal to wind up the Company; and

f. during the winding-up of the Company

Listing : The ICPS shall be listed and quoted on the Main Market of Bursa Securities. Approval will be obtained from Bursa Securities for the admission of the ICPS to the Official List of the Main Market of Bursa Securities and the listing and quotation for the ICPS and the new Zecon Shares to be issued pursuant to the conversion of ICPS on the Main Market of Bursa Securities

Transfer	:	The ICPS will be transferable only by instrument in writing in the usual or common form or such other form as the Board and the relevant authorities may approve. As the ICPS will be listed on and traded on the Main Market of Bursa Securities, they will be deposited in the central depository system of Bursa Securities and may be subject to the Rules of Bursa Malaysia Depository Sdn Bhd
Modifications	:	The Company may from time to time with the consent or sanction of all ICPS holders make modifications to the terms of which in the opinion of the Company are not materially prejudicial to the interest of the ICPS holders or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia and the relevant regulations
Governing law	:	The laws of Malaysia

Note:-

* *For instance, when Zecon experiences tight cash flow due to low revenue/ low net income resulting from closures of businesses/ services or temporary halt in ongoing investments caused by a pandemic, etc.*

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PROPOSED AMENDMENTS TO THE CONSTITUTION

Our Constitution shall be amended in the following manner:-

1. To insert the following definitions to the existing Clause 5 of our Constitution as follows:-

"ICPS"	:	The irredeemable convertible preference shares of the Company issued in accordance with the terms and conditions set forth in this Constitution
"ICPS holder"	:	Being a person whose name is for the time being entered as the holder of an ICPS in the Company's Record of Depositors
"Conversion Price"	:	Conversion price for the ICPS as as more particularly described in Clause 11(3)(l) of this Constitution
"Conversion Ratio"	:	Conversion ratio/ mode of the ICPS for conversion of the ICPS into new ordinary share of the Company as more particularly described under Clause 11(3)(m) of this Constitution

2. To insert the new Clause 11(3) after the existing Clause 11(2) of our Constitution as follows:-

Notwithstanding any provisions to the contrary contained in this Constitution, the Company shall have the discretion to issue the ICPS with the sanction of an ordinary resolution and the ICPS shall confer on the ICPS holders the following rights and privileges and be subject to the following terms and conditions:-

	Terms	**Details**
(a)	Issue size	Up to 576,473,700 ICPS
(b)	Issue price	RM0.08 per ICPS
(c)	Issue date	The date on which the ICPS is issued pursuant to the Proposed Rights Issue of ICPS
(d)	Tenure	5 years commencing from and inclusive of the date of issuance of the ICPS. For each ICPS issue, the tenure will commence on and including the date of issuance of the relevant ICPS up to and including maturity date
(e)	Maturity date	The day immediately preceding the 5th anniversary of the Issue Date of ICPS and if such date is not a market day, then on the immediate preceding market day
(f)	Dividend rate	The Company has full discretion to decide whether to declare any dividend as well as the quantum of such dividend. Dividend, if declared, shall be payable annually in arrears and non-cumulative preferential dividend, in priority over all ordinary shares of the Company
(g)	Redemption	Not redeemable for cash
(h)	Board lot	For the purpose of trading on Bursa Securities, a board lot of ICPS shall comprise 100 ICPS, or such other denomination as determined by Bursa Securities from time to time
(i)	Form and denomination	The ICPS will be issued in registered form and constituted by the Constitution of the Company
(j)	Conversion rights	a. Each ICPS carries the entitlement to be converted into new Shares at the Conversion Ratio (as defined herein) through the surrender of the ICPS b. No adjustment to the Conversion Price (as defined herein) shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion

		c. If the conversion results in a fractional entitlement to the ordinary shares of the Company, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement
(k)	Conversion period	a. The ICPS may be converted at any time within 5 years commencing on and including the date of issue of the ICPS up to and including the maturity date, as determined by the Conversion Ratio and Conversion Price b. Any remaining ICPS that are not converted by the maturity date shall be automatically converted into new Shares at the Conversion Ratio of 2 ICPS to be converted into 1 new Share
(l)	Conversion Price	The conversion price for the ICPS to be converted into 1 new Share is RM0.16 based on the Conversion Ratio
(m)	Conversion Ratio	Conversion ratio of the ICPS for 1 new Share is via:- a. 2 ICPS to be converted into 1 Share; and/ or b. a combination of 1 ICPS and RM0.08 in cash for 1 Share
(n)	Ranking of the ICPS and liquidation preference	The ICPS will rank *pari passu* amongst themselves, and will rank in priority to any other class of shares in the capital of the Company. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital:- a. The ICPS shall confer on the holders the rights to receive in priority to the holders of ordinary shares in the Company, cash repayment in full of the amount of any non-cumulative preferential dividend that has been declared and remaining in arrears. After the payment of any dividends to the holders of ICPS, the remaining assets shall be distributed first to the holders of ICPS in full of the amount which is equal to the issue price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of the Company b. In the event that the Company has insufficient assets to permit payment of the full issue price to the ICPS holders, the assets of the Company shall be distributed pro rata on an equal priority, to the ICPS holders in proportion to the amount that each ICPS holders would otherwise be entitled to receive
(o)	Ranking of new Shares to be issued arising from conversion of the ICPS	The new Shares to be issued arising from the conversion of the ICPS shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the new Shares to be issued arising from the conversion of the ICPS will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the said new Shares
(p)	Adjustment to Conversion Price and/ or Conversion Ratio	The Conversion Price and/ or Conversion Ratio will be adjusted at the determination of the Company, in all or any of the following cases:- a. an alteration to the number of Shares by reason of consolidation or subdivision; or b. a bonus issue of fully paid-up ordinary shares by the Company or any other capitalisation issue for accounting purpose; or c. a capital distribution to shareholders made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is loss or unrepresented by assets; or d. a rights issue of ordinary shares by the Company; or

e. any other circumstances that the Board deems necessary,

provided that any adjustment to the conversion price will be rounded down to the nearest one sen (RM0.01). No adjustment to the Conversion Price and/ or Conversion Ratio will be made unless the computation has been certified by the external auditors of the Company

(q)	Rights of the ICPS holders	The ICPS holders have the rights to receive notices, reports and audited financial statements and to attend general meetings of the Company. The ICPS holders are however not entitled to any voting right or participation in any rights, allotments and/ or other distribution in the Company except in the following circumstances:- a. when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months; b. on a proposal to reduce the Company's share capital; c. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking; d. on a proposal that affects rights attached to the ICPS; e. on a proposal to wind up the Company; and f. during the winding-up of the Company
(r)	Listing	The ICPS shall be listed and quoted on the Main Market of Bursa Securities. Approval will be obtained from Bursa Securities for the admission of the ICPS to the Official List of the Main Market of Bursa Securities and the listing and quotation for the ICPS and the new Zecon Shares to be issued pursuant to the conversion of ICPS on the Main Market of Bursa Securities
(s)	Transfer	The ICPS will be transferable only by instrument in writing in the usual or common form or such other form as the Board and the relevant authorities may approve. As the ICPS will be listed on and traded on the Main Market of Bursa Securities, they will be deposited in the central depository system of Bursa Securities and may be subject to the Rules of Bursa Malaysia Depository Sdn Bhd
(t)	Modifications	The Company may from time to time with the consent or sanction of all ICPS holders make modifications to the terms of which in the opinion of the Company are not materially prejudicial to the interest of the ICPS holders or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia and the relevant regulations
(u)	Governing law	The laws of Malaysia

ZECON BERHAD ("ZECON" OR "THE COMPANY")
BY-LAWS OF THE EMPLOYEES' SHARE OPTION SCHEME
("THE SCHEME" OR "ESOS")

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these By-Laws, unless otherwise specified, the following definitions shall, where the context so admits, be deemed to have the following meanings:

"Act"	:	Companies Act 2016, and any amendments made thereto from time to time and includes any re-enactment thereof
"Adviser"	:	A person who is permitted to carry on the regulated activity of advising corporate finance under the Capital Markets and Services Act 2007 to act as a Principal Adviser as defined in the Securities Commission's Principal Adviser Guidelines
"Auditor"	:	The external auditors for the time being of the Company or such other external auditors as may be nominated by the Board
"Board"	:	The board of directors of the Company for the time being
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
"By-Laws"	:	The terms and conditions of the Scheme (as may be amended from time to time and to be adopted pursuant to By-Law 17
"Calendar Days"	:	Days according to the Gregorian calendar
"CDS"	:	A Central Depository System governed under the Central Depositories Act, as amended from time to time
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of deposit and withdrawal of securities and dealings in such securities by that depositor of securities
"Central Depositories Act"	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time
"Constitution"	:	the Constitution of the Company as may be amended from time to time
"Date of Allocation"	:	A date to be determined by the ESOS Committee to be the date on which an Eligible Person is deemed eligible to participate in the Scheme
"Date of Expiry"	:	The last Calendar Day of an Option Period
"Date of Offer"	:	The date of the Offer Letter, as described in By-Law 5.3, being the date on which a Selected Person is deemed to have been notified of an Offer by the ESOS Committee
"Date of Vesting"	:	The date after the Date of Offer and before the Date of Expiry on which the Offer may be exercised by the ESOS Participant

"Director"	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2 of the Act and Section 2(1) of the Capital Markets & Services Act 2007
"Duration of the Scheme"	:	The duration of the Scheme as defined in By-Law 20 and includes any extension or renewal thereof
"Effective Date"	:	The date of full compliance with all relevant requirements pursuant to the Listing Requirements in relation to the Scheme and implementation of the Scheme
"Eligible Person"	:	Any Employee or Director of the Company satisfying the conditions stipulated in By-Law 3
"Employee"	:	Any person who is employed by any corporation of the Group and is on the payroll of the Group
"ESOS Committee"	:	The committee comprising such persons as may be appointed and duly authorised by the Board, to administer the Scheme in accordance with the provisions of By-Law 16
"ESOS Option"	:	The right of an ESOS Participant to subscribe for new Shares at the Subscription Price and where the context so requires, means any part of the ESOS Option as shall remain unexercised
"ESOS Participant"	:	A Selected Person who has accepted the Offer in accordance with the provisions of By-Law 6
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities including any amendments which may be made from time to time
"Market Day"	:	Any Calendar Day between Monday and Friday, both days inclusive, which is not a public holiday in Malaysia and, which is a trading day on Bursa Securities
"Maximum Allowable Allocation"	:	The maximum aggregate number of new Shares in respect of which Offers may be made in accordance with the provisions of By-Law 4 to a Selected Person to participate in the Scheme
"Notice of Exercise"	:	The notice in such form and manner as the ESOS Committee may prescribe or approve by the ESOS Participant to notify the Company of his intention to exercise an ESOS Option as set out in By-Law 9.3
"Offer"	:	An offer made by the ESOS Committee as set out in By-Law 5 to a Selected Person
"Offer Letter"	:	The offer document the ESOS Committee will give to a Selected Person as set out in By-Law 5.3
"Offeror"	:	A person who makes a takeover offer for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer as set out in By-Law 13(a)
"Option Period"	:	The period, after the Date of Vesting, during which an ESOS Option may be exercised as may be specified in the Offer
"Persons Connected"	:	Has the same meaning as that assigned to "Person Connected" in paragraph 1.01 of the Listing Requirements

"Prescribed Period"	:	A period of thirty (30) Calendar Days from the Date of Offer or such other period as may be determined by the ESOS Committee on a case to case basis at its sole discretion
"RM" and "sen"	:	Ringgit Malaysia and Sen respectively
"Rules of Bursa Depository"	:	The rules of Bursa Depository, as issued pursuant to the Central Depositories Act
"Scheme" or "ESOS"	:	The Zecon's Employees' Share Option Scheme established by the By-Laws hereto for the grant of ESOS Options to Selected Person to subscribe for new Shares
"Selected Person"	:	An Eligible Person to whom an Offer is being made pursuant to By-Law 5
"Senior Management"	:	Such employees as the ESOS Committee may in its sole and absolute discretion determine to be senior management
"Share(s)" or "Zecon Share(s)"	:	Ordinary share(s) in the Company
"Subscription Price"	:	The price at which the ESOS Participant shall be entitled to subscribe for a new Share as set out in By-Law 7
"Subsidiary"	:	A company which is for the time being or during the tenure of the ESOS, a subsidiary of the Company as defined in Section 4 of the Act but excludes dormant subsidiaries and any such subsidiary of the company which, the Board and/or the ESOS Committee, in its sole and absolute discretion determine shall not fall within this definition.
"Zecon" or "Company"	:	Zecon Berhad (198501002015(134463-X))
"Zecon Group" or "Group"	:	The Company and its Subsidiaries which are not dormant, include any Subsidiary incorporated or acquired at any time during the tenure of the Scheme and where the context so requires, any one of them

1.2 In these By-Laws:

(a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or other relevant authorities);

(b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By- Laws so far as such modification or re-enactment applies or is capable of applying to any ESOS Options offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

(c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;

(d) words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner;

(e) any liberty or power which may be exercised or any determination which may be made hereunder by the Board or the ESOS Committee may be exercised at the Board's or ESOS Committee's discretion and the Board or ESOS Committee shall not be under any obligation to give any reasons therefore, except as may be required by the relevant authorities;

(f) if an event is to occur on a stipulated Calendar Day which is not a Market Day, then the stipulated Calendar Day will be taken to be the first Market Day after that Calendar Day; and

(g) headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

2. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

2.1 The maximum number of new Shares which may be made available under the Scheme shall be up to fifteen percent (15%) of the issued shares of the Company (excluding treasury shares, if any) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time throughout the Duration of the Scheme.

2.2 Notwithstanding the provisions of By-Law 2.1 or any other provision herein contained, in the event the maximum number of new Shares comprised in the ESOS Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) of the issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing or cancelling its own Shares in accordance with the provisions of the Act or any other corporate proposal and thereby diminishing its issued shares, then such ESOS Options granted prior to the adjustment of the issued shares of the Company shall remain valid and exercisable in accordance with the provisions of the Scheme. However in such a situation, the Company shall not make any more new Offers until the total number of Shares under the subsisting ESOS Options including Shares that have been issued under the Scheme falls below fifteen percent (15%) of the Company's issued shares (excluding treasury shares, if any).

2.3 Each ESOS Option shall be exercisable into one (1) Share in accordance with the provision of the By-Laws.

3. ELIGIBILITY

3.1 Any Employee or Director of the Zecon Group shall be eligible to participate in the Scheme and qualify for selection by the ESOS Committee, as at the Date of Allocation (where applicable)**:**

(a) such Employee or Director has attained the age of eighteen (18) years;

(b) such Employee or Director has been on the payroll of any company within the Zecon Group for a continuous period of at least one (1) year (which shall include any probation period) and his employment has been confirmed and has not served a notice of resignation or received a notice of termination by the relevant company within the Zecon Group; or such Employee or Director is serving in a specific designation under an employment contract for a continuous period of at least one (1) year (which shall include any probation period), and has not served a notice of resignation or received a notice of termination by the relevant company within the Zecon Group;

(c) such Employee or Director is not a participant of any other employee share option scheme implemented by any company within the Zecon Group which is in force for the time being, if any;

(d) if the employee is employed by a company incorporated in Malaysia which is acquired, and becomes a Subsidiary of the Company upon such acquisition during the Duration of the Scheme, the employee must have completed service for a continuous period of at least one (1) year in that Subsidiary following the date that such company becomes or is deemed to be a Subsidiary of the Zecon Group;

(e) in the case of a Director or Employee (who is the chief executive officer or a major shareholder of Zecon) and Persons Connected with them, the specific allocation of new Shares to such Director, Employee or Persons Connected with them under the Scheme shall have been approved by the shareholders of Zecon at a general meeting PROVIDED ALWAYS that such Director, Employee and Person Connected to them shall not have voted on the resolution approving the said allocation; and

(f) such Employee or Director has fulfilled any other eligibility criteria and/or falls within such grade/ category as may be determined by the ESOS Committee at its sole discretion from time to time.

Provided that nothing shall invalidate any selection of any Eligible Person which may have been made by the Board prior to the Effective Date of the Scheme. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of the eligibility as set out above, for the purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion and the decision of the ESOS Committee shall be final and binding.

3.2 Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme unless the ESOS Committee has made an offer in writing to the Eligible Person under By-Law 5 and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the provisions of the By-Laws.

3.3 No Director or Employee shall participate in the deliberation and discussion of their own respective allocations of ESOS Options.

3.4 A set of criteria on eligibility and allocation as determined by the Board from time to time shall be made available to the Eligible Persons. The allocation of the ESOS Options pursuant to the ESOS shall be verified by the audit committee at the end of each financial year and an audit committee statement on the verification of the allocation shall be included in the annual report of Zecon where relevant pursuant to the requirements of the Listing Requirements.

3.5 In determining the eligibility of an Eligible Person to participate in the Scheme, the ESOS Committee may take into account amongst other factors, the performance, contribution, employment grade, seniority and/or length of service to the relevant corporation within the Group, and/or such other factors that the ESOS Committee may in its sole and absolute discretion deem fit.

4. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES

4.1 Subject to any adjustments which may be made under By-Law 14, the aggregate number of Shares comprised in the ESOS Options to be offered to a Selected Person in accordance with the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Selected Person's performance, contribution, employment grade or category, targets, seniority and the number of years in service, the Selected Person's potential for future development and contribution to the success and development of the Zecon Group, subject to the following:

(a) That the number of ESOS Options made available under the Scheme shall not exceed the amount stipulated in By-Law 2.1;

(b) That the Director or Senior Management of the Group shall not participate in the deliberation or discussion of their own allocation of ESOS Options;

(c) That the allocation to an Eligible Person who, either singly or collectively through persons connected with the said Eligible Person, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, does not exceed 10% of the total number of Shares to be issued under the Scheme; and

(d) That at any one time during the Option Period, not more than fifty percent (50%) of the total number of Shares available under the Scheme could be allocated, in aggregate to the Directors and Senior Management of the Group who are Eligible Persons,

4.2 At the time the Offer is made in accordance with By-Law 5, PROVIDED ALWAYS that it is made in accordance with any prevailing guidelines, rules, regulations or requirements issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time, the ESOS Committee shall set out the basis of allocation, considering the performance, contribution, employment grade or category, targets, seniority and the number of years in service of the Selected Person, the Selected Person's potential for future development and contribution to the success and development of the Zecon Group and the Maximum Allowable Allocation for the Selected Person.

4.3 Any Selected Person who holds more than one position within the Group and by holding such positions such Selected Person is in more than one category or grade of employment, such Selected Person shall only be entitled to the Maximum Allowable Allocation of any one category or grade of employment. The ESOS Committee shall be entitled at its discretion to determine the applicable category or grade of employment.

4.4 In the event that a Selected Person is promoted or demoted, the ESOS Committee shall have the sole and absolute discretion in determining the Maximum Allowable Allocation applicable to such Selected Person, taking into account the Maximum Allowable Allocation for the category or grade that the Selected Person has been promoted or demoted to, subject always to the maximum number of Shares made available under the Scheme as stipulated under By-Law 2.1.

4.5 For the avoidance of doubt, the ESOS Committee shall have sole and absolute discretion in determining whether the Shares available for vesting under this Scheme are to be offered to the ESOS Participants via:

(a) one single ESOS Option at a time determined by the ESOS Committee; or

(b) several ESOS Options where the vesting of ESOS Options is staggered or made in several tranches at such times and on terms determined by the ESOS Committee.

4.6 In the event the ESOS Committee decides that the vesting of the ESOS Option is to be staggered, the number of ESOS Options to be offered pursuant to each ESOS Option and the timing for the vesting of the same shall be decided by the ESOS Committee at its sole and absolute discretion and each ESOS Option shall be separate and independent from the others.

4.7 The actual number of Shares under the Scheme which may be offered to any Eligible Person shall be at the discretion of the ESOS Committee provided that the number of Shares so offered shall not be less than one hundred (100) Shares nor more than the maximum allowable allocation of such Eligible Person and shall be in multiples of one hundred (100) Shares (or in any denomination as may be prescribed by Bursa Securities as a board lot).

4.8 In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of his own allocation of the ESOS Options.

4.9 The ESOS Committee also has the discretion to determine whether the ESOS Options are subject to any vesting period and vesting conditions (subject to performance target or otherwise). The ESOS Committee has the discretion to determine whether the Eligible Person is required to achieve any specific performance target(s) before he/ she may exercise the ESOS Options granted to him/ her. Any such performance target(s) if set, shall be stated in the Offer Letter to the Selected Person.

5. OFFER

5.1 Subject to and in accordance with the provisions of these By-Laws, the ESOS Committee may at its discretion at any time from the Effective Date offer ESOS Options to a Selected Person by way of an Offer Letter based on the criteria for allocation as set forth in By-Law 4.

5.2 The actual number of new Shares which may be offered to a Selected Person shall be at the discretion of the ESOS Committee but shall not be more than the Maximum Allowable Allocation as set out in By-Law 4.

5.3 The ESOS Committee will in its Offer Letter to a Selected Person state, inter alia, the number of Shares that can be subscribed under the Offer, the Subscription Price determined in accordance with the provisions of By-Law 7, the closing date for acceptance of the Offer, the Date of Vesting, the Option Period, and the manner and conditions of exercise of the ESOS Options. Subject to By-Laws 18.1 and 18.4, the Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Person or the Selected Person ceasing to be an Eligible Person for any reason whatsoever prior to the acceptance of the Offer by the Selected Person in the manner set out in By-Law 6 hereof.

5.4 The ESOS Option will only vest to the ESOS Participant on the Date of Vesting if:

(a) the ESOS Participant remains an Employee or Director as at the Date of Vesting and shall not have given a notice to resign or received a notice of termination as at the Date of Vesting;

(b) the performance targets of the ESOS Participant are fully and duly satisfied; and/or

(c) any other conditions which are determined by the ESOS Committee.

5.5 Nothing herein shall prevent the ESOS Committee from making more than one Offer during the Duration of the Scheme to a Selected Person PROVIDED ALWAYS that the total aggregate number of ESOS Options offered to any Selected Person including ESOS Options which have been exercised, if any, shall not exceed the Maximum Allowable Allocation.

5.6 The Company shall, on the Date of Offer, announce the following to Bursa Securities upon the ESOS Options offered under the Scheme:

(a) Date of Offer;
(b) Subscription Price of ESOS Options offered;
(c) number of ESOS Options offered;
(d) market price of its securities on the Date of Offer;
(e) number of ESOS Options offered to each Director, if any; and

(f) vesting period of the ESOS Options offered.

6. ACCEPTANCE OF OFFER

6.1 An Offer made by the ESOS Committee under By-Law 5 shall be valid for the Prescribed Period and may be accepted within the Prescribed Period by the Selected Person to whom the Offer is made by a notice (in a format to be prescribed by the ESOS Committee) to the ESOS Committee of such acceptance accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the ESOS Option.

6.2 If the ESOS Committee has not received notice of acceptance of the Offer by the Selected Person in the manner aforesaid within the Prescribed Period, such Offer shall upon the expiry of the Prescribed Period, automatically lapse and be null and void and be of no further force and effect, and the new Shares comprised in the ESOS Options may at the discretion of the ESOS Committee be re-offered to other Eligible Persons.

6.3 The date of receipt by ESOS Committee of the notice of acceptance of the Offer shall be the date of acceptance of the Offer by the Selected Person, and the Selected Person will be known as ESOS Participant.

6.4 The Company shall within thirty (30) days of the acceptance of the Offer, issue to the ESOS Participant an ESOS Option certificate or letter in such form as may be determined by the ESOS Committee.

6.5 The Company shall keep and maintain a register of ESOS Participants at its expense and shall enter in that register the names and addresses of the ESOS Participants and such information as may be prescribed by the ESOS Committee.

7. SUBSCRIPTION PRICE

The price at which the ESOS Participant is entitled to subscribe for each new Share shall be determined by the ESOS Committee based on the five (5) day volume weighted average market price of Shares immediately preceding the Date of Offer of the ESOS Option, subject to a discount of not more than ten percent (10%) or such lower or higher percentage of discount as may be determined by ESOS Committee at its discretion and as may be permitted by Bursa Securities and/or any other relevant authorities from time to time during the Duration of the Scheme. The Subscription Price as determined by the ESOS Committee shall be conclusive and binding on the ESOS Participants.

8. NON-ASSIGNMENT

An ESOS Option is personal to the ESOS Participant. Save and except as provided in By-Laws 18.4, an ESOS Option shall be non-assignable and non-transferable. Any such attempt to assign, transfer, dispose or encumber any ESOS Option shall result in automatic cancellation of such ESOS Option.

9. EXERCISE OF OPTION

9.1 An ESOS Option granted to an ESOS Participant under the Scheme, subject to the provisions of By-Law 18, is exercisable by that ESOS Participant within the Option Period. All unexercised ESOS Options shall become null and void after the Date of Expiry.

9.2 Upon acceptance of an Offer, the ESOS Participant may during the Option Period exercise his ESOS Options at such time and in such manner and subject to such conditions as stipulated in the Offer Letter.

9.3 The ESOS Participant shall notify the Company of his intention to exercise an ESOS Option in such form and manner as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"). An ESOS Option may be exercised in such manner and subject to such conditions as stipulated in the Offer Letter in respect of such number of new Shares as the ESOS Participant may decide to exercise. In the event of partial exercise of the ESOS Option by ESOS Participant, such partial

exercise shall not preclude the ESOS Participant from exercising the ESOS Option as to the balance of any new Shares which he is entitled to subscribe under the Scheme.

9.4 The ESOS Participant shall provide all information as required in the Notice of Exercise and the Company shall, within eight (8) Market Days or such period as Bursa Securities may prescribe after the receipt of a valid Notice of Exercise and remittance from the ESOS Participant for the full amount of the subscription monies in relation to the number of Shares in respect of which the Notice of Exercise given, issue, allot and despatch the notice of allotment for the relevant number of Shares to the ESOS Participant upon and subject to the provisions of the Constitution, the Central Depositories Act and the Rules of Bursa Depository and if required, apply to Bursa Securities for the quotation such new Shares. The said Shares will be credited directly into the CDS Account of the ESOS Participant. No physical share certificates will be delivered to the ESOS Participant.

9.5 Any failure to comply with the foregoing provisions and/or to provide all information as required in the Notice of Exercise or inaccuracy in the information provided shall result in the Notice of Exercise being rejected. The ESOS Committee shall inform the ESOS Participant of the rejection of the Notice of Exercise within fourteen (14) Calendar Days from the date of rejection and the ESOS Participant shall then be deemed not to have exercised his ESOS Options.

9.6 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right at its discretion by notice to that effect-

(a) to suspend the right of any ESOS Participant who is found to have contravened the written policies and guidelines of the Group and/or the terms and conditions of the ESOS Participant's employment (whether or not such contravention may give rise to a disciplinary proceeding being instituted) to exercise his ESOS Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the contravention PROVIDED ALWAYS that in the event such contravention results in the dismissal or termination of service of such ESOS Participant, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such ESOS Participant;

OR

(b) to suspend the right of any ESOS Participant who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such ESOS Participant) to exercise his ESOS Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the charges made or brought against such ESOS Participant, PROVIDED ALWAYS that-

(i) in the event such ESOS Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such ESOS Participant to exercise his ESOS Option; or

(ii) in the event such ESOS Participant is found guilty resulting in the dismissal or termination of service of such ESOS Participant, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such ESOS Participant; or

(iii) in the event such ESOS Participant is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the ESOS Participant may continue to exercise his ESOS Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

9.7 Each ESOS Option shall be subject to the condition that no new Shares shall be issued to the ESOS Participant pursuant to the exercise of the ESOS Option if such issue shall be contrary to

any laws, rules and/or regulations of any regulatory body or authorities which may be in force during the Option Period.

9.8 Each ESOS Participant shall at his own cost and expense open a CDS Account and a trading account with a nominee company or a broker approved by the ESOS Committee.

10. RIGHTS OF AN ESOS PARTICIPANT

10.1 The ESOS Options shall not carry any right to vote at any general meeting of the Company.

10.2 An ESOS Participant shall not be entitled to any dividends, any form of distribution, offer of further securities in the Company, right or other entitlement on his unexercised ESOS Options.

11. RANKING AND RIGHTS ATTACHING TO NEW SHARES

11.1 The new Shares to be allotted and issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Shares except that the new Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to shareholders of the Company, where the entitlement date (namely the date as at the close of business on which shareholders must be registered on the Register of Depositors in order to be entitled to any dividends, rights, allotments and/or other forms of distributions) precedes the date of allotment and issuance of the new Shares and will be subjected to all the provisions of the Constitution relating to transfer, transmission and otherwise of the Shares.

11.2 The ESOS Options shall not carry any rights to vote at any general meeting of the Company. The new Shares allotted and credited into the CDS account would, however, carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Register of Depositors on the entitlement date as at the close of business to be entitled to attend and vote at the general meeting.

12. RETENTION/HOLDING PERIOD

12.1 A Selected Person who is a non-executive director of the Group shall not sell, transfer or assign the Shares obtained through the exercise of the ESOS Options offered to him pursuant to the ESOS within one (1) year from the Date of Offer or such other period as may be prescribed by the Listing Requirements or other prevailing applicable guidelines, regulations or law.

12.2 If a non-executive director of the Group is appointed to the position of an executive director at any time during the duration of the ESOS, By-Law 12.1 shall not be applicable to him/her immediately following such appointment.

12.3 Save and except for By-Law 12.1 above, the new Shares to be issued and allotted to an ESOS Participant pursuant to the exercise of an ESOS Option under the Scheme will not be subjected to any retention period or restriction on transfer. However, the ESOS Participants are encouraged to hold the Shares as long-term investments and not for any speculative and/or realisation of immediate gain to yield profit. Notwithstanding the above, the ESOS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it sees fit.

13. TAKEOVER AND COMPULSORY ACQUISITION

13.1 In the event of:

(a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror); or

(b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares

under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date,

the ESOS Committee may at its discretion to the extent permitted by law allow the exercise of any unexercised ESOS Options (or any part thereof) by the ESOS Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that-

(aa) the date on which the ESOS Participant becomes entitled to exercise the ESOS Options or any part thereof is not due or has not occurred; and/or

(bb) the Option Period has not commenced; and/or

(cc) other terms and conditions set out in the Offer have not been fulfilled/satisfied.

13.2 All Offers and/or ESOS Options which the ESOS Committee permits to be vested, accepted or exercisable pursuant to By-Law 13.1 shall unless the ESOS Committee in its sole and absolute discretion determine otherwise, automatically terminate, lapse and shall become null and void to the extent unvested, unaccepted or unexercised by the date prescribed by the ESOS Committee, notwithstanding that the Option Period has not commenced or expired.

14. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital-

(a) the number of new Shares which an ESOS Participant shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or

(b) the Subscription Price,

shall be adjusted PROVIDED ALWAYS that-

(i) on any such adjustment the resultant Subscription Price, if not an integral multiple of one (1) sen, shall be rounded down to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Subscription Price or reduce the number of ESOS Options that an ESOS Participant is already entitled to;

(ii) upon any adjustment being made pursuant to these By-Laws, the ESOS Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the ESOS Participant (or his legal or personal representatives where applicable) in writing informing him of the adjusted Subscription Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of the ESOS Option;

(iii) in determining an ESOS Participant's entitlement to subscribe for new Shares, any fractional entitlement will be disregarded; and

(iv) if fraction arises upon calculation of the adjusted number of Shares under ESOS Option, the adjusted number so calculated shall be rounded down to the nearest whole number.

Any adjustments to the Subscription Price and/or the number of new Shares comprised in the ESOS Options so far as unexercised must be confirmed in writing by the external auditors of the Company or the Company's Adviser.

Should there be other circumstances which give rise to a consideration for adjustments to the Subscription Price or the number of new Shares in favour of all ESOS

Participants, but it is decided that no adjustments will be made, such decision shall be made known to all the ESOS Participants via a timely notice subject to compliance with the Listing Requirements.

14.2 In addition to By-Law 14.1 and not in derogation thereof, the Subscription Price and the number of new Shares relating to the ESOS Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with an Auditor and/or Adviser of the Company-

(a) If and whenever the Company shall make any issue of new Shares by reason of any consolidation or subdivision or conversion, the Subscription Price shall be adjusted and the additional number of new Shares relating to the ESOS Option to be issued shall be calculated in accordance with the following formula:

$$\text{New Subscription Price} = S \times \frac{\text{Previous total number of issued Shares}}{\text{Revised total number of issued Shares}}$$

Where S = existing Subscription Price

$$\text{Number of Additional Shares} = T \times \frac{\text{Revised total number of issued Shares}}{\text{Previous total number of issued Shares}} - T$$

Where T = existing number of Shares relating to the ESOS Option

Each such adjustment will be effective from the close of business on the Market Day immediately succeeding the date on which the consolidation or subdivision or conversion becomes effective or such other date as may be prescribed by Bursa Securities.

(b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the additional number of new Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of Additional Shares} = T \times \left(\frac{A + B}{A} \right) - T$$

where:

A = the aggregate number of issued Shares on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allocations or other distributions) immediately before such bonus issue or capitalisation issue;

B = the aggregate number of new Shares to be issued pursuant to any allocation to ordinary shareholders credited as fully paid by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature); and

T = existing number of Shares relating to the ESOS Option.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Calendar Day immediately succeeding the books closure date for such issue.

(c) If and whenever the Company shall make:

(i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets); or

(ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe Shares by way of rights; or

(iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 14.2(c)(ii) hereof, the number of additional new Shares comprised in the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of Additional Shares} = T \times \left(\frac{C}{C - D^*} \right) - T$$

where:

T = existing number of Shares relating to the ESOS Option;

C = the current market price of each Share at the close of business on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares by way of rights under By-Law 14.2(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 14.2(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 14.2(c) hereof, the fair market value, as determined by an Auditor and/or Adviser of the Company, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (aa) of D above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C	=	as C above;
E	=	the subscription price for one (1) additional Share under the terms of such offer or invitation or subscription price for one (1) addition Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
F	=	the number of existing Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and
D*	=	the value of rights attributable to one (1) Share (as defined below).

For the purpose of definition D* above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where:

C	=	as C above;
E*	=	the subscription price for one (1) additional Share under the terms of such offer or invitation; and
F*	=	the number of existing Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of this By-Law 14.2(c) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (other than an issue falling under By-Law 14.2(b) hereof) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature).

Any dividend charged or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated statements of comprehensive income of the Company.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately succeeding the entitlement date for the above transactions.

(d) If and whenever the Company makes an allocation to its ordinary shareholders as provided in By-Law 14.2(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 14.2(c)(ii) or (iii) above and the entitlement date for the purpose of the allocation is also the book closure date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes an allocation to its ordinary shareholders as provided in By-Law 14.2(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 14.2(c)(ii) above and the entitlement date for the purpose of the allocation is also the book closure date for the purpose of the offer or invitation, the number of additional new Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of Additional Shares} = T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

B	=	as B above; and
C	=	as C above;
G	=	the aggregate number of issue Shares on the book closure date
H	=	the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
H*	=	the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
I	=	the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
I*	=	the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;
T	=	as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately succeeding the book closure date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 14.2(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for securities convertible into Shares or security with rights to acquire or subscribe for Shares as provided in By-Law 14.2(c)(iii) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional Shares comprised in the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of Additional Shares} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

C	=	as C above;
G	=	as G above;
H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders;
K	=	the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and
T	=	as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately succeeding the book closure date for the above transactions.

(f) If and whenever the Company makes an allocation to its ordinary shareholders as provided in By-Law 14.2(b) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 14.2(c)(ii) above, together with rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares as provided in By-Law 14.2(c)(iii) above, and the entitlement date for the purpose of the allocation is also the book closure for

the purpose of offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of Additional Shares} = T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

B	=	as B above;
C	=	as C above;
G	=	as G above;
H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	as J above;
K	=	as K above; and
T	=	as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately succeeding the book closure date for the above transaction.

(g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under By-Laws 14.2(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

where:

L	=	the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
M	=	the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purposes of By-Law 14.2(g), the "**Total Effective Consideration**" shall be determined by the Board with the concurrence of an Auditor and/or Adviser of the Company shall be:

(a) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or

(b) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(c) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**Total Effective Consideration per Share**" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 14.2(g), the "**Average Price**" of a Share shall be the average market price of one (1) Share as derived from the last dealt prices for one (1) or more board lots of the Shares as quoted on the Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately succeeding the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately succeeding the date on which the Company determines the offering price of such Shares. Each such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the date of the completion of the above transaction.

14.3 The provisions of this By-Law shall not apply where the alteration in the capital structure of the Company arises from:

(a) the issue of securities as consideration for an acquisition;

(b) a special issue of new Shares to Bumiputera parties approved by the Ministry of International Trade and Industry, Malaysia and/or other Government authorities to comply with the Government policy on Bumiputera capital participation;

(c) a special issue, private placement or restricted issue of new Shares by the Company;

(d) a share buy-back arrangement by the Company and the cancellation of all or a portion of the treasury shares pursuant to the relevant provision of the Act;

(e) an issue of new Shares upon the exercise of ESOS Options pursuant to the Scheme;

(f) an issue by the Company of Shares or of securities convertible into Shares or securities with rights to acquire or subscribe for Shares to its officers, including Directors, or

Employees of the Company or any of its Subsidiaries pursuant to purchase or option schemes approved by the Shareholders in general meeting; and

(g) an issue of Shares arising from a dividend reinvestment scheme which allows Shareholders an option to elect their cash dividend entitlements into new Shares.

14.4 Upon any adjustment being made, the ESOS Committee shall give notice in writing within thirty (30) Calendar Days from the date of adjustment to the ESOS Participant, or his legal or personal representatives where the ESOS Participant is deceased, to inform him of the adjustment and the event giving rise thereto.

14.5 The decision of the ESOS Committee as to whether any adjustment shall be made or not made to the Subscription Price and/or the number of new Shares comprised in the ESOS Option or any portion thereof pursuant to this By-Law 14 is final, binding and conclusive.

15. LISTING AND QUOTATION OF SHARES

15.1 The new Shares to be allotted to the ESOS Participant will not be listed or quoted on Bursa Securities until the ESOS Option is exercised in accordance with the provisions of By-Law 9 whereupon the Company shall-

(a) issue and/or allot the Shares;

(b) despatch a notice of allotment to the ESOS Participant; and

(c) apply to Bursa Securities for the listing and quotation of such Shares;

within eight (8) Market Days after the receipt of the Notice of Exercise and remittance for the full amount of the subscription monies in relation to the number of Shares in respect of which the Notice of Exercise given from the ESOS Participant.

15.2 The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring the Bursa Securities to list the Shares for which the ESOS Participant is entitled to subscribe.

16. ADMINISTRATION OF THE SCHEME

16.1 The ESOS Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and within such powers and duties as are conferred upon it by the Board including but not limited to the powers to-

(a) subject to the provisions of the Scheme, construe and interpret the Scheme and ESOS Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an ESOS Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

16.2 The ESOS Committee shall comprise representative(s) from the Board, Senior Management of the Company and other persons appointed from time to time by the Board. The Board shall have power from time to time to rescind the appointment of any person in the ESOS Committee and appoint his replacement where the Board deems fit.

16.3 The ESOS Committee shall be vested such powers and duties as are conferred upon by the Board. The decision of the ESOS Committee shall be final and binding.

17. AMENDMENT AND/OR MODIFICATION TO THE BY-LAWS

17.1 The ESOS Committee may recommend to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the By-Laws and the Board shall have the power by resolution to add, amend or modify and/or delete all or any of the By-Laws under such recommendation.

17.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these By-Laws **PROVIDED THAT** no addition, amendment or deletion shall be made to these By-Laws which would-

(a) prejudice any rights which have accrued to any ESOS Participant without his prior consent;

(b) increase the number of new Shares available under the Scheme beyond the maximum imposed by By-Law 2.1;

(c) prejudice any rights of the shareholders of the Company;

(d) provide an advantage to any Selected Person or all Selected Persons; or

(e) alter any matter which are required to be contained in the By-Laws by virtue of Appendix 6E of the Listing Requirements unless allowed otherwise by the provisions of the Listing Requirements.

The ESOS Options Committee shall within ten (10) Market Days of any modification and/or amendment made pursuant to this By-Law notify the ESOS Participant in writing of any modification and/or amendment made pursuant to this By-Law.

17.3 Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to the Bursa Securities no later than five (5) Market Days after the effective date of the amendment to the By-Laws, a letter confirming that the said amendment and/or modification complies with the Listing Requirements and Rules of Bursa Depository.

18. TERMINATION OF OPTIONS

18.1 In the event of cessation or termination of employment or appointment of an ESOS Participant with the Group for whatever reason prior to the exercise of his ESOS Options or prior to full exercise of his ESOS Options, such ESOS Option shall cease immediately and become null and void on the date of such cessation or termination without any claim against the Company PROVIDED ALWAYS that, subject to the approval of the ESOS Committee in its discretion, where the ESOS Participant ceases his employment or appointment with the Group by reason of-

(a) his retirement at or after attaining normal retirement age;

(b) retirement before that age;

(c) ill-health, injury or disability;

(d) redundancy;

(e) transfer to an associate of the Group (which definition shall be that which is adopted by the Malaysian Accounting Standards Board);

(f) divestment of any company from the Group; or

(g) any other reasons which are acceptable to the ESOS Committee,

an ESOS Participant may exercise his unexercised ESOS Options for such period as may be determined by the ESOS Committee within the relevant Option Period. All unexercised or partially exercised ESOS Options of such ESOS Participant shall become null and void after the expiry of Option Period or any other period determined by the ESOS Committee.

18.2 If an ESOS Participant ceases his employment or appointment with the Group by reason of his resignation, his remaining unexercised ESOS Options shall cease with immediate effect and become null and void on the effective date of such cessation. For the avoidance of doubt, the date of acceptance of an ESOS Participant's resignation by the Group, shall be deemed to be the effective date when an ESOS Participant ceases his employment or appointment with the Group.

18.3 An ESOS Option shall immediately become void and be of no further force and effect upon the ESOS Participant being adjudicated a bankrupt.

18.4 In the event where an ESOS Participant dies before the expiration of the Option Period and at the time of his death held unexercised ESOS Options, such ESOS Options shall become void and cease immediately on the date of such death without any claim against the Company PROVIDED ALWAYS that subject to the written approval of the ESOS Committee in its absolute discretion, such unexercised ESOS Options may be exercised by the legal or personal representative(s) of the ESOS Participant after the date of his/her death provided that such exercise shall be no later than twelve (12) months thereafter unless otherwise approved by the ESOS Committee PROVIDED FURTHER that no ESOS Option shall be exercised after the expiry of the Option Period. All ESOS Options remaining unexercised thereafter shall automatically lapse and become null and void.

18.5 Any ESOS Option that has lapsed and become null and void pursuant to this By-Law 18 shall at the discretion of the ESOS Committee be re-allocated to other Eligible Person.

19. LIQUIDATION OF THE COMPANY

In the event of the liquidation or winding-up of the Company, all unexercised or partially exercised ESOS Options shall cease and be null and void and the Selected Person shall have no claim against the Company, that date being:-

a) in the case of voluntary winding-up, the earlier of:-
   i. the date on which a provisional liquidator is appointed by the Company; or
   ii. the date on which the shareholders of the Company passed a resolution to voluntarily wind-up the Company; or

b) in the case of an involuntary winding-up, the date on which a petition for winding-up is served on the Company.

20. DURATION OF THE SCHEME

20.1 The Scheme shall be in force for a period of five (5) years commencing from the Effective Date, which shall be the date of full compliance with all relevant requirements including the following:

(i) submission of the final copy of the By-Laws to Bursa Securities;

(ii) receipt of approval-in-principle for the issuance and listing of the Shares to be issued under the Scheme from Bursa Securities;

(iii) procurement of shareholders' approval for the Scheme in a general meeting;

(iv) receipt of approval of any other relevant authorities, where applicable; and

(v) fulfilment or waiver (as the case may be) of all conditions attached to the above approvals, if any.

20.2 The Adviser of the Company shall submit a letter to Bursa Securities of full compliance the relevant requirements of the Listing Requirements and Rules of Bursa Depository. The said letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

20.3 On or before the expiry of the Scheme, the Duration of the Scheme may be extended for a further period of up to five (5) years, at the absolute discretion of the ESOS Committee, provided that the initial period of the Scheme and such extension of the Scheme made pursuant to this By-Law shall

not in aggregate exceed the duration of ten (10) years from the Effective Date. In the event the Scheme is extended in accordance with this provision, the ESOS Committee shall furnish a written notification to all ESOS Participants and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme.

21. TERMINATION OF THE SCHEME

21.1 The Company may at any time during the Duration of the Scheme terminate the Scheme without obtaining the consent or approval from the Selected Persons or the Company's shareholders and the Company shall immediately announce to Bursa Securities the-

(a) effective date of termination of the Scheme;

(b) number of Shares vested under the Scheme; and

(c) reasons for termination of the Scheme.

21.2 In the event of termination as stipulated in By-Law 21.1 above, the following provisions shall apply:-

(a) no further Offer shall be made by the ESOS Committee from the date of termination;

(b) all Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the date of termination of the Scheme; and

(c) all outstanding ESOS Options which have yet to be exercised by Selected Persons shall be deemed cancelled and be null and void.

22. DISPUTES/DIFFERENCES

In case any dispute or difference shall arise between the ESOS Committee and an Eligible Person and/or Selected Person as to any provisions contained in these By-Laws, the ESOS Committee shall determine such dispute or difference by a decision given to the Eligible Person and/or Selected Person. The said decision shall be final and binding on the parties unless the Eligible Person and/or Selected Person within fourteen (14) Calendar Days of the receipt thereof by a notice to the ESOS Committee, disputes the same in which case such dispute or difference shall be referred to the decision of the Adviser and/or the Auditor (as selected by the ESOS Committee at its absolute discretion) (acting as experts and not as arbitrators) whose decision shall be final and binding in all respects.

23. COSTS AND EXPENSES

23.1 All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment of new Shares pursuant to the exercise of any ESOS Option shall be borne by the Company.

23.2 For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes, including, without limitation, income taxes that are incurred by ESOS Participant or relating to opening and maintenance of his or her own CDS Account, the exercise of any ESOS Options and any holding or dealing of such Zecon Shares (such as, but not limited to brokerage commissions and stamp duty) shall be borne by that ESOS Participant and Zecon shall not be liable for any of such costs, fees, levies, charges and/or taxes.

24. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding the provisions of By-Law 9 and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under the Act or its amalgamation with any other company or companies under the Act or if the Company decides to merge with other company or companies, the ESOS Committee may at its absolute discretion decide whether a Selected Person may be entitled to exercise all or any part of his/her ESOS Options which remains unexercised at such time and subject to such terms and condition as may

be prescribed by the ESOS Committee. Upon the compromise or arrangement becoming effective, all unexercised ESOS Options shall automatically lapse and shall become null and void and of no further force and effect.

25. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute or shall in any way to be construed as a term or condition of employment of a Selected Person. This Scheme shall not confer or be construed to confer on any Selected Person any special rights or privileges over the Selected Persons' terms and conditions of employment or contract of service in the Zecon Group nor any rights in addition to compensation or damages that the Selected Person may be normally entitled to arising from the cessation of such employment or contract of service.

26. COMPENSATION

26.1 Notwithstanding any provisions of these By-Laws,-

(a) this Scheme shall not form part of any contract of employment between any company of the Group and any Employee or Director of the Group and the rights of any ESOS Participant under the terms of his office and employment with the Company or any company of the Group shall not be affected by his participation in the Scheme or afford such ESOS Participant any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

(b) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the ESOS Option themselves) against the Company or any company of the Group or any members of the ESOS Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group; and

(c) an ESOS Participant who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissed, breach of contract or by way of compensation for loss of office.

26.2 No ESOS Participant or his legal or personal representatives shall bring any claim, action or proceedings against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his ESOS Options or his ESOS Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 17.

27. CONSTITUTION OF THE COMPANY

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the provisions of these By-Laws and the Constitution, the provisions of the Constitution shall at all times prevail, except where such provisions of these By-Laws are included pursuant to the Listing Requirements.

28. TAXES

All taxes (including income tax), if any, arising from the the acceptance and/or exercise of any ESOS Option under the Scheme shall be borne by the ESOS Participant, and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

29. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability

without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

30. GOVERNING LAW AND JURISDICTION

30.1 The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The ESOS Participant, by accepting the ESOS Options in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

30.2 Any proceeding or action shall be instituted or taken in Malaysia and the Selected Person and/or ESOS Participant irrevocably and unconditionally waives any objection on the ground of venue or forum non-conveniens or any other grounds.

30.3 In order to facilitate the making of any Offer under this Scheme, the Board may provide for such special terms to the Selected Person who is employed by any corporation in the Group in a particular jurisdiction as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Selected Person pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

30.4 Notwithstanding the above, no action has been or will be taken by the Company to make the Offer or any issue of new Shares pursuant to the Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer or any issue of new Shares pursuant to the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the ESOS Participant with all applicable laws and regulations in such other country or jurisdiction in which the Offer will be made.

30.5 It is the responsibility of any ESOS Participant to whom the Offer is made to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the Offer or exercise their ESOS Option. ESOS Participant who are employed by a company within the Group in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, should consult their legal advisers as to whether the Offer or any issue of new Shares pursuant to the Offer would result in the contravention of any laws of such countries or jurisdictions, and in the event that the Offer or any issue of new Shares pursuant to the Offer would result in the contravention of any laws of such countries or jurisdictions, the ESOS Participant will have no rights or claims whatsoever against the Company in respect of their Offer or any issue of new Shares pursuant to the Offer. By participating in the Scheme, each ESOS Participant has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they will accept the Offer or any issue of new Shares pursuant to the Offer.

30.6 The Company shall not accept any responsibility and liability in the event that any Offer or any issue of new Shares pursuant to the Offer to the ESOS Participant is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in any jurisdictions outside Malaysia.

31. INSPECTION OF THE AUDITED ACCOUNTS

All ESOS Participants are entitled to inspect, during normal office hours from 9.00 a.m. to 5.00 p.m., Mondays to Fridays (except all public holidays declared in Malaysia) or as otherwise specified by the ESOS Committee, the latest audited financial statements of the Company at the registered office of the Company for the time being.

32. NOTICE

32.1 Any notice or letter which under the Scheme is required to be given or served upon a Selected Person or ESOS Participant shall be in writing and be deemed to be sufficiently given or served:-

a) if it is sent by ordinary post by the Company to the Selected Person or the ESOS Participant at the last address known to the Company as being his/her address, such notice or letter shall be deemed to have been received three (3) Market Days after posting;

b) if it is delivered by hand to the Selected Person or the ESOS Participant, such notice or letter shall be deemed to have been received on the date of delivery; or

c) if it is sent by digital means, including but not limited to electronic mail, to the Selected Person, such notice or letter shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected or otherwise upon confirmation or notification received after the sending of the notice or letter, whichever is earlier.

32.2 Any change of address of the Eligible Person shall be communicated in writing to the Company.

32.3 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to matters which may affect all the Selected Persons or the ESOS Participants (as the case may be) pursuant to the ESOS, the Company or the ESOS Committee may give such notice through an announcement to all Selected Persons or the ESOS Participants to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media).

33. SUBSEQUENT SCHEME

Subject to the approval of Bursa Securities, any other relevant regulatory authorities or prevailing guidelines applicable, the Company may establish a new share option scheme after the expiry date of this ESOS if this ESOS is not renewed or upon termination of this ESOS (in accordance with By-law 21). Should this ESOS be renewed (in accordance with By-law 20 s), a new ESOS may be established upon the expiry of the renewed ESOS.

34. ERRORS AND OMISSIONS

If, in consequence of an error or omission, the ESOS Committee discovers or determines that:

(a) an Eligible Person who was selected by the ESOS Committee as a Selected Person, has not been given the opportunity to participate in the Scheme on any occasion;

(b) the number of Zecon Shares comprised in an ESOS Option on any occasion is found to be incorrect; or

(c) the number of the Zecon Shares allotted and issued to any ESOS Participant (including those allotted and issued pursuant to the vesting of the Zecon Shares pursuant to the exercise of ESOS Options) on any occasion is found to be incorrect;

and such error or omission cannot be corrected within the relevant period specified in the Scheme, the ESOS Committee may do all such acts and things to rectify such error or omission and ensure that the ESOS Participant is given the opportunity to participate in the Scheme and/or the aggregate number of Zecon Shares to which the ESOS Participant is correctly entitled to is credited into his CDS Account.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ZECON AS AT 30 JUNE 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

Crowe Malaysia PLT
(LLP0018817-LCA & AF 1018)
Chartered Accountants
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icom Square, Jalan Pending
93450 Kuching, Sarawak
Malaysia
Tel +6 082 266988 / 082 552688
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24 June 2020

The Board of Directors
Zecon Berhad
8th floor Menara Zecon Lot 393
Section 5 KTLD Jalan Satok
93400 Kuching
Sarawak

Dear Sirs

ZECON BERHAD ("ZECON" OR THE "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zecon and its subsidiaries (collectively known as the "Group") prepared by the Board of Directors of the Company ("Board of Directors"). The pro forma financial information consists of the Consolidated Financial Position as at 30 June 2019 together with the accompanying notes thereon, for which we have stamped for the purpose of identification.

The pro forma consolidated financial information has been prepared for inclusion in the circular of Zecon in connection with the following:-

(i) Proposed renounceable rights issue of up to 576,473,700 new irredeemable convertible preference shares in Zecon ("ICPS") on the basis of 4 ICPS for every 1 existing ordinary shares in Zecon ("Zecon share(s)") held on an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of ICPS");

(ii) Proposed amendments to the Constitution of the Company to facilitate the Proposed Rights Issue of ICPS ("Proposed Amendments"); and

(iii) Proposed establishment on an employees' share option scheme of up to 15% of the total number of issued shares of Zecon (excluding treasury shares, if any) at any point in time ("Proposed ESOS").

(Collectively, the Proposed Rights Issue of ICPS, Proposed Amendments and Proposed ESOS are referred to as the "Proposals").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia and described in Note 1 to 4.

Crowe Malaysia PLT (LLP0018817-LCA & AF 1018) was registered on 2 January 2019 and with effect from that date, Crowe Malaysia (AF 1018) which was formerly known as Crowe Horwath (AF 1018), a conventional partnership was converted to a limited liability partnership.

Crowe Malaysia PLT is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.
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The pro forma financial information has been compiled by the Board of Directors, taking into account adjustments made to the Company's capital structure, subsequent to 30 June 2019 and prior to this exercise which were reflected in Note 2. Illustration on the impact of the transactions as set out in Note 3 to 4 of the pro forma financial information, on the financial position as at 30 June 2019, were made as if the Proposals have been in existence throughout the financial year. As part of this process, information about the financial position has been extracted by the Board of Directors from the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2019.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for compiling the pro forma financial information on the basis as described in Note 1 of the pro forma financial information.

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institue of Accountants ("MIA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors on the basis as described in Note 1 of the pro forma financial information.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) *3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

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The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the pro forma consolidated financial information of the Group has been compiled, in all material respects, on the basis of the applicable criteria.

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OTHER MATTER

This letter has been prepared solely for the purpose stated above, in connection with the Proposals. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Kuching

CHONG THIAN POH
01580/02/2021 J
Chartered Accountant

24 June 2020

Appendix 1 - Pro forma consolidated statements of financial position
Appendix 2 - Notes to the pro forma consolidated statements of financial position

Crowe Malaysia PLT is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.
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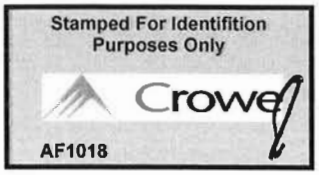
ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

The pro forma consolidated statements of financial position of the Zecon Group as at 30 June 2019 as set out below are provided for illustrative purposes only to show the effects had the Proposals taken place as at 30 June 2019.

Minimum scenario

	NOTE	Audited as at 30 June 2019 RM	Pro forma I RM	Pro forma II RM	Pro forma III RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		7,063,335	7,063,335	7,063,335	7,063,335
Prepaid land lease payment		108,780	108,780	108,780	108,780
Land held for development		8,141,359	8,141,359	8,141,359	8,141,359
Investment properties		593,381,338	593,381,338	593,381,338	593,381,338
Investment in associates		2,573,297	2,573,297	2,573,297	2,573,297
Other investment		109,699	109,699	109,699	109,699
Trade and other receivables		536,504,271	536,504,271	536,504,271	536,504,271
		1,147,882,079	1,147,882,079	1,147,882,079	1,147,882,079
CURRENT ASSETS					
Development costs		1,389,953	1,389,953	1,389,953	1,389,953
Inventories		8,545,825	8,545,825	8,545,825	8,545,825
Trade and other receivables		191,015,445	191,015,445	191,015,445	191,015,445
Cash and bank balances	3.3.1	18,165,124	21,440,543	25,843,936	25,843,936
Deposits with licensed banks		7,261,650	7,261,650	7,261,650	7,261,650
Tax recoverable		92,912	92,912	92,912	92,912
		226,470,909	229,746,328	234,149,721	234,149,721
TOTAL ASSETS		1,374,352,988	1,377,628,407	1,382,031,800	1,382,031,800
EQUITY AND LIABILITIES					
EQUITY					
Share capital	3.3.2	128,971,951	132,247,370	132,247,370	151,729,874
Iredeemable convertible preference share	3.3.3	-	-	19,482,504	-
Non distributable reserve		(249,725)	(249,725)	(249,725)	(249,725)
Retained profits	3.3.4	88,158,892	88,158,892	87,458,892	87,458,892
		216,881,118	220,156,537	238,939,041	238,939,041
Non controlling interest		102,296,654	102,296,654	102,296,654	102,296,654
TOTAL EQUITY		319,177,772	322,453,191	341,235,695	341,235,695



ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Minimum scenario (Cont'd)

	NOTE	Audited as at 30 June 2019 RM	Pro forma I RM	Pro forma II RM	Pro forma III RM
NON-CURRENT LIABILITIES					
Long term borrowings		1,165,945	1,165,945	1,165,945	1,165,945
Deferred tax liabilities		81,029,438	81,029,438	81,029,438	81,029,438
Other payables		43,155,199	43,155,199	43,155,199	43,155,199
		125,350,582	125,350,582	125,350,582	125,350,582
CURRENT LIABILITIES					
Short-term borrowings	3.3.5	613,533,777	613,533,777	609,865,777	609,865,777
Trade payables		276,862,698	276,862,698	276,862,698	276,862,698
Other payables and accruals	3.3.6	39,428,159	39,428,159	28,717,048	28,717,048
		929,824,634	929,824,634	915,445,523	915,445,523
TOTAL LIABILITIES		1,055,175,216	1,055,175,216	1,040,796,105	1,040,796,105
TOTAL EQUITY AND LIABILITIES		1,374,352,988	1,377,628,407	1,382,031,800	1,382,031,800
Number of Zecon shares ('000)		131,017	144,118	144,118	265,884
Net assets per Zecon Share (RM)		1.66	1.53	1.66	0.90
Gearing Ratio (Times)		2.83	2.79	2.56	2.56

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Maximum scenario

	NOTE	Audited as at 30 June 2019 RM	Pro forma I RM	Pro forma II RM	Pro forma III RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		7,063,335	7,063,335	7,063,335	7,063,335
Prepaid land lease payment		108,780	108,780	108,780	108,780
Land held for development		8,141,359	8,141,359	8,141,359	8,141,359
Investment properties		593,381,338	593,381,338	593,381,338	593,381,338
Investment in associates		2,573,297	2,573,297	2,573,297	2,573,297
Other investment		109,699	109,699	109,699	109,699
Trade and other receivables		536,504,271	536,504,271	536,504,271	536,504,271
		1,147,882,079	1,147,882,079	1,147,882,079	1,147,882,079
CURRENT ASSETS					
Development costs		1,389,953	1,389,953	1,389,953	1,389,953
Inventories		8,545,825	8,545,825	8,545,825	8,545,825
Trade and other receivables		191,015,445	191,015,445	191,015,445	191,015,445
Cash and bank balances	4.3.1	18,165,124	21,440,543	50,660,328	96,778,224
Deposits with licensed banks		7,261,650	7,261,650	7,261,650	7,261,650
Tax recoverable		92,912	92,912	92,912	92,912
		226,470,909	229,746,328	258,966,113	305,084,009
TOTAL ASSETS		1,374,352,988	1,377,628,407	1,406,848,192	1,452,966,088
EQUITY AND LIABILITIES					
EQUITY					
Share capital	4.3.2	128,971,951	132,247,370	132,247,370	224,483,162
Iredeemable convertible preference share	4.3.3	-	-	46,117,896	-
Non distributable reserve		(249,725)	(249,725)	(249,725)	(249,725)
Retained profits	4.3.4	88,158,892	88,158,892	87,458,892	87,458,892
		216,881,118	220,156,537	265,574,433	311,692,329
Non controlling interest		102,296,654	102,296,654	102,296,654	102,296,654
TOTAL EQUITY		319,177,772	322,453,191	367,871,087	413,988,983

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Maximum scenario (Cont'd)

	NOTE	Audited as at 30 June 2019 RM	Pro forma I RM	Pro forma II RM	Pro forma III RM
NON-CURRENT LIABILITIES					
Long term borrowings		1,165,945	1,165,945	1,165,945	1,165,945
Deferred tax liabilities		81,029,438	81,029,438	81,029,438	81,029,438
Other payables		43,155,199	43,155,199	43,155,199	43,155,199
		125,350,582	125,350,582	125,350,582	125,350,582
CURRENT LIABILITIES					
Short-term borrowings	4.3.5	613,533,777	613,533,777	608,046,777	608,046,777
Trade payables		276,862,698	276,862,698	276,862,698	276,862,698
Other payables and accruals	4.3.6	39,428,159	39,428,159	28,717,048	28,717,048
		929,824,634	929,824,634	913,626,523	913,626,523
TOTAL LIABILITIES		1,055,175,216	1,055,175,216	1,038,977,105	1,038,977,105
TOTAL EQUITY AND LIABILITIES		1,374,352,988	1,377,628,407	1,406,848,192	1,452,966,088
Number of Zecon shares ('000)		131,017	144,118	144,118	720,592
Net assets per Zecon Share (RM)		1.66	1.53	1.84	0.43
Gearing Ratio (Times)		2.83	2.79	2.29	1.95

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

1. Basis of preparation

The pro forma consolidated statements of financial position have been properly prepared in accordance with the basis stated below using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the Zecon Group as disclosed in its audited financial statements for the financial year ended 30 June 2019.

The consolidated statements of financial position have been prepared solely for illustrative purposes, to show the effects of the major events as described below and in Note 2, 3 and 4 respectively.

2. Pro forma I

Pro forma I incorporated the effects of adjustments for the private placement of 13,101,675 new Zecon shares at RM0.25 per share which was completed on 17 July 2019.

3. Minimum Scenario

The minimum scenario is based on the Proposed Rights Issue of ICPS being undertaken on a minimum subscription Level basis and the ICPS are fully converted into new Zecon share based on the conversion ratio of 2 ICPS for 1 Zecon share.

3.1 Minimum Scenario-Pro forma II

The pro forma II is stated after pro forma I as disclosed in Note 2 above and incorporated the effects of issuance of ICPS up to 243,531,300 at an issue price of RM0.08 per ICPS. Based on the issue price of RM0.08 per ICPS, the gross proceeds are intended to be utilised for partial repayment of bank borrowings of RM3,668,000. The estimated expenses in relation to the Proposed Rights Issue of ICPS of RM700,000 will be debited to retained profits.

3.2 Minimum Scenario-Pro forma III

The pro forma III is stated after pro forma II as disclosed in Note 3.1 above and incorporated the effects of the conversion of all the 243,531,300 ICPS into new Zecon shares based on the conversion ratio of 2 ICPS for 1 ordinary share.

The proceeds from the Proposed Rights Issue of ICPS will be resulted in an increase in share capital of RM19,482,504.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

3. Minimum Scenario

3.3 Effects on the pro forma consolidated statements of financial position (minimum scenario)

3.3.1 Movements in cash and bank balances

	RM'000
Balance as at 30 June 2019	18,165
- Issuance of 13,101,675 ordinary shares through private placement @ RM0.25 per share	3,275
Pro forma I	21,440
Pro forma I and the effects of the following:-	
- Proceeds from the issuance of ICPS	8,772
- Payment of term loan	(3,668)
- Payment of expenses for the ICPS	(700)
Pro forma II & III	25,844

3.3.2 Movements in share capital

	RM'000
Balance as at 30 June 2019	128,972
Effects incorporated to arrive at Pro forma I:-	
- Issuance of 13,101,675 ordinary shares through private placement @ RM0.25 per share	3,275
Pro forma I & II	132,247
Pro forma II and the effect of the following:-	
- Conversion of 243,531,300 ICPS into new ordinary share based on conversion ratio of 2 ICPS for 1 ordinary share	19,483
Pro forma III	151,730

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

3. Minimum Scenario

3.3 Effects on the pro forma consolidated statements of financial position (minimum scenario) (Cont'd)

3.3.3 Movements in irredeemable convertible preference shares

	RM'000
Balance as at 30 June 2019 and proforma I	-
Pro forma I and the effect of the following:-	
- Issuance of 243,531,300 ICPS at an issue price of RM0.08 per ICPS	19,483
Pro forma II	19,483
Pro forma II and the effect of the following:-	
- Conversion of all the 243,531,300 ICPS into new ordinary share based on conversion ratio of 2 ICPS for 1 ordinary share	(19,483)
Pro forma III	-

3.3.4 Movements in retained profits

	RM'000
Balance as at 30 June 2019 and proforma I	88,159
Pro forma I and the effect of the following:-	
- Payment of expenses for the ICPS	(700)
Pro forma II & III	87,459

3.3.5 Movements in short term borrowings

	RM'000
Balance as at 30 June 2019 and proforma I	613,534
Pro forma I and the effect of the following:-	
- Payment of term loan	(3,668)
Pro forma II & III	609,866

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("ZECON GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

3. Minimum Scenario

3.3 Effects on the pro forma consolidated statements of financial position (minimum scenario) (Cont'd)

3.3.6 Movements in other payables and accruals

	RM'000
Balance as at 30 June 2019 and proforma I	39,428
Pro forma I and the effect of the following:-	
- Contra of amount due to a director	(10,711)
Pro forma II & III	28,717

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

4. Maximum Scenario

The maximum scenario is based on the Proposed Rights Issue of ICPS being undertaken on a Maximum Subscription Level basis at an issue price of RM0.08 per ICPS for which all the right shares to be issued pursuant to the Proposed Rights Issue of ICPS are being subscribed for by the entitled shareholders and/or their renouncee(s) and the ICPS are fully converted into new Zecon shares based on the conversion ratio of a combination of 1 ICPS and RM0.08 in cash for 1 Zecon share.

4.1 Maximum Scenario-Pro forma II

The pro forma II is stated after pro forma I as disclosed in Note 2 and incorporated the effect of issuance of ICPS up to 576,473,700 at an issue price of RM0.08 per ICPS. Based on the issue price of RM0.08 per ICPS, the gross proceeds are intended to be partially utilised for partial repayment of bank borrowings of RM5,487,000. The estimated expenses in relation to the Proposed Rights Issue of ICPS of RM700,000 will be debited to retained profits.

4.2 Maximum Scenario-Pro forma III

The pro forma III is stated after pro forma II as disclosed in Note 4.1 above and incorporated the effects of conversion of all the 576,473,700 ICPS into new Zecon Shares based on the conversion ratio of 1 ICPS and RM0.08 in cash for 1 Zecon share.

The proceeds from the Proposed Rights Issue of ICPS will be resulted in an increase in share capital of RM92,235,792.

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

4. Maximum Scenario

4.3 Effects on the pro forma consolidated statements of financial position (maximum scenario)

4.3.1 Movements in cash and bank balances

	RM'000
Balance as at 30 June 2019	18,165
- Issuance of 13,101,675 ordinary shares through private placement @ RM0.25 per share	3,275
Pro forma I	21,440
Pro forma I and the effects of the following:-	
- Proceeds from issuance of ICPS	35,407
- Payment of term loan	(5,487)
- Payment of expenses for issuance of ICPS	(700)
Pro forma II	50,660
Pro forma II and effects of the following:-	
- Proceeds from conversion of ICPS	46,118
Pro forma III	96,778

4.3.2 Movements in share capital

	RM'000
Balance as at 30 June 2019	128,972
Effects incorporated to arrive at Pro forma I:-	
- Issuance of 13,101,675 ordinary shares through private placement @ RM0.25 per share	3,275
Pro forma I & II	132,247
Pro forma II and the effect of the following:-	
- Conversion of all the 576,473,700 ICPS into new ordinary share base on conversion ratio of 1 ICPS and RM0.08 in cash for 1 Zecon share	92,236
Pro forma III	224,483

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

4. Maximum Scenario

4.3 Effects on the pro forma consolidated statements of financial position (maximum scenario) (Cont'd)

4.3.3 Movements in irredeemable convertible preference shares

	RM'000
Balance as at 30 June 2019 and pro forma I	-
Pro forma I and the effect of the following:-	
- Issuance of 576,473,700 ICPS at an issue price of RM0.08 per ICPS	46,118
Pro forma II	46,118
Pro forma II and the effect of the following:-	
- Conversion of all the 576,473,700 ICPS into new ordinary share	(46,118)
Pro forma III	-

4.3.4 Movements in retained profits

	RM'000
Balance as at 30 June 2019 and pro forma I	88,159
- Payment of expenses for the ICPS	(700)
Pro forma II & III	87,459

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ZECON BERHAD ("ZECON" OR "THE COMPANY")
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Notes to the pro forma consolidated statements of financial position

4. Maximum Scenario

4.3 Effects on the pro forma consolidated statements of financial position (maximum scenario) (Cont'd)

4.3.5 Movements in short term borrowings

	RM'000
Balance as at 30 June 2019 and pro forma I	613,534
Pro forma I and the effect of the following:-	
- Payment of term loan	(5,487)
Pro forma II & III	608,047

4.3.6 Movements in other payables and accruals

	RM'000
Balance as at 30 June 2019 and pro forma I	39,428
Pro forma I and the effect of the following:-	
- Contra of amount due to a director	(10,711)
Pro forma II & III	28,717

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Crowe Malaysia PLT, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Zecon for the Proposals.

Crowe Malaysia PLT has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Reporting Accountants to Zecon for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ABRITRATION

As at the LPD and save and except as set out below, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group:-

i. Arbitration between Posco Engineering Co. Limited and Zecon Engineering & Construction Sdn Bhd as respondents;

Name of Parties	Claimant: Posco Engineering Co. Ltd Respondent: Zecon Engineering & Construction Sdn Bhd.
Background	According to its notice of arbitration dated 24 November 2016, Posco Engineering Co. Ltd's claim is on account of unpaid interim certificates, losses and expenses incurred as a result of delay and repudiation of contract for the construction of Hospital Petrajaya, a project located in Kuching ("**HP Project"**). At the hearing, the Claimant applied for change of name from Posco Engineering Co. Ltd to Posco Engineering & Construction Co. Ltd following a merger between two companies in Korea according to the Korean Laws in 2016. Posco Enginerring Co. Ltd. had then assigned all its rights and obligations under the contract for the HP Project to Posco Engineering & Construction Co. Ltd.

	The Respondent objected to the application as it was a violation of the non-assignment obligation under the contract and no consent was sought or given in relation of the same.
Date of Suit/Arbitration	1 November 2017
Estimate maximum exposure to liabilities	RM4,042,364.71
Solicitors'/Directors' opinion of outcome	The Directors opine that the outcome is uncertain as the arbitration is in its early stage. However, the Director is confident that the change of name application will not be allowed since the Claimant did not seek for the Respondent's consent for the change of name from Posco Engineering Co. Ltd to Posco Engineering & Construction Co. Ltd as contractor for the HP Project.
Status	To date, no statement of claim has been filed by the Claimant pending their application for change of name. The Respondent's solicitors opined that there could be a potential counterclaim by the Respondent if the change of name is allowed. The sole arbitrator has withdrawn from his office as arbitrator by his letter dated 11 October 2018. The Claimant and the Respondent have nominated respective candidates for substitute arbitrator by letter dated 30 October 2018 and 12 November 2018 respectively. To date, no substitute arbitrator has been appointed. As per the Repondent's solicitors, the Claimant's solicitors are still deciding whether to proceed with the arbitration.

ii. Arbitration between PT Wijaya Karya (Persero) Tbk, Wijaya Karya Persero Sdn Bhd as claimants vs Zecon and Zecon Construction (Sarawak) Sdn Bhd as respondents;

Name of Parties	1st Claimant : PT Wijaya Karya (Persero) Tbk 2nd Claimant : Wijaya Karya Persero Sdn Bhd 1st Respondent : Zecon 2nd Respondent : Zecon Construction (Sarawak) Sdn Bhd (The 1st and 2nd Claimants are collectively referred to as the "**Claimants**", the 1st and 2nd Respondents are collectively referred to as the "**Respondents**").
Background	The Claimants were engaged by the Respondents to, amongst others, provide project management services, manpower supply and the construction of the Development of Mydin – Retail Mall (Hyper Mall) ("**HM Project**"). There was delay in the completion of the HM Project. The Claimants are claiming for a sum of RM6,731,753.61 being the alleged outstanding construction fees for the HM Project. The notice of arbitration was dated 20 June 2018, the Claimants' statement of claim was dated 8 July 2019. The hearing of the arbitration commenced on 10 February 2020. The hearing then continued on 11 February 2020 until 13 February 2020, 24 February 2020 until 27 February 2020, and 16 March 2020 respectively. The Respondents had put forward two counterclaims in the total amount of RM6,122,041.37, namely :- a) Compensation for loss or damage (being the liquidated ascertained damages imposed on the Respondents) caused by the Claimants' breach of contract in the sum of RM2.391,130.00; and

b) Costs incurred by the Respondents to engage subcontractors to expedite the progress on the Claimants' architectural works and to complete architectural works in the sum of RM3,730,911.37.

Date of Suit/Arbitration	20 June 2018
Estimate maximum exposure to liabilities	RM6,731,753.61
Solicitors'/Directors' opinion of outcome	The Respondents' solicitors opined that at this junture, it is difficult to predict the ultimate financial outcome for the case. In relation to the merits of the case, the evidence that surfaced in the arbitration would show that both the Claimants and the Respondents had contributed to the delay of completion of the HM Project. As such, the liability and quantum of the same are unable to be predicted at the moment.
Status	The Claimants had closed their case and the Claimants' counsel had just completed cross-examination on the Respondents' 2nd witness. The continuation of the arbitration hearing is tentatively fixed on 15 April 2020 until 17 April 2020. In addition, the parties have also blocked 6 June 2020 to 9 June 2020 for the continuation of the arbitration hearing, if necessary. However, as the arbitrator is based in Kuala Lumpur, the tentative dates in April 2020 might be adjourned depending on the government's measures in coping with COVID-19 pandemic. As at the LPD, it is tentatively agreed between the parties that the continuation of the arbitration hearing will be conducted by way of online hearing. After the online hearing on 5 June 2020, the hearing will continue on 23 June 2020 and 2 July 2020.

iii. Kuching High Court Suits between:-

(a) Affin Hwang Investment Bank Bhd & 2 Others as plaintiffs vs. Zecon as defendant;

Name of Parties	1st Plantiff: Affin Hwang Investment Bank Berhad 2nd Plaintiff: Bank Pembangunan Malaysia Berhad 3rd Plaintiff: Affin Bank Berhad Defendant: Zecon (The 1st, 2nd and 3rd Plaintiff are collectively referred to as the "**Plaintiffs**").
Background	The Plaintiffs' claim against Zecon. in this action is for outstanding sums allegedly due and owing under a syndicated facilities of RM165.0 million. The amounts claimed by the Plaintiffs are as follows: a) in respect of the debt due to the 2nd Plaintiff under the revolving credit facility, the sum of RM69,798,106.36 being the outstanding principal sum as at 15 October 2018 with interest thereon at the rate of 2.5% per annum above the 2nd Plaintiff's cost of funds, compounded monthly from 16 October 2018 until the date of final settlement thereof; b) in respect of the debt due to the 3rd Plaintiff under the revolving credit facility, the sum of RM14,079,797.06 being the outstanding principal sum as at 15 October 2018 with interest thereon at the rate of 3.5% per annum above the 3rd Plaintiff's cost of funds, compounded monthly from 16 October 2018 until the date of final settlement thereof;

c) cash cover in the sum of RM18,455,911.45 as at 7 September 2018 for the amount guaranteed by the 1st Plaintiff under the bank guarantee dated 10 December 2013;

d) should the said bank guarantee be called upon and payment be made by the 1st Plaintiff, interest on the sum paid shall accrue at the rate of 1.5% per annum above the 1st Plaintiff's Cost of Funds, compounded monthly to date of full payment;

e) in respect of the bank guarantee commission due to the 1st Plaintiff, the further sum of RM371,250.00 per annum payable from 10 December 2018 and on each due date annually thereafter until the maturity period of the bank guarantee; and

f) in respect of the agency fees due to the 1st Plaintiff, the further sum of RM80,000.00 per annum payable from 15 December 2018 and on each anniversary date thereafter until the date of full settlement of all sums due to the Plaintiffs with interest thereon at the rate of 5% per annum from 16 December 2018 to date of full settlement.

Date of Suit/Arbitration	29 October 2018
Estimate maximum exposure to liabilities	RM103,333,814.87 as at 16 October 2018 and RM451,250.00 per annum from 2018 plus interests on the aforesaid amounts and costs on a solicitor and client basis.
Solicitors'/Directors' opinion of outcome	Zecon's solicitiors are of the view that Zecon has a triable defence and counterclaim against the Plaintiffs and that the action ought to be set down for trial. However, the Honourable Court has the discretionary power to grant summary judgment (a judgement without going for a trial) and/or to strike out a pleading (therefore striking out the case). The probable outcome of this suit is uncertain at this stage.
Status	The Plaintiffs have filed an application for summary judgment as well as an application to strike out Zecon's defence and counterclaim. Parties have made submissions on the said applications. The matter is pending decision by the Honourable Court. No ruling date has been fixed. Zecon has counterclaimed against the Plaintiffs for breach of the syndicated facilities agreement (by failing to release the letters of credit facility) and for rescission of the Supplemental Syndicated Facilities Agreement dated 28 December 2016 and 2 other documents on the ground that they have been procured by way of misrepresentation and/or undue influence on the part of the Plaintiffs.

(b) Affin Hwang Investment Bank Bhd as plaintiff vs. Huang Hong Sdn Bhd *(formerly known as Zecon Capital Ventures Sdn Bhd)* ("**HHSB**") as defendant;

Name of Parties	Plaintiff: Affin Hwang Investment Bank Berhad Defendant: HHSB
Background	The Plaintiff applied for an order for sale (foreclosure) of HHSB's land (Lot 14 Block 16 Salak Land District) which was charged to the Plaintiff vide Memorandum of Charge Instrument No. L.580/2017 to satisfy outstanding advances given by the Syndicated Lenders to Zecon.

Date of Suit/Arbitration	13 November 2018
Estimate maximum exposure to liabilities	RM108,577,725.48 as at 11 September 2019 plus interest, cost and expenses incidental to the sale of the land and cost of the originating summons proceedings on a solicitor and client basis.
Solicitors'/Directors' opinion of outcome	HHSB's solicitors are of the view that unless the order for sale is stayed by the Court of Appeal (see item (v) below), the hearing of the notice of application for directions in respect of the public tender will proceed on 25 June 2020 for hearing.
Status	The Honourable High Court has granted the order for sale of the charged land by public tender on 11 September 2019. On 13 September 2019, HHSB filed an appeal to the Court of Appeal against the whole of the decision of the High Court (as seen in the case under subitem (v) below). Further, HHSB has also filed an application for stay of execution of the said order for sale and stay of the Originating Summons proceedings pending the disposal of the said appeal. On 14 April 2020, the High Court dismissed HHSB's application for stay with cost to the Plaintiff by way of e-review. In the meantime, the Plaintiff has filed a notice of application to appoint a real estate agent to conduct the public tender of HHSB's land, to fix the reserve price for the land at RM187,475,000.00 and for other directions. The said notice of application is fixed for hearing on 24 June 2020.

(c) Antah Schindler Sdn Bhd as claimant vs Zecon as respondent;

Name of Parties	Claimant: Antah Schindler Sdn Bhd Respondent: Zecon
Background	Antah Schindler Sdn Bhd was awarded by Zecon Engineering & Construction Sdn Bhd ("**ZEC**") with the execution and completion of Lift System in respect of the construction of Petrajaya Hospital vide a letter of acceptance dated 29 January 2015 ("**the said construction work**"). The Respondent issued a notice of change of company dated 7 January 2016 to the Claimant. The Claimant was informed that the Respondent will take over the contract from ZEC with immediate effect. The Claimant claimed that the Respondent owed them a sum of RM2,403,656 (inclusive of tax) being the alleged outstanding construction amount for the said construction work ("**alleged outstanding construction amount**"). The Claimant initiated action against the Respondent via Construction Industry Payement Adjudication and Adjudication Act 2012 ("**CIPAA**"). The Respondent was represented by MAC Construction Consultant Sdn Bhd in the CIPAA proceedings. The Claimant succeeded in the CIPAA proceedings and the adjudicator awarded the Claimant the alleged oustanding construction amount, with interest of 5% on the alleged oustanding construction amount from 27 July 2018 until full payment, a sum of RM689 being costs of appointment and registration of adjudication and another sum of RM40,112 being the adjudicator's fees.

Date of Suit/Arbitration	22 April 2020
Estimate maximum exposure to liabilities	The said Adjudicator had awarded the following to the Respondent:- a) A sum of RM2,267,600.00 as at 27 July 2018; b) A sum of RM136,056.00 being the 6% Goods and Services Tax ("**GST**") on the sum of RM2,267,600.00; c) Interest at 5% per annum on the sum of RM2,403,656.00 (including 6% GST) to be paid from 27 July 2018 until date of full payment; d) The cost of appointment of Adjudicator of RM424 and registration of the Adjudication of RM265 for the sum of RM689; e) The sum of RM40,000.00 being the legal fees of the Claimant pursuant to section18(1) of CIPAA 2012; f) The Asian International Arbitration Centre ("**AIAC**") Administrative Fee of RM6,841.30 inclusive of 6% Sales and Services Tax, RM32,270.25 being the Adjudicator's fees and RM1,000 being the disbursement fees for a total sum of RM40,112.00 being the amount paid by the Claimant including the portion paid on behalf of the Respondent's share for deposit with AIAC; g) Interest of 5.00% per annum on the amount in paragraph 44(d) for the sum of RM689.00 from 9 October 2019 until date of full payment; and h) Interest of 5.00% per annum on the amount in paragraph 44(f) for the sum of RM40,112.00 from 9 October 2019 until date of full payment. As such, the worst case scenario would be that the High Court affirm the above award against the Respondent.
Solicitors'/Directors' opinion of outcome	The Respondent's solicitors opined that at this juncture, it is premature to determine the ultimate outcome for the case until a decision is delivered by the High Court.
Status	On 28 February 2020, the Claimant filed an Originating Summons for enforcement of the adjudicators' decision. The case was registered under as KCH-24NCvC-6/2-2020 (HC 2) ("**the said OS for enforcement**"). The respondent has decided to defend the said OS for enforcement and to file an Originating Summons to set aside the Adjudication Decision. The parties are currently at the stage of exchanging affidavits, the first hearing is fixed on 22 April 2020. The Respondent had filed an Affidavit in Opposition dated 20 May 2020. The Claimant will be filing Affidavit in Reply within 14 days from 21 May 2020. The court had postponed the Hearing to 12 June 2020 to monitor the status on exchanges of affidavits.

On 18 May 2020, Zecon counter-sued and filed an Originating Summons to set aside and stay (halt) the adjudication decision. The case was registered under as KCH-24C-6/5-2020 (HC 3). Antah Schindler as respondent will be filing its Affidavit in Opposition within 14 days from 28 May 2020. The first Hearing is fixed on 22 June 2020.

On 22 June 2020, the parties had informed the High Court that Antah Schindler as respondent has filed its Affidavit in Opposition dated 3 June 2020 and Zecon will be filing its Affidavit in Reply by 25 June 2020.

Antah Schindler will be filing Affidavit in Opposition by 14 July 2020. The next hearing is fixed on 21 July 2020 at High Court 3.

(d) HHSB as plaintiff vs Affin Hwang Investment Bank Berhad and 2 Others as defendants;

Name of Parties	Plaintiff: HHSB 1st Defendant: Affin Hwang Investment Bank Berhad 2nd Defendant: Bank Pembangunan Malaysia Berhad 3rd Defendant: Affin Bank Berhad
Background	HHSB filed this action against the Defendants for inter alia:- a) Recission of the Memorandum of Charge Instrument No. L.580/2017 over its land, Lot 14 Block 16 Salak Land District, and/or a declaration that the same is unenforceable on the ground that the it has been procured by way of misrepresentation and/or undue influence on the part of the Defendants; b) An order that the 1st Defendant do execute a Memorandum of Discharge to discharge the aforesaid charge and to return the original issue document of title free from all encumbrances; c) Damages; d) Interests; and e) Costs.
Date of Suit/Arbitration	29 October 2019
Estimate maximum exposure to liabilities	Cost
Solicitors'/Directors' opinion of outcome	HHSB's solicitors are of the view that the Suit is still at the preliminary stage. Hence, the probable outcome of the Suit and interlocutory applications are still unclear at this stage.
Status	The Defendants have filed an application to strike out HHSB's writ and statement of claim. HHSB has also filed an application for, inter alia, an order that this Kuching High Court Suit No. KCH-22NCC-13/10-2019 be consolidated with Kuching High Court Suit No. KCH-22NCC-8/10-2018 (as seen in the case under subitem (iii)(b) above) and thereafter be proceeded as one action.

Both applications are still at the preliminary stage of the proceedings. Both parties have yet to file their respective affidavit in opposition due to the said MCO. By mutual consent of both parties, the due date for filing and service of the affidavit in opposition has been extended to 1 week after the end of the MCO period.

The Defendants did not file for any counterclaim against HHSB.

iv. Kuala Lumpur High Court Suits between EKL Metal Sdn Bhd as plaintiff vs Zecon as defendant;

Name of Parties	Plaintiff: EKL Metal Sdn Bhd Defendant: Zecon Berhad
Background	The Plaintiff has filed a Writ of Summons on 19 November 2019 against the Defendant in relation to a dispute of rental charges. In total, the Plaintiff had issued invoices totaling RM1,844,702.10 to the Defendant. However, the Defendant only paid the plaintiff a sum of RM969,881.70 and to this day the sum of RM874,820.40 ("**Deferred Amount"**) remains due and owed from the Defendant to the Plaintiff in respect of the rental charges.
Date of Suit/Arbitration	19 November 2019
Estimate maximum exposure to liabilities	RM874,820.40
Solicitors'/Directors' opinion of outcome	The Director opines that the outcome is uncertain at this early stage. The Plaintiff is also the Defendant's sub-contractor for rectification works during the defects liability period of the same project. According to the employer of the Defendant works executed by the Plaintiff is not satisfactorily carried out. Hence, even if the Plaintiff suceeds in its claim against the Defendant, the Defendant has a counterclaim against the Plaintiff for RM843,892.45 being backcharges by the employer of the Defendant for defective works carried out by the Plaintiff for the rectification works.
Status	The court fixed a mention on 5 February 2020. On 5 February 2020, the court fixed 19 February 2020 to hear the Plaintiff's summary judgment application and to strike out the Defendant's counter claim. For the Defendant's strike-out application, the court instructed parties to file submission by 24 February 2020 and submission in reply by 2 March 2020. The court will deliver its decisions on the summary judgment and striking out applications on 7 July 2020.

v. Kuching Court of Appeal suit between HHSB as appelant vs Affin Hwang Investment Bank Berhad as respondent;

Name of Parties	Appellant: HHSB Respondent: Affin Hwang Investment Bank Berhad
Background	HHSB is appealing against the whole of the decision of the High Court in granting an order for sale of its charged land.
Date of Suit/Arbitration	13 September 2019

Estimate maximum exposure to liabilities	RM108,577,725.48 as at 11 September 2019 plus interest, cost and expenses incidental to the sale of the land, and cost of the originating summons proceedings and cost of appeal on a solicitor and client basis.
Solicitors'/Directors' opinion of outcome	HHSB's solicitors are of the view that the appeal is still at the preliminary stage and the probable outcome of the appeal is unknown at this stage. HHSB's solicitors are of the view that whether the Court of Appeal will stay (halt) the High Court's order for sale is an exercise of its discretion. The probable outcome of the notice of motion is uncertain at this stage.
Status	The date of appeal was on 13 September 2019. The Court of Appeal has fixed the appeal for case management on 22 April 2020. However, the same has been adjourned due to MCO. No new case management date has been fixed to date. The Respondent has not filed any counter-appeal. On 27 May 2020, HHSB has filed at the Court of Appeal a notice of motion for stay of execution of the said order for sale and stay of the Originating Summons proceedings. The said notice of motion has been fixed for hearing before the Court of Appeal on 24 June 2020.

vi. Arbitration between Zecon as claimant and Jabatan Kerja Raya ("**JKR**")/ Government of Malaysia;

Name of Parties	Claimant: Zecon Respondent: JKR / Government of Malaysia
Background	Following the letter of termination by JKR dated 2 August 2018 of the Hospital Petrajaya Project, Zecon had on 10 August 2018 obtained an injunction against the Government of Malaysia ("**GOM**") to restrain JKR from liquidating the Bank Guarantee ("**BG**") for Performance Bond amounting to RM24,750,000.00. In relation to the application by the GOM to challenge the injunction against JKR liquidating the performance bond, the Kuala Lumpur High Court at a hearing on 14 November 2018, has directed parties to explore a possible settlement. The Court has adjourned the hearing to 4 December 2018 to enable the parties to seek settlement. The Company's solicitors has written to the Attorney General Chambers (AGC) to request JKR to settle and set a date to meet up and discuss with a view to settle. JKR refused to respond to the same. In the meantime, the Company has on 21 August 2018 served on the GOM the Notice of Arbitration claiming an amount of RM155,990,920.51. On 23 October 2018, the Company submitted all documentation accompanying the Commencement Request and the arbitration was commenced. By a letter dated 30 October 2018, the AIAC appointed Mr Vinayak P Pradhan of Messrs Skrine & Co as sole arbitrator. Meanwhile, during the case management on 19 December 2018, the Court instructed that since the matter has been brought to arbitration for settlement, our initial application for interim injunction will have to be transferred to another application to obtain injunction while the main dispute is disposed off in the arbitration proceedings.

	In compliance with the said order, the Company's solicitors have filed an Originating Summons ("**OS**") for the interim injunction. On 17 January 2019, during the case management for this interim injunction application, the Court granted an ad-interim injunction to restrain JKR from calling on the BG pending the disposal of the OS for the interim injunction application. The case management has been set on 14 March 2019 and the Court ordered the Company to pay cost amounting to RM5,000.00 before the hearing of the OS on 14 March 2019. The Court granted the interim injunction sought on 14 March 2019. The AG's Chambers ("**AGC**") did not file an appeal on this matter even after date for appeal expired. In relation to the arbitration, since Mr Vinayak, the agreed arbitrator has been appointed the new Director of AIAC, following the resignation of Datuk Dr Sundra Rajoo, the AGC has objected to Mr Vinayak continuing as arbitrator for this case as informed by our solicitor on 29 April 2019. Following the AGC's objection, Mr Vinayak has withdrawn himself from acting as arbitrator.The Claimant's solicitor has on 13 May 2019, wrote to the Director of AIAC to appoint an arbitrator to replace Mr Vinayak. On 14 June 2019, AIAC has appointed Madam Chu Ai Li as arbitrator in place of Mr Vinayak. Madam Arbitrator has given a schedule to the parties to submit statement of claim (scheduled on 26 August 2019) and thereafter statement of defence by JKR/AGC. Parties are to name and prepare expert witnesses. There is scheduled an inspection of site by the arbitrator. Hearing is scheduled on 15 June 2020. On 3 September 2019, the Company had, via its solicitors, filed the Statement of Claim amounting to RM207,217,199.93. AGC filed its Statement of Defense on 24 October 2019. The Company's solicitors filed it's Reply to the Defence on 9 December 2019. The parties are preparing documents for the case and have appointed expert witnesses.
Date of Suit/Arbitration	23 October 2018
Estimate maximum exposure to liabilities	Counterclaim, if any.
Solicitors'/Directors' opinion of outcome	The Claimant's solicitors opined that the termination was wrongful in the first place. The methodology employed by JKR to measure progress and hence withholding progress payments were not in accordance with the contract. This affects funding of the contract and choked the Claimant financially.
Status	Madam Arbitrator has spoken to our solicitors as well as representatives of the AGC and followed with written letter dated 6 January 2020 on proposed joint site visit and points for discussion. Parties are to submit Joint Site Visit: List of items of Work to be inspected and a letter to Arbitrator confirming points agreed by parties for the joint site visit on or before 20 January 2020. Parties have yet to revert to the Arbitrator. JKR will have to be consulted and involved since JKR has possession of the site. According to solicitors for the Company, the hearing date scheduled on 15 June 2020 has been vacated due to the MCO and the Arbitrator has yet to fix any new date.

5. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	RM'000
Corporate guarantees for credit facilities granted to subsidiaries	630,307
	630,307

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at at our registered office at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak, during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

i. Constitution;

ii. Letters of Undertakings from the Undertaking Shareholders dated 28 February 2020;

iii. audited consolidated financial statements of Zecon for the past 2 financial years up to the FYE 2019 and the latest unaudited consolidated financial statement for the 6-month FPE 31 December 2019;

iv. the draft By-Laws as set out in **Appendix III** of this Circular;

v. the pro forma consolidated statements of financial position of our Group as at the FYE 2019 together with the reporting accountants' letter, as set out in **Appendix IV** of this Circular;

vi. letters of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above respectively; and

vii. the relevant cause papers in respect of the material litigations referred to in **Section 4** above.

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ZECON

ZECON BERHAD
Registration No. 198501002015 (134463-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Zecon Berhad ("**Zecon**" or the "**Company**") will be held at Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Friday, 17 July 2020 at 9.30 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 576,473,700 NEW IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES IN ZECON ("ICPS") ON THE BASIS OF 4 ICPS FOR EVERY 1 EXISTING ORDINARY SHARE IN ZECON ("ZECON SHARE(S)" OR "SHARE(S)") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") AT AN ISSUE PRICE OF RM0.08 PER ICPS ("PROPOSED RIGHTS ISSUE OF ICPS")

"**THAT** subject to the passing of Special Resolution and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Board of Directors of Zecon ("**Board**") to:-

i. provisionally issue and allot by way of a renounceable rights issue of up to 576,473,700 ICPS to the entitled shareholders on the Entitlement Date, on the basis of 4 ICPS for every 1 existing Zecon Share held on the Entitlement Date; and

ii. issue and allot such number of new Zecon Shares to the holders of the ICPS upon their conversion of the relevant ICPS to subscribe for new Zecon Shares during the tenure of the ICPS.

THAT any ICPS which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) shall be made available for excess applications in a fair and equitable manner and to such persons as the Board shall determine at its absolute discretion;

THAT the ICPS to be issued pursuant to the Proposed Rights Issue of ICPS and the new Zecon Shares to be issued arising from the conversion of ICPS shall be listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**");

THAT the proceeds of the Proposed Rights Issue of ICPS be utilised for the purposes as set out in **Section 2.7** of the Circular to Shareholders of the Company dated 24 June 2020 ("**Circular**"), including to set-off the advances of RM10,711,111 owing by Zecon to Datuk Haji Zainal Abidin bin Haji Ahmad ("**Datuk Haji Zainal**") via the capitalisation of such amount through the ICPS entitlements of the undertaking shareholders, namely Datuk Haji Zainal and Dawla Capital Sdn Bhd, pursuant to their respective undertakings to collectively subscribe for a minimum of 243,531,300 ICPS pursuant to the Proposed Rights Issue of ICPS, and that the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject to the approval of the relevant authorities (if required);

THAT the new Zecon Shares to be issued pursuant to the conversion of the ICPS shall, upon allotment, issuance and full payment (if any) of the ICPS conversion price of RM0.08 for 1 new Zecon Share, rank equally in all respects with the then existing issued Zecon Shares, save and except that the holders of such new Zecon Shares shall not be entitled to any dividends, rights, allotments and/or other distributions for which the entitlement date precedes the date of allotment of such new Zecon Shares to be issued pursuant to the conversion of the ICPS;

THAT the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Rights Issue of ICPS with full powers to assent to any conditions, variations, modifications and/or amendments to the terms of the Proposed Rights Issue of ICPS as may be required or imposed by any relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Rights Issue of ICPS and any material variations, modifications and/or amendments to the Proposed Rights Issue of ICPS will be subject to compliance with Paragraph 8.22 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**");

AND THAT this ordinary resolution constitutes specific approval for the issuance of Shares and securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all ICPS and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue of ICPS have been allotted and issued in accordance with the terms of the Proposed Rights Issue of ICPS."

ORDINARY RESOLUTION 2

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF ZECON AT ANY POINT IN TIME ("PROPOSED ESOS")

"**THAT** subject to the approvals of all relevant regulatory authorities and/ or parties being obtained, including the approval of Bursa Securities for the listing and quotation for the new Zecon Shares to be issued arising from the exercise of the options granted under the Proposed ESOS ("**ESOS Option(s)**"), approval be and is hereby given for the Board:-

(a) establish, implement and administer the Proposed ESOS in accordance with the bylaws of the Proposed ESOS ("**By-laws**"), a draft of which is set out in **Appendix III** of the Circular, to approve and adopt the By-laws and to give effect to the Proposed ESOS with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by the relevant authorities;

(b) make the necessary applications and do all things necessary at the appropriate time or times to Bursa Securities for the listing and quotation for the new Zecon Shares which may from time to time be allotted and issued arising from the exercise of the ESOS Options;

(c) allot and issue such number of new Zecon Shares from time to time as may be required arising from the exercise of the ESOS Options, **PROVIDED THAT** the total number of new Zecon Shares which may be made available under the Proposed ESOS shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed ESOS **AND THAT** the new Zecon Shares to be allotted and issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Zecon Shares, except that the new Zecon Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distribution ("**Distribution**") that may be declared, made or paid to shareholders, for which the entitlement date for the Distribution precedes the date of allotment and issuance of the said new Zecon Shares. The new Zecon Shares will be subject to all provisions of the Constitution of Zecon relating to transfer, transmission or otherwise;

(d) modify and/ or amend the Proposed ESOS and/ or the By-laws from time to time provided that such modifications and/ or amendments are permitted and effected in accordance with the provisions of the By-laws relating to modifications and/ or amendments; and

(e) do all such acts and things, take such steps, execute all such documents and enter into all such arrangements, agreements, deeds and/ or undertakings with any party(ies) as they may deem fit, necessary, expedient and/ or appropriate in order to finalise, implement and/ or give full effect to the Proposed ESOS and terms of the By-laws with full power to assent to any terms, conditions, modifications, variations and/ or amendments as may be agreed to or required by any relevant authorities or as a consequence of any such requirement as may be deemed necessary and/ or expedient and in the best interest of the Company."

ORDINARY RESOLUTIONS 3 TO 13

PROPOSED ALLOCATION OF ESOS OPTIONS

"THAT, subject to the passing of the Ordinary Resolution 2 and the approvals of the relevant authorities for the Proposed ESOS, including the approval from Bursa Securities for the listing the new Zecon Shares to be issued arising from the exercise of the ESOS Options, having been obtained, approval be and is hereby given to the Board to authorise the ESOS Committee, at any time and from time to time throughout the duration of the Proposed ESOS, to offer and grant to the following persons, ESOS Options to subscribe for new Zecon Shares under the Proposed ESOS:-

Ordinary Resolution	Name
Ordinary Resolution 3	Datu Haji Hamzah bin Haji Drahman (Independent Non-Executive Chairman)
Ordinary Resolution 4	Datuk Haji Zainal Abidin bin Haji Ahmad (Group Managing Director)
Ordinary Resolution 5	Haji Zainurin bin Haji Ahmad (Deputy Managing Director)
Ordinary Resolution 6	Dato' Abdul Majit bin Ahmad Khan (Senior Independent Non-Executive Director)
Ordinary Resolution 7	Richard Kiew Jiat Fong (Independent Non-Executive Director)
Ordinary Resolution 8	Datuk Haji Bolhassan bin Di @ Ahmad bin Di (Independent Non-Executive Director)
Ordinary Resolution 9	Hui Kok Yuan (Non Independent Non-Executive Director)
Ordinary Resolution 10	Haji Sazali bin Md Salleh (Non Independent Non-Executive Director)
Ordinary Resolution 11	Haji Jamil bin Jamaludin (Executive Director)
Ordinary Resolution 12	Muhammad Nasri bin Zainal Abidin (Facilities Management Executive)
Ordinary Resolution 13	Dayangku Balqis Sharbanu binti Awangku Abdul Malit @ Awangku Malyx (Human Resource Manager)

PROVIDED ALWAYS THAT:-

(a) he/ she must not participate in the deliberation or discussion of his/ her own allocation;

(b) the allocation to him/ her, who either singly or collectively, through persons connected (as defined under the Listing Requirements) to him/ her, holds 20% or more of the total number of issued shares (excluding treasury shares, if any) of Zecon, must not exceed 10% of the total number of new Zecon Shares to be issued under the Proposed ESOS;

(c) at any one time during the ESOS Period, not more than 50% of the total number of ESOS Options available under the Proposed ESOS could be allocated, in aggregate to the Directors and senior management of Zecon and subsidiaries, which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS; and

(d) subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the provisions of the By-laws of the Proposed ESOS, the Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time.

AND THAT the Board is also authorised to allot and issue the corresponding number of new Zecon Shares arising from the exercise of the ESOS Options that may be granted to him under the Proposed ESOS;

AND FURTHER THAT the proposed draft By-laws of the Proposed ESOS, as set out in **Appendix III** of the Circular, be and is hereby approved."

SPECIAL RESOLUTION

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY TO FACILITATE THE PROPOSED RIGHTS ISSUE OF ICPS ("PROPOSED AMENDMENTS")

"THAT, subject to the passing of Ordinary Resolution 1 and the approval of all relevant authorities or parties being obtained (if required), approval be and is hereby given to the Company to amend the Constitution of the Company in the manner set out in **Appendix II** of the Circular.

AND THAT the Board be and is hereby authorised to give effect to the Proposed Amendments with full power to ascent to any conditions, modifications, variations and/ or amendments as may be required by the relevant authorities and to do all such acts as it may consider necessary or expedient in the best interest of the Company to give effect to the Proposed Amendments."

By Order of the Board

KOH FEE LEE (MAICSA NO. 7019845)
VOON JAN MOI (MAICSA NO. 7021367)
Company secretaries

Kuching
24 June 2020

Notes:-

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 10 July 2020 shall be eligible to attend, speak and vote at the meeting.

2. A member entitled to attend and vote at this meeting is entitled to appoint not more than 2 proxies to attend and vote in his stead. A proxy need not be a member of the Company and provision of Section 334(2) of the Companies Act, 2016 shall not apply to the Company.

   There shall be no restriction as to the qualification of the proxy.

   A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where more than one proxy is appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

7. The instrument appointing a proxy must be deposited at the registered office of the Company at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

ZECON

PROXY FORM

No. of shares held

I/We _____
(Full Name in Block Letters)

NRIC/ Passport No./ Company No._____

of _____

being a member/ members of **ZECON BERHAD** hereby appoint _____

NRIC/ Passport No./ Company No._____

of _____

or failing him/ her, the Chairman of the Meeting as my/ our proxy to vote for me/ us on my/ our behalf at the Extraordinary General Meeting of the Company to be held at Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Friday, 17 July 2020 at 9.30 a.m. and any adjournement thereof.

My/ our proxy is to vote as indicated below:-

Resolutions		**For**	**Against**
Ordinary Resolution			
1	Proposed Rights Issue of ICPS		
2	Proposed ESOS		
3	Proposed Allocation of ESOS Options to Datu Haji Hamzah Bin Haji Drahman		
4	Proposed Allocation of ESOS Options to Datuk Haji Zainal Abidin Bin Haji Ahmad		
5	Proposed Allocation of ESOS Options to Haji Zainurin Bin Haji Ahmad		
6	Proposed Allocation of ESOS Options to Dato' Abdul Majit Bin Ahmad Khan		
7	Proposed Allocation of ESOS Options to Richard Kiew Jiat Fong		
8	Proposed Allocation of ESOS Options to Datuk Haji Bolhassan Bin Di @ Ahmad Bin Di		
9	Proposed Allocation of ESOS Options to Hui Kok Yuan		
10	Proposed Allocation of ESOS Options to Haji Sazali Bin Md Salleh		
11	Proposed Allocation of ESOS Options to Haji Jamil Bin Jamaludin		
12	Proposed Allocation of ESOS Options to Muhammad Nasri bin Zainal Abidin		
13	Proposed Allocation of ESOS Options to Dayangku Balqis Sharbanu binti Awangku Abdul Malit @ Awangku Malyx		
Special Resolution			
1	Proposed Amendments		

Please indicate with "X" in the appropriate spaces how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Dated this …….day of …….2020

.....
Signature of Shareholder/ Common Seal

Notes:-

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 10 July 2020 shall be eligible to attend, speak and vote at the meeting.

2. A member entitled to attend and vote at this meeting is entitled to appoint not more than 2 proxies to attend and vote in his stead. A proxy need not be a member of the Company and provision of Section 334(2) of the Companies Act, 2016 shall not apply to the Company.

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4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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AFFIX
STAMP

ZECON BERHAD 198501002015 (134463-X)
8th Floor, Menara Zecon, No. 92 Lot 393,
Section 5 KTLD, Jalan Satok,
93400 Kuching, Sarawak, Malaysia.

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