



ZECON BERHAD
(Incorporated in Malaysia)

Company No: 198501002015 (134463-X)

FINANCIAL REPORT
for the period ended 31 March 2020

ZECON BERHAD
Company No: 198501002015 (134463-X)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	1.1.2020 to 31.03.2020	1.1.2019 to 31.03.2019	1.7.2019 to 31.03.2020	1.7.2018 to 31.03.2019
	Unaudited RM '000	Unaudited RM '000	Unaudited RM '000	Unaudited RM '000
Revenue	143,102	112,804	466,901	292,186
Cost of sales	(124,707)	(98,014)	(395,536)	(269,904)
Gross profit	18,395	14,790	71,365	22,282
Other operating income	18,028	10,733	43,371	32,765
Administrative expenses	(4,623)	(7,862)	(13,272)	(19,680)
Other expenses	(2,167)	(280)	(6,367)	(887)
Operating profit	29,633	17,381	95,097	34,480
Finance costs	(13,889)	(14,752)	(39,776)	(35,181)
Share of profit of associates	2	125	(6)	2
Profit/(Loss) before taxation	15,746	2,754	55,315	(699)
Income tax expense	(4,627)	(3,177)	(8,592)	(8,218)
Profit/(Loss) after taxation	11,119	(423)	46,723	(8,917)
Profit/(Loss) attributable to:				
Owners of the parent	9,148	5,730	43,181	(8,757)
Non controlling interest	1,971	(6,153)	3,542	(160)
	11,119	(423)	46,723	(8,917)
Earnings per share attributable to owners of the parent (sen per share)				
Basic	6.35	4.37	29.96	(6.68)
Diluted	6.35	4.37	29.96	(6.68)

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

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2020 Unaudited RM'000	30 June 2019 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,031	7,063
Prepaid land lease payments	106	109
Rights-of-use assets	2,467	-
Land held for development	10,669	8,141
Investment properties	593,381	593,381
Investment in associates	2,567	2,573
Investment securities	62	110
Contract Assets	659,004	474,197
Service concession receivables	97,947	62,307
	<u>1,369,234</u>	<u>1,147,881</u>
Current assets		
Development costs	865	1,390
Inventories	7,353	8,546
Contract Assets	57,348	25,850
Trade and other receivables	167,296	165,165
Deposits with licensed banks	7,315	7,262
Cash and bank balances	35,897	18,165
Tax recoverables	-	93
	<u>276,074</u>	<u>226,471</u>
TOTAL ASSETS	<u>1,645,308</u>	<u>1,374,352</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	132,247	128,972
Other reserves	(298)	(250)
Retained earnings	131,340	88,159
	<u>263,289</u>	<u>216,881</u>
Non controlling interest	<u>105,839</u>	<u>102,297</u>
Total equity	<u>369,128</u>	<u>319,178</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2020 Unaudited RM'000	30 June 2019 Audited RM'000
Non-current liabilities		
Borrowings	-	1,165
Lease liabilities	555	-
Trade and other payables	52,273	81,029
Deferred tax liabilities	51,338	43,155
	104,166	125,349
Current liabilities		
Borrowings	765,999	613,534
Lease liabilities	1,171	-
Contract Liabilities	84	4,765
Trade and other payables	366,249	272,098
Current tax payable	38,511	39,428
	1,172,014	929,825
Total liabilities	1,276,180	1,055,174
TOTAL EQUITY AND LIABILITIES	1,645,308	1,374,352

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

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.7.2019 to 31.03.2020 Unaudited RM '000 9 months	1.7.2018 to 31.03.2019 Unaudited RM '000 9 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	55,315	(699)
Adjustments for :		
Amortisation of prepaid land lease payments	2	2
Bad debt written off	98	65
Depreciation of property, plant and equipment	364	1,468
Depreciation of rigts-of-use assets	795	-
Gain on disposal of property, plant and equipment	(1,285)	(581)
Interest expense	39,776	35,181
Interest income	(15)	(291)
Impairment on contract costs	22,093	385
Impairment on inventories	-	200
Impairment on receivables	426	236
Reversal of impairment on receivables	(1,217)	-
Unrealised loss on foreign exchange translation	2	1
Share of results of associates	6	(2)
Waiver of payables	(59)	-
Operating profit before working capital changes	116,301	35,965
Decrease/(increase) in development costs	525	(2,655)
Increase in amount due from service concession receivables	(35,640)	(31,323)
Increase in contract assets	(221,159)	(109,157)
Decrease in inventories	1,193	2,587
Increase in receivables	(23,216)	(42,273)
Increase in payables	60,631	94,408
Cash used in operations	(101,365)	(52,448)
Interest paid	(28,889)	(25,515)
Interest received	15	291
Taxation paid	(1,326)	(1,517)
Net cash used in operating activities	(131,565)	(79,189)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24)	(10)
Purchase of other investment	-	(13)
Purchase of land held for development	(2,527)	-
Proceeds from disposal of property, plant and equipment	1,575	1,448
Proceeds from issuance of ordinary share capital	3,275	-
Net cash generated from investing activities	2,299	1,425

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(4,878)	(4,429)
Repayment of hire purchase and lease liabilities	(795)	(1,547)
Repayment of bankers' acceptances and revolving credits	-	(1,816)
Proceeds from drawdown of term loan	152,724	56,434
Decrease in fixed deposits pledged	(53)	(427)
Net cash generated from financing activities	146,998	48,215
Net increase/(decrease) in cash and cash equivalents	17,732	(29,549)
Cash and cash equivalents at the beginning of the period	18,165	46,142
Cash and cash equivalents at the end of the period	35,897	16,593

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company				Total equity attributable to owners of the parents RM'000	Non controlling interests (NCI) RM'000	Total equity RM'000
	<i>Non-Distributable</i>			<i>Distributable</i>			
	Share capital	Exchange reserve	Other reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 MARCH 2020							
Balance as at 1 July 2019	128,972	(14)	(236)	88,159	216,881	102,297	319,178
Profit After Taxation for the Financial Period	-	-	-	43,181	43,181	3,542	46,723
Issuance of ordinary shares	3,275	-	-	-	3,275	-	3,275
Other Comprehensive Income	-	-	(48)	-	(48)	-	(48)
Closing balance as at 31 March 2020	132,247	(14)	(284)	131,340	263,289	105,839	369,128
30 JUNE 2019							
Balance as at 1 July 2018	128,972	(17)	(240)	153,251	281,966	105,663	387,629
Effects of adoption of MFRS	-	-	-	(44,118)	(44,118)	(1,035)	(45,153)
Restated balance as at 1 July 2018	128,972	(17)	(240)	109,133	237,848	104,628	342,476
Loss After Taxation for the Financial Year	-	-	-	(20,974)	(20,974)	(2,331)	(23,305)
Other Comprehensive Income	-	3	4	-	7	-	7
Closing balance as at 30 June 2019	128,972	(14)	(236)	88,159	216,881	102,297	319,178

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2020

PART A : Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The interim financial report is not audited and has been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting, requirements of the Companies Act 2016 and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2019.

2. Changes in accounting policies

The significant accounting policies applied are consistent with those adopted for the audited financial statements for the year ended 30 June 2019 except for the adoption of the following new standards, amendments to published standards and interpretation that are effective for the Group's financial year beginning on or after 1 July 2019 and applicable to the Group as follows:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan Amendment, Curtailment or Settlement"
- Amendments to MFRS 128 "Long term Interests in Associates and Joint Ventures"
- Annual improvements to MFRSs 2015 – 2017 Cycle, which include:
 - Amendments to MFRS 3 "Business Combinations"
 - Amendments to MFRS 11 "Joint Arrangement"
 - Amendments to MFRS 112 "Income Taxes"
 - Amendments to MFRS 123 "Borrowing Costs"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"

Other than MFRS 16, the adoption of these amendments and interpretation does not result in any significant change to the accounting policies and do not have material financial impacts to the current and prior period financial statements of the Group.

MFRS 16 "Leases" ("MFRS 16")

MFRS 16 supersedes MFRS 117 "Leases" and the related interpretations. MFRS 16 eliminates the classification of leases either by finance or operating leases.

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2. Changes in accounting policies (continued)

MFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-to-use (“ROU”) assets representing its right to use the underlying asset and lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in straight line method, whereas lease liability is accreted to reflect interest and is reduced to reflect payments made.

There are no significant changes to lessor accounting under MFRS 16. Lessors continue to classify all leases either operating or finance lease and account them differently.

The Group has adopted MFRS 16 retrospectively from 1 July 2019 using the simplified transition approach and has not restated comparatives for the 2019 reporting period. The Group has not applied the principles of MFRS 16 to short term leases (leases with terms of 12 months or lesser) and assets with low value, as permitted by the exemptions under the standard.

The impacts of adoption of MFRS 16 are as follows:-

	As previously stated 30 June 2019 Audited RM'000	Effect of adoption MFRS 16 RM'000	As Restated 1 July 2019 Unaudited RM'000
<u>Non-current assets</u>			
Property, plant & equipment	7,063	(3,262)	3,801
Rights-of-use assets	-	3,262	3,262
<u>Non-current liabilities</u>			
Borrowings	1,165	(1,165)	-
Lease liabilities	-	1,165	1,165
<u>Current liabilities</u>			
Borrowings	613,534	(1,355)	612,179
Lease liabilities	-	1,355	1,355

3. Seasonality or cyclicity of operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter ended 31 March 2020.

5. Changes in accounting estimate and judgement

There were no major changes in estimates that have a material effect on the results for the financial period ended 31 March 2020.

6. Debt and equity securities

On 17 July 2019, the Group successfully places out 13,101,675 Placement Shares at an issue price of RM 0.25 per Placement Shares.

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

7. Dividends

The Board of Zecon Berhad has not declared any interim dividend in the current quarter in respect of the financial period ended 31 March 2020.

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8. Segmental Reporting

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

	Construction		Property Development		Service Concession		Others		Adjustment and eliminations		Total	
	1.7.19 to 31.3.20	1.7.18 to 31.3.19	1.7.19 to 31.3.20	1.7.18 to 31.3.19	1.7.19 to 31.3.20	1.7.18 to 31.3.19	1.7.19 to 31.3.20	1.7.18 to 31.3.19	1.7.19 to 31.3.20	1.7.18 to 31.3.19	1.7.19 to 31.3.20	1.7.18 to 31.3.19
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External sales	301,639	162,118	2,100	9,096	163,057	120,665	105	307	-	-	466,901	292,186
Inter-segment sales	(613)	3,543	-	(4,656)	(2,085)	(110)	(76)	384	2,774	839	-	-
Total Revenue	301,026	165,661	2,100	4,440	160,972	120,555	29	691	2,774	839	466,901	292,186
Segment profit/(loss) - Note A	50,504	(10,228)	1,671	5,366	51,241	40,770	(8,319)	(1,428)			95,097	34,480

Note A

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

	1.7.19 to 31.3.20 RM'000	1.7.18 to 31.3.19 RM'000
Segment profit	95,097	34,480
Share of profit in associate	(6)	2
Finance Cost	(39,776)	(35,181)
Profit/(Loss) before tax	55,315	(699)

8. Segmental Reporting (continued)

(a) Construction Sector

The sector continues to record construction revenue from Pan Borneo Highway - Phase 1 project and other existing projects.

(b) Property Sector

Revenue generated from sales of Vista Tunku shophouses.

(c) Service Concession

At the end of current quarter, the sector contributed 34.9% to the total revenue of the Group.

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

(d) Others

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

9. Event after the Reporting Period

There are no other material events subsequent to the reporting date that have any material effect on the quarter ended 31 March 2020.

10. Changes in the composition of the Group

There is no change to the composition of the Group during the quarter under review except for deregistration of a subsidiary company namely Zecon Australia Pty Ltd on on 28 August 2019.

11. Capital commitments

There were no material capital commitments in respect of the Group that had arisen since 30 June 2019 till the date of this quarterly report.

12. Change in contingent liabilities and contingent assets

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

The Group acknowledge the contingent liabilities in respect of the corporate guarantees given to licensed banks by the holding company for the credit facilities granted to subsidiaries amounting to RM630,623,182 utilised or unutilised.

13. Recurrent Related Party Transactions (“RRPT”)

The aggregate gross value of RRPT for the period ended 31 March 2020 were as follows:

	31 March 2020	31 March 2019
	RM'000	RM'000
Aggregate gross value of RRPT	710	2,110

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

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

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

14. Review of performance

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

	Individual Period (3rd quarter)			Cumulative Period		
	CY quarter	PYC Quarter	Changes %	CY to- date	PYC period	Changes %
	31.03.20 RM'000	31.03.19 RM'000		31.03.20 RM'000	31.03.19 RM'000	
Revenue	143,102	112,804	26.9%	466,901	292,186	59.8%
Gross profit	18,395	14,790	24.4%	71,365	22,282	> 200%
Profit before interest and tax	29,633	17,381	70.5%	95,097	34,480	> 100%
Profit/(Loss) before tax	15,746	2,754	> 100%	55,315	(699)	> -100%
Profit/(Loss) after tax	11,119	(423)	> -100%	46,723	(8,917)	> -100%
Profit/(Loss) attributable to the ordinary equity holders of the parent	9,148	5,730	59.7%	43,181	(8,757)	> -100%

The gross profit recorded by the Group during the quarter was mainly contributed by the Hospital Pakar Kanak-Kanak Universiti Kebangsaan Malaysia (“HPKK”) and Pan Borneo project. HPKK project also contributed towards the significant amount under the Other Income of the Group.

The initial stage of Movement Control Order (“MCO”) has affected the targeted recognition of revenue from construction. Main reason was the slowdown of the progress due to stop-work order by the authority which adversely impacts the timing and the targeted billings.

Administrative cost has been showing positive effect arising from the austerity drive exercise being carried out. Nevertheless, the finance cost was largely influenced by the recognition of the interest during construction related to our HPKK Private Finance Initiative project.

14. Review of performance (continued)

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

	Current Quarter	Immediate Preceding Quarter	Change s %
	31.03.20	31.12.19	
	RM'000	RM'000	%
Revenue	143,102	153,864	-7.0%
Gross profit	18,395	13,541	35.8%
Profit before interest and tax	29,633	21,191	39.8%
Profit before tax	15,746	8,457	86.2%
Profit after tax	11,119	6,131	81.4%
Profit attributable to the ordinary equity holders of the parent	9,148	5,062	80.7%

Gross profit reported in both quarters mainly due to contribution from HPKK and Pan Borneo project.

15. Commentary on prospects

The Group has not been spared from the economic uncertainties impacted by the Covid-19 pandemic. Our planned work programs and activities for our current project have been adversely affected.

Our Pan Borneo Highway project was initially affected by the imposition of the Stop Work Order issued by the Ministry of Works effective 18 March 2020. The said order has caused a significant delay on the progress and thus affecting the targeted quantum of claims to be billed. Despite the acceptance of approval to resume works on 14 May 2020, strict condition imposed related to working hours and social distancing requirement has directly affected the productivity.

In addition, our HPKK project was also affected with the imposition of construction works being suspended until 14 April 2020. Among others, scheduled delivery on the loose furniture from overseas coupled with the travelling restriction on our medical equipment supplier's specialist installer also contributed the overall impact on the Group's project.

15. Commentary on prospects (continued)

In spite of the above challenges and barring any unforeseen circumstances, the Group will strive to achieve a favourable performance as planned.

16. Profit forecast or profit guarantee

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

17. Income Tax Expense

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Income tax				
Current year	322	652	869	712
Prior year	(460)	(13)	(460)	(13)
	(138)	639	409	699
Deferred tax				
Relating to origination and reversal of temporary differences	4,765	2,538	8,183	7,519
	4,627	3,177	8,592	8,218

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

18. Status of corporate proposal

- (a) On 28 February 2020, UOB Kay Hian Securities Sdn Bhd (“UOBKH”) on behalf of the Board of Directors of Zecon (“Board”), announced that the Company proposed to undertake the following:-
- (i) a 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”) (“Proposed Rights Issue of ICPS”);
 - (ii) amendments to the Constitution of the Company to facilitate the Proposed Rights Issue of ICPS (“Proposed Amendments”); and
 - (iii) establishment of an employees' share option scheme of up to 15% of the total number of issued shares of Zecon at any point in time (“Proposed ESOS”).

Collectively referred to as the “Proposals”

On 8 April 2020, UOBKH on behalf of the Board, announced that the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”).

On 21 May 2020, UOBKH on behalf of the Board, announced that Bursa Securities had, vide its letter dated 20 May 2020, resolved to approve the following:

- (i) admission to the Official List and listing and quotation of up to 576,473,700 ICPS to be issued pursuant to the Proposed Rights Issue of ICPS;
- (ii) listing and quotation of up to 576,473,700 new Zecon Shares to be issued arising from the conversion of the ICPS; and
- (iii) listing and quotation for such number of new Zecon Shares, representing up to 15% of the total number of issued shares of Zecon (excluding treasury shares, if any) to be issued pursuant to the Proposed ESOS.

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

- (i) Zecon and UOBKH must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) pertaining to the implementation of the Proposals;
- (ii) Zecon and UOBKH to inform Bursa Securities upon the completion of the Proposed Rights Issue of ICPS;
- (iii) 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;
- (iv) 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;
- (v) 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

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18. Status of corporate proposal (continued)

(vi) 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.

On 9 June 2020, an application was submitted to Bursa Securities to seek its approval for an extension of time for the Company to issue the circular pertaining to the Proposals to its shareholders.

On 19 June 2020, Bursa Securities had resolved to grant Zecon an extension of time until 26 June 2020 for the issuance of circular pertaining to the Proposals.

(b) The status of utilisation of proceeds raised from Private Placement which was completed on 17 July 2019 are as follows:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000
(i) Working capital	3,195	3,195	-
(ii) Estimated expenses	<u>80</u>	<u>80</u>	-
Total	<u><u>3,275</u></u>	<u><u>3,275</u></u>	

19. Borrowings

	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 RM'000
Short term borrowings		
Secured	<u>767,170</u>	<u>521,380</u>
Long term borrowings		
Secured	<u>555</u>	<u>1,571</u>
TOTAL BORROWINGS	<u><u>767,725</u></u>	<u><u>522,951</u></u>

20. Off balance sheet financial instruments

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2020.

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

There were no material gains or losses arising from fair value changes of the financial liabilities for the financial period ended 31 March 2020.

23. Material litigation

Neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of the Group and the Directors of the Company are not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group, except for the following:-

- (a) Arbitration between POSCO Engineering Co. Limited and Zecon Engineering & Construction Sdn Bhd (“ZEC”);
To date, ZEC has submitted Datuk Anantham’s name, a retired judge to be the arbitrator. POSCO has yet to submit their choice of arbitrator. There has been no development since.
- (b) Arbitration between PT Wijaya Karya (Persero) Tbk (“WIK”) and Zecon Berhad (“ZB”);
Hearing has commenced on 10 to 14 February 2020, 24 to 28 February 2020, 16 March 2020, 15 to 17 April 2020, 27 May 2020, 3 to 6 June 2020, 8 to 10 June and hearing will continue on 22 and 23 June and in 2 July 2020.
- (c) Kuching High Court Suits between:
 - (i) Affin Hwang Investment Bank Bhd & 2 Others vs. Zecon Berhad
The Plaintiff applied for summary judgement and to strike out the Company’s counterclaim which was scheduled on for decision on 13 February 2020 was adjourned to 26 March 2020. But because of the MCO, the Court re-scheduled the decision to 5 May 2020, then to 14 May 2020, then to 16 June 2020, then to 18 June 2020 and finally so far, to 30 June 2020.

23. Material litigation (continued)

(c) Kuching High Court Suits between:

(ii) Affin Hwang Investment Bank Bhd vs. Zecon Capital Ventures Sdn Bhd (now “Huang Hong”)

Following the order for sale of the charged land granted by the Court in favour of Affin, Huang Hong had instructed its solicitors to prepare and file the memorandum of appeal and other required documents within 90 days as required. Meantime, solicitors for Huang Hong had filed at the High Court the Application For Stay of Execution And Proceedings against the order of sale on 11 October 2019. The Court has adjourned the application for stay to 9 December 2019. On 9 December 2019, the Court fixed case management on 14 January 2020 whereon the Court gave directive to file and exchange written submission on 10 February 2020 and submission in reply on 24 February 2020. The Court also fixed hearing on 3 March 2020.

On 3 March 2020, the Court set 14 April 2020 for Huang Hong’s application for Stay of Execution and via e-ruling, because of the MCO, the Court dismissed HH’s said application for Stay.

HH is preparing an appeal to the Court of Appeal.

(d) Arbitration between Zecon Berhad and JKR/Government of Malaysia (“GOM”);

On 14 June 2019, the AIAC has appointed Mdm Chu Ai Li as new arbitrator. The new arbitrator has given a schedule to the parties, inter alia, to submit the Company’s statement of claim (scheduled on 26 August 2019) and thereafter a statement of defence by JKR/GOM represented by the AG’s Chambers (“AGC”). Parties are to identify and name their expert witnesses and hearing is scheduled to commence 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.

The AGC had filed its Statement of Defense on 24 October 2019 and the Company had replied to the Statement of Defense on 9 December 2019.

Due to do uncertainty prevalent during the MCO, the arbitrator has vacated the hearing date of 15 June 2020, but has yet to revert on the new hearing date.

ZECON BERHAD
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24. Additional disclosure on profit for the year

The following amounts have been included in arriving at profit/(loss) before taxation:

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Amortization of prepaid land lease payment	-	-	2	2
Bad Debt written off	2	26	98	65
Depreciation of property, plant and equipment	104	428	364	1,468
Depreciation of rights-of-use assets	265	-	795	-
Gain on disposal of property, plant and equipment	(83)	(300)	(1,285)	(581)
Interest expense	13,889	14,752	39,776	35,181
Interest income	(2)	(47)	(15)	(291)
Impairment on contract costs	20	-	22,093	385
Impairment of inventories	-	200	-	200
Impairment on receivables	176	53	426	236
Loss/(Gain) on foreign exchange	1	-	2	1
Reversal on impairment of receivables	(1,085)	150	(1,217)	-
Waiver by Payables	-	-	(59)	-
Share of result of associate	(2)	(125)	6	(2)

25. Earnings per Share

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Net loss attributable to equity holders of the company (RM'000)	9,148	5,730	43,181	(8,757)
Weighted average number of ordinary shares in issue	144,118	131,017	144,118	131,017
Basic earnings per ordinary share for profit for the year (sen)	6.35	4.37	29.96	(6.68)
Weighted average number of ordinary shares for diluted earnings per share computation	144,118	131,017	144,118	131,017
Diluted earnings per ordinary share for profit for the year (sen)	6.35	4.37	29.96	(6.68)

26. Auditors' report in preceding annual financial statements

The Auditors opined that the financial statements of Zecon Berhad and its subsidiaries give a true and fair view of the financial position, performance and cash flows of the Group as at 30 June 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

27. Authorisation for Issue

The interim financial statements were authorized for issue via Board of Directors' Resolution dated on 25 June 2020.

By order of the Board
Koh Fee Lee
(MAICSA 7019845)
Dated : 25/06/2020