



ZECON BERHAD
(Incorporated in Malaysia)

Company No: 198501002015 (134463-X)

FINANCIAL REPORT
for the financial period ended 30 June 2021

ZECON BERHAD
Company No: 198501002015 (134463-X)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	1.4.2021 to 30.06.2021 Unaudited RM '000	1.4.2020 to 30.06.2020 Unaudited RM '000	1.7.2020 to 30.06.2021 Unaudited RM '000	1.7.2019 to 30.06.2020 Audited RM '000
Revenue	63,326	52,334	328,157	519,235
Cost of sales	(46,692)	(52,551)	(294,605)	(448,087)
Gross profit/(loss)	16,634	(217)	33,552	71,148
Other income	453	15,017	47,766	58,388
Administrative expenses	(3,068)	(3,193)	(17,341)	(16,465)
Other expenses	(24)	3,062	(483)	(3,305)
Profit from operations	13,995	14,669	63,494	109,766
Finance costs	(12,863)	(15,151)	(52,602)	(54,927)
Share of profit of associates	-	(68)	-	(74)
Profit/(Loss) before taxation	1,132	(550)	10,892	54,765
Income tax expense	9	(1,443)	(3,520)	(10,035)
Profit/(Loss) after taxation	1,141	(1,993)	7,372	44,730
Other comprehensive income	(2)	78	223	30
Total comprehensive income	1,139	(1,915)	7,595	44,760
Profit attributable to:				
Owners of the parent	1,623	(7,246)	(3,788)	35,935
Non controlling interest	(482)	5,253	11,160	8,795
	1,141	(1,993)	7,372	44,730
Total comprehensive income attributable to:				
Owners of the parent	1,622	(7,168)	(3,564)	35,965
Non controlling interest	(483)	5,253	11,159	8,795
	1,139	(1,915)	7,595	44,760
Earnings per share attributable to owners of the parent (sen per share)				
Basic	1.13	(5.03)	(2.63)	25.03

Notes:

(i) These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2020 and the accompanying explanatory notes attached to these interim financial statements.

(ii) The financial year end of the Group has been changed from 30 June to 31 December. The next audited financial statements shall be for a period of eighteen (18) months from 1 July 2020 to 31 December 2021. and thereafter, the financial year end shall be 31 December for each subsequent year.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2021 Unaudited RM'000	30 June 2020 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	2,772	2,454
Right-of-use assets	5,663	7,516
Inventories	10,669	10,669
Investment properties	596,088	596,088
Other investments	1,427	1,536
Trade and other receivables	770,559	731,917
	1,387,177	1,350,180
Current assets		
Inventories	8,743	8,743
Contract assets	1,310	2,222
Trade and other receivables	213,174	213,141
Deposits with licensed banks	6,894	6,880
Cash and bank balances	21,938	20,892
	252,058	251,878
TOTAL ASSETS	1,639,236	1,602,058
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	132,247	132,247
Other reserves	3	(220)
Retained earnings	120,306	124,094
	252,556	256,121
Non controlling interest	122,252	111,092
Total equity	374,808	367,213

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	30 June 2021 Unaudited RM'000	30 June 2020 Audited RM'000
Non-current liabilities		
Lease liabilities	4,931	5,354
Trade and other payables	52,258	63,003
Deferred tax liabilities	56,172	52,835
	113,361	121,192
Current liabilities		
Borrowings	794,652	789,544
Lease liabilities	926	1,733
Contract liabilities	56	61
Trade and other payables	318,767	283,917
Current tax liabilities	36,666	38,398
	1,151,066	1,113,653
Total liabilities	1,264,428	1,234,845
TOTAL EQUITY AND LIABILITIES	1,639,236	1,602,058

Notes:

- (i) These Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.
- (ii) The financial year end of the Group has been changed from 30 June to 31 December. The next audited financial statements shall be for a period of eighteen (18) months from 1 July 2020 to 31 December 2021. and thereafter, the financial year end shall be 31 December for each subsequent year.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021

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
	Non-Distributable		Distributable	Retained earnings RM'000			
	Share capital RM'000	Exchange reserve RM'000	Other reserve RM'000				
Financial Year Ended 30 June 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 Year	-	-	-	35,935	35,935	8,795	44,730
Other Comprehensive Income	-	14	16	-	30	-	30
Issuance of shares	3,275	-	-	-	3,275	-	3,275
Closing balance as at 30 June 2020	132,247	-	(220)	124,094	256,121	111,092	367,213
Financial Period Ended 30 June 2021							
Balance as at 1 July 2020	132,247	-	(220)	124,094	256,121	111,092	367,213
Profit After Taxation for the Financial Period	-	-	-	(3,788)	(3,788)	11,160	7,372
Other Comprehensive Income	-	-	223	-	223	-	223
Closing balance as at 30 June 2021	132,247	-	3	120,306	252,556	122,252	374,808

Notes:

(i) These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

(ii) The financial year end of the Group has been changed from 30 June to 31 December. The next audited financial statements shall be for a period of eighteen (18) months from 1 July 2020 to 31 December 2021. and thereafter, the financial year end shall be 31 December for each subsequent year.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.7.2020 to 30.06.2021 Unaudited RM '000 12 months	1.7.2019 to 30.06.2020 Audited RM '000 12 months
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	10,892	54,765
Adjustments for :		
Bad debt written off	2	123
Deposit written off	4	-
Depreciation of property, plant and equipment	471	774
Depreciation of rigs-of-use assets	1,773	1,830
Fair value gain on investment properties	-	(2,707)
Gain on disposal of property, plant and equipment	(402)	(1,477)
Gain on strike-off of subsidiaries	-	(94)
Interest expense	52,602	54,927
Interest income	(28,240)	(45,968)
Impairment on other investment	99	-
Impairment on receivables	198	2,037
Impairment written back on receivables	(8)	(1,070)
Loss on deemed disposal of associate	-	1,185
Unrealised loss on foreign exchange translation	(1)	16
Waiver of payables	(96)	(225)
Operating profit before working capital changes	37,294	64,116
Increase in contract assets	(10,124)	18,954
Decrease in inventories	-	(1,334)
Decrease/(increase) in receivables	(228)	(244,508)
Increase in payables	23,555	(5,891)
Cash from/(for) operations	50,497	(168,663)
Interest paid	(52,192)	(45,241)
Interest received	656	45,968
Taxation paid, net of refund	(1,915)	(1,292)
Net cash for operating activities	(2,954)	(169,228)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Purchase of land held for development	-	(24)
Purchase of property, plant and equipment	(847)	-
Proceeds from disposal of other investment	233	(23)
Proceeds from disposal of property, plant and equipment	490	2,068
Decrease in pledged fixed deposits with licensed banks	-	433
Net cash (for)/from investing activities	(124)	2,454

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(5,501)	(5,420)
Repayment of lease liabilities	(901)	(1,403)
Proceeds from drawdown of term loan	10,536	173,100
Proceeds from issuance of ordinary share capital	-	3,275
Net cash from financing activities	4,134	169,552
Net increase in cash and cash equivalents	1,056	2,778
Cash and cash equivalents at the beginning of the period	20,944	18,165
Cash and cash equivalents at the end of the period	22,000	20,943

Cash and cash equivalents comprise of the following:-

Deposits with licensed banks	6,894	6,880
Cash and bank balances	<u>21,938</u>	<u>20,892</u>
	28,831	27,772
Less : Deposits pledged to licensed banks	<u>(6,831)</u>	<u>(6,829)</u>
	<u>22,000</u>	<u>20,943</u>

Notes:

(i) These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

(ii) The financial year end of the Group has been changed from 30 June to 31 December. The next audited financial statements shall be for a period of eighteen (18) months from 1 July 2020 to 31 December 2021. and thereafter, the financial year end shall be 31 December for each subsequent year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

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 2020. 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 2020.

2. Changes in accounting policies

The accounting policies applied are consistent with those adopted for the audited financial statements for the year ended 30 June 2020 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 2020 and applicable to the Group as follows:

- Amendments to MFRS 3 : Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7 : Interest Rate Benchmark Reform
- Amendments to MFRS 16 : Covid-19-Related Rent Concessions
- Amendments to MFRS 101 and MFRS 108 : Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of these amendments and interpretation does not result in any significant change to the accounting policies and do not have material impacts to the Group's financial statements upon their initial application.

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 period ended 30 June 2021.

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 30 June 2021.

6. Debt and equity securities

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 30 June 2021.

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8. Segmental Reporting

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

	Construction		Property Development		Property Holding		Service Concession		Others		Adjustment and eliminations		Total		
	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	1.7.20 to 30.06.21	1.7.19 to 30.06.20	
	RM'000	RM'000	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	251,807	324,071	-	2,100	-	-	76,305	193,000	45	64	-	-	328,157	519,235	
Inter-segment sales	(19,475)	(1,009)	-	-	-	-	19,289	(1,459)	(347)	(123)	533	2,591	-	-	
Total Revenue	232,332	323,062	-	2,100	-	-	95,594	191,541	(301)	(59)	533	2,591	328,157	519,235	
Segment (loss)/profit	(7,330)	34,136	(651)	963	(901)	1,653	66,059	65,130	(1,032)	(1,794)	7,348	9,678	63,494	109,766	
													Finance cost	(52,602)	(54,927)
													Share of profit in associate	-	(74)
													Profit before taxation	10,892	54,765

Segment Assets	422,457	454,940	47,891	48,486	593,464	593,618	890,413	813,553	24,634	25,493	(339,623)	(334,032)	1,639,236	1,602,058
Segment Liabilities	495,209	509,064	57,109	56,964	379,508	373,672	797,324	749,024	72,847	70,756	(537,571)	(524,635)	1,264,428	1,234,845

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) Service Concession

The service concession is 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.

(c) 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 period ended 30 June 2021.

10. Changes in the composition of the Group

The Group incorporated five new subsidiaries namely:-

- (a) Zecon RE Sdn. Bhd. on 22 September 2020,
- (b) Zecon Hotel Sdn. Bhd. and Serveco Sdn. Bhd. on 28 September 2020,
- (c) Parkyocar Sdn Bhd on 27 April 2021, and
- (d) Aerotropolis (Kuching) Sdn Bhd on 5 May 2021.

One of the subsidiaries changed its name from Top FMS Sdn. Bhd. to Zecon Capital Sdn. Bhd. on 30 September 2020.

11. Capital commitments

There were no material capital commitments in respect of the Group that had arisen since 30 June 2020 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 RM 631,225,925 utilised or unutilised.

13. Recurrent Related Party Transactions (“RRPT”)

The year-to-date aggregate gross value of RRPT was as follows:

	30 June 2021	30 June 2020
	RM'000	RM'000
Aggregate gross value of RRPT	<u>912</u>	<u>935</u>

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.

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 period to date

	Individual Period (1st quarter)			Cumulative Period		
	CY quarter	PYC Quarter	Changes	CY to-date	PYC period	Changes
	30.06.21 RM'000	30.06.20 RM'000		%	30.06.21 RM'000	
Revenue	63,326	52,334	21.0%	328,157	519,235	-36.8%
Gross profit/(loss)	16,634	(217)	> -100%	33,552	71,148	-52.8%
Profit from operations	13,995	14,669	-4.6%	63,494	109,766	-42.2%
Profit/(Loss) before taxation	1,132	(550)	> -100%	10,892	54,765	-80.1%
Profit/(Loss) after taxation	1,141	(1,993)	> -100%	7,372	44,730	-83.5%
Profit attributable to the ordinary equity holders of the parent	1,623	(7,246)	> -100%	(3,788)	35,935	> -100%

The gross profit recorded by the Group in the current quarter was mainly contributed by the Hospital Pakar Kanak-Kanak Universiti Kebangsaan Malaysia (“HPKK”) and Pan Borneo project.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	30.06.21 RM'000	31.03.21 RM'000	%
Revenue	63,326	65,793	-3.7%
Gross profit	16,634	8,214	> 100%
Profit from operations	13,995	20,355	-31.2%
Profit before taxation	1,132	11,599	-90.2%
Profit after taxation	1,141	10,993	-89.6%
Profit attributable to the ordinary equity holders of the parent	1,623	2,144	-24.3%

HPKK and Pan Borneo projects contributed to the gross profit in both quarters.

15. Commentary on prospects

The Group continues to recognize the revenue from our Pan Borneo project and HPKK's revenue from the concession.

Fund raising exercises are progressing and will positively enhance our cashflow position as a whole. The proceeds from these corporate exercises are expected to enable us to address the Group borrowings besides working capital requirements. Efforts by our business development team in sourcing for new jobs are also on-going.

The Company is considering to declare dividend for the financial period.

16. Profit forecast or profit guarantee

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

17. Income Tax Expense

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Income tax				
Current year	(58)	(55)	148	814
Prior year	-	-	25	(460)
	<u>(58)</u>	<u>(55)</u>	<u>173</u>	<u>354</u>
Deferred tax				
Relating to origination and reversal of temporary differences	49	1,498	3,337	9,681
Real property gain tax	-	-	10	-
TOTAL	<u>(9)</u>	<u>1,443</u>	<u>3,520</u>	<u>10,035</u>

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

18. Status of corporate proposal

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 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
- (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.

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18. Status of corporate proposal (continued)

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.

On 17 July 2020, all resolutions set out in the Notice of Extraordinary General Meeting (“EGM”) dated 24 June 2020 were dully passed by way of poll at EGM.

On 4 November 2020, an application was submitted to Bursa Securities to seek its approval for an extension of time of approximately six months for the Company to implement the Proposals. On 24 November 2020, Bursa Malaysia had resolved to grant Zecon an extension of time until 19 May 2021 to implement the Proposals. On 18 May 2021, another application for six months extension of time was submitted to Bursa Securities. On 9 June 2021, Bursa Malaysia had resolved to grant Zecon an extension of time until 18 November 2021 to implement the Proposals.

The effective date for the implementation of the ESOS is 4 August 2021.

19. Borrowings

	30 June 2021	30 June 2020
	RM'000	RM'000
Short term borrowings		
<u>Secured</u>		
- Term loans	660,483	660,552
- Revolving credit	102,964	90,560
- Ijarah facility	31,205	38,432
TOTAL BORROWINGS	794,652	789,544

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 30 June 2021.

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 30 June 2021.

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.

Since there has been no development in the case, upon our instructions, our solicitors had written to Posco’s solicitors by a letter dated 1 March 2021 proposing both parties to withdraw both claims without any order as to costs as full and final settlement of the dispute between parties in the matter. To-date, Posco’s solicitors have not reverted with any response.

On 23 July 2021, our Legal in-house spoke to Mr. Mohanadass and Ms Syarihah, our solicitors on the next step. We are advised to wait for another 3 years thereabouts for 6 six years to elapse from the discontinuance date of the arbitration. The arbitration was discontinued because the Arbitrator could not continue as arbitrator when he was appointed Speaker of Dewan Rakyat during the Pakatan Harapan (PH) Government. After 6 years from the discontinuance, the action will be time barred under the Limitations Act. That is to say, Posco will no longer have a case against ZB in the subject matter.

23. Material litigation (continued)

(b) Arbitration between PT Wijaya Karya (Persero) Tbk (“WIKI”) 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, 22 and 23 June and in 2 July 2020. Following the re-examination of witnesses on 2 July 2020, the Court directed the parties to exchange written closing submissions simultaneously; first round of closing submissions by 17 August 2020 and second round of closing submissions by 11 September 2020. On 21 October 2020, the Arbitrator directed both parties to file submission to address tribunal inquiries by 19 November 2020.

On 25 January 2021, parties received the Final Award from the Arbitrator, awarding RM 4,617,471.70 together with interest to Wika.

ZB has on 29 March 2021 filed Originating Summons Application to set aside the Final Award at the High Court.

On 15 July 2021, Wika’s ex-parte application to enforce the arbitration award was granted by the Court. On 5 July 2021, ZB filed application to set aside the enforcement order.

The Court fixed 2 September 2021 for oral submission and/or ruling for ZB application to set aside the arbitration award and 1 October 2021 for mention on ZB’s application to set aside the enforcement order.

(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 and then to 18 June 2020 and finally to 15 July 2020, when the Court orally granted the Plaintiffs’ summary judgement and dismissed Defendant’s application to strike out the Plaintiffs’ application for summary judgement. The Defendant has directed its solicitors to file an appeal at the Court of Appeal. Now awaiting for judge to reduce his decision in writing before lodging the appeal. On 23 September 2020 the Court heard the matter to settle the terms of the draft orders, as both parties failed to reach agreement, the Court fixed matters for hearing on 7 October 2020. On 7 October 2020, the Deputy Registrar informed all parties that the matter will be referred to the Judge for decision. No date has been fixed.

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 because of the MCO, the Court made a decision via e-ruling and dismissed HH’s said application for Stay.

HH prepared a motion to the Appeal Court to appeal the High Court’s decision. Plaintiff filed a notice of application to appoint a real estate agent to conduct a public tender of HH’s land, to fix the reserve price of the land at RM187,475,000.00 and for other directions. The notice was fixed for hearing on 24 June 2020.

On 24 June 2020, the Court of Appeal dismissed HH’s motion to appeal.

Meanwhile, the High Court had, on 24 June 2020, granted the Plaintiffs’ application for directive for the sale of the land and fixed the tender for sale on 11 November 2020.

On 11 November 2020, there was no tender bid received.

On 9 Dec 2020, Affin filed an application to fix the reduced Reserved Price for Lot 14 at RM 168,727,500. On 20 Jan 2021, Court granted Affin’s application and set tender at 10am on 7 April 2021.

On 5 April 2021, Affin filed application to cancel the Tender and on 6 April 2021, the Court granted the application cancelling the Tender with no order as to costs.

On 27 January 2021, the Court of Appeal set HH’s appeal for case management via e-review on 18 February 2021.

The Court fixed appeal for hearing on 26 August 2021.

23. Material litigation (continued)

(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.

Pursuant to a tele-conference between our solicitors, the AGC and the Arbitrator on 30 June 2020, the hearing dates for arbitration are (a total of 20 days) 6 to 8 January 2021, 11 to 13 January 2021, 25 to 27 January 2021, 2 to 5 February 2021, 8 to 10 February 2021 and 1 to 3 March 2021.

By a letter dated 16 October 2020, the AGC had written to our solicitors requesting postponement of submission dates of documents and of the hearing dates, citing lack of personnel, imposition of CMCO in KL and Selangor and the mandatory quarantine imposed by the State of Sarawak on all Malaysians entering Sarawak. We instructed our solicitors to object to the request. However on 24 November 2020, after having communicated to the AGC and our solicitors, the Arbitrator had taken the decision to adjourn the hearing dates to 24 to 28 May 2021, 8 to 11 June 2021, 21 to 25 June 2021, 5 to 7 July 2021 and 17 to 20 August 2021.

On 28 April 2021, parties agreed to vacate the hearing from 24 to 28 May and 8 to 11 June and fixed exchange of witness statements simultaneously on 28 May 2021.

New hearing dates had been agreed by parties as follows:

1. 1,2,6,7,20-23 September
2. 4-5 October
3. 11-13 January 2022
4. 8-10 February 2022

ZECON BERHAD
Company No: 198501002015 (134463-X)

24. Additional disclosure on profit for the year

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

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Bad Debt written off	2	25	2	123
Depreciation of property, plant and equipment	123	410	471	774
Depreciation of rights-of-use assets	433	1,033	1,773	1,830
Gain on disposal of property, plant and equipment	(9)	(192)	(402)	(1,477)
Gain on strike-off of subsidiaries	-	(94)	-	(94)
Interest expense	12,863	15,151	52,602	54,927
Interest income	(174)	(23,844)	(28,240)	(45,968)
Impairment on receivables	21	1,758	190	967
Loss on deemed disposal of associate	-	1,185	-	1,185
Unrealised loss on foreign exchange tra	1	14	(1)	16
Waiver by Payables	-	(166)	(96)	(225)
Share of results of associates	-	(6)	-	-

25. Earnings per Share

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Net profit attributable to equityholders of the company	1,623	(7,246)	(3,788)	35,935
Weighted average number of ordinary shares in issue	144,118	143,544	144,118	143,544
Basic earnings per ordinary share for profit for the year (sen)	1.13	(5.05)	(2.63)	25.03
Weighted average number of ordinary shares for diluted earnings per share computation	144,118	143,544	144,118	143,544
Diluted earnings per ordinary share for profit for the year (sen)	1.13	(5.05)	(2.63)	25.03

26. Auditors' report in preceding annual financial statements

The Group's auditor has issued the true and fair view opinion of the financial position, performance and cash flows of the Group as at 30 June 2020 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 by the Board of Directors on 26 August 2021.

By order of the Board

Koh Fee Lee
Company Secretary
(MAICSA 7019845)
(SSM PC No. 201908002220)

Dated : 26/08/2021