



ZECON BERHAD
(Incorporated in Malaysia)

Company No: 198501002015 (134463-X)

FINANCIAL REPORT
for the financial period ended 31 December 2022

ZECON BERHAD
Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	1.10.2022 to 31.12.2022 Unaudited RM '000	1.10.2021 to 31.12.2021 Unaudited RM '000	1.1.2022 to 31.12.2022 Unaudited RM '000	1.1.2021 to 31.12.2021 Unaudited RM '000
				**
Revenue	11,701	70,730	83,014	-
Cost of sales	(5,264)	(63,989)	(47,122)	-
Gross profit	6,437	6,741	35,892	-
Other income	17,421	47,300	73,333	-
Administrative expenses	(10,311)	(6,000)	(36,948)	-
Other expenses	-	(29,973)	(1,555)	-
Profit from operations	13,547	18,068	70,722	-
Finance costs	(13,069)	(12,828)	(48,471)	-
Profit before taxation	478	5,240	22,251	-
Income tax expense	(210)	(3,167)	(373)	-
Profit after taxation	268	2,073	21,878	-
Other comprehensive income	-	(2)	1	-
Total comprehensive (loss)/income	268	2,071	21,879	-
Profit attributable to:				
Owners of the parent	(3,279)	(16,020)	(4,201)	-
Non controlling interest	3,547	18,093	26,079	-
	268	2,073	21,878	-
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(3,279)	(16,022)	(4,200)	-
Non controlling interest	3,547	18,093	26,079	-
	268	2,071	21,879	-
Earnings per share attributable to owners of the parent (sen per share)				
Basic	(2.22)	(11.10)	(2.85)	-

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2022 Unaudited RM'000	31 December 2021 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	2,948	2,701
Right-of-use assets	4,037	4,980
Inventories	10,669	10,669
Investment properties	600,164	600,164
Other investments	434	434
Trade and other receivables	771,243	789,847
	<u>1,389,495</u>	<u>1,408,795</u>
Current assets		
Inventories	7,343	7,343
Contract assets	934	1,107
Trade and other receivables	151,277	254,005
Deposits with licensed banks	7,896	6,892
Cash and bank balances	26,722	27,463
	<u>194,172</u>	<u>296,810</u>
TOTAL ASSETS	<u>1,583,667</u>	<u>1,705,605</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	133,589	133,435
Other reserves	3	2
Share option reserve	387	-
Retained earnings	95,685	99,886
	<u>229,664</u>	<u>233,323</u>
Non controlling interest	<u>178,552</u>	<u>152,473</u>
TOTAL EQUITY	<u>408,216</u>	<u>385,796</u>

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	31 December 2022 Unaudited RM'000	31 December 2021 Audited RM'000
Non-current liabilities		
Lease liabilities	4,128	4,707
Trade and other payables	40,665	47,906
Deferred tax liabilities	75,826	75,829
	120,619	128,442
Current liabilities		
Borrowings	741,825	774,429
Lease liabilities	649	903
Contract liabilities	540	2
Trade and other payables	278,112	379,922
Current tax liabilities	33,706	36,111
	1,054,832	1,191,367
TOTAL LIABILITIES	1,175,451	1,319,809
TOTAL EQUITY AND LIABILITIES	1,583,667	1,705,605

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2021 and the accompanying explanatory notes attached to these interim financial statements.

ZECON BERHAD
Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company				Non controlling interests (NCI) RM'000	Total equity RM'000	
	Non-Distributable			Distributable			Total equity attributable to owners of the parents RM'000
	Share Capital RM'000	Employee Share Option Reserve	Other Reserve RM'000	Retained Earnings RM'000			
Financial Period Ended 31 December 2022							
Balance as at 1 January 2022	133,435	-	2	99,886	233,323	152,473	385,796
Loss After Taxation for the Financial Period	-	-	-	(4,201)	(4,201)	26,079	21,878
Other Comprehensive Income	-	-	1	-	1	-	1
Issuance of ordinary shares pursuant to ESOS	154	387	-	-	541	-	541
Closing balance as at 31 December 2022	133,589	387	3	95,685	229,664	178,552	408,216

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2021 and the accompanying explanatory notes attached to these interim financial statements.

*** The financial year end of the Group has been changed from 30 June 2021 to 31 December 2021. As such, there will be no comparative financial information available for the preceeding year corresponding periods.*

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Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.1.2022 to 31.12.2022 Unaudited RM '000 12 months	1.1.2021 to 31.12.2021 Unaudited RM '000 12 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,251	** -
Adjustments for :		
Accretion of fair value on non-current trade receivables	(67,514)	-
Bad debt written off	1,539	-
Depreciation of property, plant and equipment	475	-
Depreciation of rigs-of-use assets	924	-
Gain on disposal of property, plant and equipment	(419)	-
Interest expense	48,471	-
Interest income	(6)	-
Contract asset written off	425	-
Reversal of impairment of contract asset	(425)	-
Reversal of impairment on receivables	(1,537)	-
Unrealised loss on foreign exchange translation	3	-
Waiver of payables	(2,163)	-
Operating profit before working capital changes	2,024	-
Increase in contract assets	710	-
Decrease in receivables	188,843	-
Decrease in payables	(106,435)	-
Cash from operations	85,142	-
Interest paid	(39,396)	-
Interest received	6	-
Taxation paid, net of refund	(2,393)	-
Net cash from operating activities	43,359	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(717)	-
Addition of Right of use asset	19	-
Proceeds from disposal of property, plant and equipment	414	-
Net cash from investing activities	(284)	-

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of term loan	(41,942)	-
Repayment of lease liabilities	(845)	-
Proceeds from ordinary share issuance pursuant to ESOS	154	-
Net cash for financing activities	(42,633)	-
Net increase in cash and cash equivalents	442	-
Cash and cash equivalents at the beginning of the period	7,789	-
Cash and cash equivalents at the end of the period	8,231	-

Cash and cash equivalents comprise of the following:-

Deposits with licensed banks	7,896	-
Cash and bank balances	26,722	-
Bank overdrafts	(9,886)	-
	24,732	-
Less : Deposits pledged to licensed banks	(6,896)	-
Less : Reserve account	(9,605)	-
	8,231	-

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2021 and the accompanying explanatory notes attached to these interim financial statements.

*** The financial year end of the Group has been changed from 30 June 2021 to 31 December 2021. As such, there will be no comparative financial information available for the preceeding year corresponding periods.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

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 financial period ended 31 December 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2021.

2. Changes in accounting policies

The accounting policies applied are consistent with those adopted for the audited financial statements for the financial period ended 31 December 2021 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 January 2022 and applicable to the Group as follows:

- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018 – 2020

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.

The Group has not applied in advance the following accounting standards and/or interpretations that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the current financial period:-

- MFRS 17 Insurance Contract
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2. Changes in accounting policies (continued)

The adoption of these amendments and interpretation is expected to have no material impact on 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 31 December 2022.

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 December 2022.

6. Debt and equity securities

(a) For the current quarter, there were no new ordinary shares issued under the Employee's Share Option Scheme ("ESOS"). As at 31 December 2022, a total of 3,285,000 new ordinary shares have been issued under the ESOS.

(b) There were no share buybacks, cancellations, repurchases, resales 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 December 2022.

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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 (A)		Property Development		Property Holding		Service Concession (B)		Others (C)		Adjustment and eliminations		Total		
	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	1.1.22 to 31.12.22	1.1.21 to 31.12.21**	
	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	32,130	-	-	-	-	-	50,674	-	210	-	-	-	83,014	-	
Inter-segment sales	-	-	-	-	-	-	(3,573)	-	(34)	-	3,607	-	-	-	
Total Revenue	32,130	-	-	-	-	-	47,101	-	176	-	3,607	-	83,014	-	
Segment (loss)/profit	(23,299)	-	(212)	-	(8,962)	-	101,879	-	(357)	-	1,673	-	70,722	-	
													Finance cost	(48,471)	
													Profit before taxation	22,251	-

	Construction (A)		Property Development		Property Holding		Service Concession (B)		Others (C)		Adjustment and eliminations		Total	
	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21
	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
Segment Assets	334,010	455,585	50,780	50,638	592,215	592,212	965,871	935,120	3,488	732	(362,697)	(328,682)	1,583,667	1,705,605
Segment Liabilities	473,260	561,731	60,431	60,005	390,156	377,469	787,337	824,585	28,594	26,275	(564,327)	(530,256)	1,175,451	1,319,809

** In view of the change in financial year end, there were no comparative figures available for the preceding year corresponding periods.

8. Segmental Reporting (continued)

(a) Construction Sector

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

(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.

The profit under this segment being more than registered revenue arose from the impact of IC Interpretation 12 - Service Concession Arrangements.

(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 31 December 2022.

10. Changes in the composition of the Group

There is no change to the composition of the Group during the quarter under review.

11. Capital commitments

There were no material capital commitments in respect of the Group that had arisen since 31 December 2021 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 563,040,149 utilised or unutilised.

13. Recurrent Related Party Transactions (“RRPT”)

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

	31 December 2022 RM'000	31 December 2021** RM'000
Aggregate gross value of RRPT	1,000	-

*** In view of the change in financial year end, there were no comparative figures available for the preceeding year corresponding periods.*

The RRPT comprise transactions controlled by or connected to certain substantial shareholders and/or Directors of the Group, namely Datuk Haji Zainal Abidin Bin Haji Ahmad and Haji Abang Azahari Bin Abang 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 period to date

	Individual Quarter			Cumulative Period		
	CY quarter	PYC Quarter	Changes	CY to-date	PY to-date	Changes
	31.12.22	31.12.21		31.12.22	31.12.21**	
RM'000	RM'000	%	RM'000	RM'000	%	
Revenue	11,701	70,730	-83.5%	83,014	-	-
Gross profit	6,437	6,741	-4.5%	35,892	-	-
Profit from operations	13,547	18,068	-25.0%	70,722	-	-
Profit before taxation	478	5,240	-90.9%	22,251	-	-
Profit after taxation	268	2,073	-87.1%	21,878	-	-
Loss attributable to the ordinary equity holders of the parent	(3,279)	(16,020)	-79.5%	(4,201)	-	-

*** In view of the change in financial year end, there were no comparative figures available for the preceding year corresponding periods.*

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 Highway (WPC03) (“Pan Borneo”) project.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	31.12.22	30.9.22	
	RM'000	RM'000	%
Revenue	11,701	26,403	-55.7%
Gross profit	6,437	8,757	-26.5%
Profit from operations	13,547	19,715	-31.3%
Profit before taxation	478	8,156	-94.1%
Profit after taxation	268	8,121	-96.7%
(Loss)/Profit attributable to the ordinary equity holders of the parent	(3,279)	887	>100%

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

15. Commentary on prospects

The Group's gross revenue will continue to be contributed by our HPKK project through the Maintenance Payment by UKM. In addition, our Pan Borneo project will still be contributing to the gross revenue of the group for the financial year ending 31 December 2023.

Zecon Group continues to embark on Environmental Social Governance (ESG) programmes under the Group's sustainable goals. They are designed to provide systematic environmental management to minimise any adverse environmental impact and to enhance awareness in good health and well-being. Operational activities and measurements are in place which includes rainwater harvesting and flood mitigation at project sites, and also efforts on clean and renewable energy which Zecon Berhad and its subsidiary Zecon Medicare Sdn Bhd are certified as Registered Solar Photovoltaic Investor under Sustainable Energy Development Authority (SEDA) New Energy Metering Programme.

Besides, the Group is also embarking on the installation of 2MWp in rooftop solar farm at the HPKK and the elevated carpark building. On top of being able to get certified Green Building Index (GBI) Design Assessment (DA), the Group is also positive of the return on investment over the long term in renewable energy section the Group is pursuing.

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	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021** RM'000
Income tax				
Current year	210	57	373	-
Prior year	-	5	-	-
	210	62	373	-
Deferred tax				
Relating to origination and reversal of temporary differences	-	3,105	-	-
TOTAL	210	3,167	373	-

*** In view of the change in financial year end, there were no comparative figures available for the preceding year corresponding periods.*

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

There were no outstanding corporate proposals during the financial quarter under review.

19. Borrowings

	31 December 2022 RM'000	31 December 2021 RM'000
Short term borrowings		
<u>Secured</u>		
- Term loans	597,326	635,878
- Revolving credit	114,619	106,732
- Ijarah facility	29,880	31,819
TOTAL BORROWINGS	741,825	774,429

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 December 2022.

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 December 2022.

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:-

23. Material litigation (continued)

- (a) Arbitration between POSCO Engineering Co. Limited and Zecon Engineering & Construction Sdn Bhd (“ZEC”);

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.

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 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.

The solicitors have revised the date whereon Posco’s claims will be time barred if Posco does not prosecute the case, to end of October 2022.

At the time of reporting there has been no legal proceeding taken by Posco and as advised by Mr Mohansadass no action should be taken by Zecon.

- (b) Arbitration between PT Wijaya Karya (Persero) Tbk (“WIKA”) 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 Summon 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.

On 1 October 2021, the Court ruled in favour of Zecon Berhad and Zecon Construction (Sarawak) Sdn Bhd and set aside the arbitration award. On 11 October 2021 the Court ordered to set aside the Enforcement Order with no order as to cost.

23. Material litigation (continued)

On 21 October 2021, Wika filed Notice of Appeal at the Court of Appeal, the Court fixed case management on 11 January 2022. On 11 January 2022, the Court of Appeal fixed further case management on 2 March 2022.

On 2 March 2022, the Court of Appeal fixed 13 June 2022 for further case management. On 13 June 2022 the Court of Appeal set new date for case management on 5 October 2022. On 5 October 2022, ZB's lawyer informed the Court of the winding up proceedings against Wika, the Court of appeal fixed next hearing on 10 November 2022.

On 10 November 2022, Wika's lawyer informed the Court of Appeal that Wika had been wound up and is now negotiating settlement with the Creditor. The Court of Appeal fixed the next hearing on 19 January 2023.

On 19 January 2023, the Appeal Court fixed case management on 1 March 2023 after Wika's lawyer informed the Court that they are applying for sanction for the Official Receiver to continue with the appeal.

(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.

On 24 September 2021, parties signed the Standstill Agreement to put all applications on hold for one year. The Court of Appeal fixed case management on 11 January 2022 to monitor the progress of the settlement and fixed further case management on 5 April 2022. On 5 April 2022, the Court of Appeal fixed next hearing on 29 September 2022.

On 29 September 2022, the Court granted request from both parties and fixed case management on 16 November 2022. On 16 November 2022, there was no decision made at the case management. Both parties are waiting for the Court's notice for a new date. On 30 January 2023, both parties requested for further case management date. The Court of Appeal fixed mentioned before full panel of Appeal Judges on 11 April 2023 to fix a hearing date and direction. The Court of Appeal also set the matter for e-review on 28 March 2023.

23. Material litigation (continued)

- (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.

On 26 August 2021, the Appeal Court Judges unanimously set aside the order of sale with costs of RM10,000. The Originating Summons before the High Court was disposed off in HH’s favour.

On 22 September 2021, Affin filed application for Leave to Appeal at the Federal Court. The Court fixed case management on 28 October 2021.

23. Material litigation (continued)

On 24 September 2021, parties signed the Standstill Agreement and on 28 October 2021 both parties addressed the Federal Court on the Standstill Agreement and asked for a stay of one year. The Court fixed Notice of Motion for further case management on 8 February 2022.

On 8 February 2022, the Applicant Banks filed a Stay Motion for an order to stay the Leave Application proceedings during the Standstill Period or upon full settlement of the outstanding amount, whichever is earlier. The Federal Court fixed further case management by e-review on 29 March 2022.

On 29 March 2022, the Federal Court fixed further case management on 18 May 2022. On 18 May 2022, the Federal Court granted the order for Stay of Proceedings for one year from the date of the Standstill Agreement dated 24 September 2021 until 23 September 2022, with no order as to costs. The Federal Court did not fix any hearing date.

On 30 June 2022, the Federal Court fixed case management for e-review on 26 September 2022. On 26 September 2022, both parties requested for a further case management date and on 29 September 2022, the Federal Court fixed case management date on 14 November 2022.

On 21 October 2022, after both parties signed the 6 months extension to the Standstill Agreement, HH filed Notice of Motion for Stay. The Federal Court fixed 14 November 2022 to hear HH's Notice of Motion. On 1 November 2022, via Notice, the Federal Court fixed Affin's Notice of Motion for Leave to Appeal for case management on 16 November 2022.

On 14 November 2022, the Federal Court vacated the hearing and fixed 6 December 2022 to set a new hearing date for HH's Notice of Motion. On 16 November 2022, the Federal Court fixed both Parties' Notice of Motion for case management on 6 December 2022 pending the new hearing date for HH's Notice of Motion. On 6 December 2022, the Federal Court set HH's Notice of Motion for Stay for hearing tentatively in March 2023.

On 18 January 2023, the Federal Court fixed both HH's Notice of Motion for Stay and Affin's Notice of Motion for Leave to Appeal, for hearing on 7 March 2023 and directed parties to e-file Bundle of Authorities by 16 February 2023 and fixed case management on 17 February 2023.

On 17 February 2023, the Federal Court allowed both parties' joint application to postpone/adjourn the hearing of Affin's Notice of Motion for Leave to Appeal. The Federal Court will fix the motion for case management in due course in order to set a new hearing date.

The hearing of ZCV's Notice of Motion for Stay shall be conducted physically at the Federal Courtroom in Kuching on 7th March 2023.

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

On 12 October 2021, via Order For Directions No.23, the Arbitrator revised the timetable for the following dates:

1. 11, 12, 13 January 2022
2. 8, 9, 10 February 2022
3. 7-10, 23-24, 28-31 March 2022
4. 5-6 April 2022
5. 23-24 April 2022

23. Material litigation (continued)

On 4 April 2022, via Order For Directions No.27, the Arbitrator further revised the timetable to the following dates:

1. 11, 12 January 2022
2. 8-10 February 2022
3. 8-10, 23-24, 28-31 March 2022
4. 5-6 April 2022
5. 23-25 May 2022
6. 27-29 June 2022
7. 25-27 July 2022
8. 15-17 August 2022
9. 17-19 October 2022

The hearing was conducted as scheduled and will continue on 23 May 2022.

On 25 July 2022, the Arbitrator issued Order For Direction No.29 to allow JKR/GoM to amend their written statement to include a counterclaim in the arbitration based on the Certificate of Termination Costs dated 30 May 2022. The Order For Direction No.29 also set up dates for parties to submit their respective Amended Statement of Claim, Amended Statement of Defence and the Amended Statement of Reply.

The hearing dates on 27 to 29 June 2022, 25, 26 and 27 July 2022 were vacated and the revised hearing dates are as follows:

1. 15-17, 24, 29-30 August 2022
2. 17-19 October 2022
3. 7-9 November 2022.

On 12 October 2022, the Arbitrator agreed to the request by both parties to reschedule the hearing dates due to the General Election and vacated the remaining hearing dates for October and November 2022. No new dates have been scheduled by the Arbitrator.

On 26 October 2022, the Arbitrator and Counsels agreed on a required total of 34 days of hearing for 2023. 12 of those as common dates have been reserved as interim hearing dates, as follows:

1. 20-22 March 2023
2. 22-23 June 2023
3. 24-25 July 2023
4. 16-18 & 21-22 August 2023

ZECON BERHAD
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24. Additional disclosure on profit for the year

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

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021** RM'000
Accretion of fair value on non-current trade receivables	(16,786)	(41,265)	(67,514)	-
Bad Debt written off	-	-	1,539	-
Depreciation of property, plant and equipment	230	147	475	-
Depreciation of rights-of-use assets	223	377	924	-
Fair value gain on investment properties	-	(4,075)	-	-
Impairment on other investment	-	991	-	-
Gain on disposal of property, plant and equipment	-	(268)	(419)	-
Impairment on contract costs	-	3,770	-	-
Interest expense	13,069	12,828	48,471	-
Interest income	(5)	-	(6)	-
Impairment/(Reversal) on receivables	-	24,668	(1,537)	-
Unrealised loss on foreign exchange translation	-	-	3	-
Waiver by Payables	-	(89)	(2,163)	-

*** In view of the change in financial year end, there were no comparative figures available for the preceding year corresponding periods.*

25. Earnings per Share

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021**
<u>Basic and Diluted</u>				
Loss attributable to owners of the Company (RM'000)	(3,279)	(16,020)	(4,201)	-
Weighted average number of ordinary shares in issue	147,403	144,340	147,403	-
Earnings per share (sen)	(2.22)	(11.10)	(2.85)	-

*** In view of the change in financial year end, there were no comparative figures available for the preceding year corresponding periods.*

26. Auditors' report in preceding annual financial statements

The auditors' report on the financial statements for the period ended 31 December 2021 was not qualified. Kindly refer to our bursa announcement dated 19 May 2022 for the details.

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 27 February 2023.

By order of the Board

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

Dated : 27 February 2023