



ZECON BERHAD
(Incorporated in Malaysia)

Company No: 198501002015 (134463-X)

FINANCIAL REPORT
for the financial period ended 31 March 2023

ZECON BERHAD
Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	1.1.2023 to 31.3.2023 Unaudited RM '000	1.1.2022 to 31.3.2022 Unaudited RM '000	1.1.2023 to 31.3.2023 Unaudited RM '000	1.1.2022 to 31.3.2022 Unaudited RM '000
Revenue	22,939	17,420	22,939	17,420
Cost of sales	(13,369)	(7,306)	(13,369)	(7,306)
Gross profit	9,570	10,114	9,570	10,114
Other income	18,004	17,645	18,004	17,645
Administrative expenses	(7,342)	(5,971)	(7,342)	(5,971)
Profit from operations	20,232	21,788	20,232	21,788
Finance costs	(11,321)	(11,941)	(11,321)	(11,941)
Profit before taxation	8,911	9,847	8,911	9,847
Income tax expense	(224)	(1)	(224)	(1)
Profit after taxation	8,687	9,846	8,687	9,846
Other comprehensive income	-	3	-	3
Total comprehensive income	8,687	9,849	8,687	9,849
Profit attributable to:				
Owners of the parent	1,377	2,569	1,377	2,569
Non controlling interest	7,310	7,277	7,310	7,277
	8,687	9,846	8,687	9,846
Total comprehensive income attributable to:				
Owners of the parent	1,377	2,571	1,377	2,571
Non controlling interest	7,310	7,278	7,310	7,278
	8,687	9,849	8,687	9,849
Earnings per share attributable to owners of the parent (sen per share)				
Basic	0.93	1.74	0.93	1.74

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

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Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2023 Unaudited RM'000	31 December 2022 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,236	3,124
Right-of-use assets	3,762	3,952
Inventories	10,668	10,668
Investment properties	600,163	600,163
Other investments	437	437
Trade and other receivables	766,086	770,486
	<u>1,384,352</u>	<u>1,388,830</u>
Current assets		
Inventories	7,343	7,343
Contract assets	349	936
Trade and other receivables	147,904	153,008
Deposits with licensed banks	8,175	7,894
Cash and bank balances	28,077	26,750
	<u>191,848</u>	<u>195,931</u>
TOTAL ASSETS	<u>1,576,200</u>	<u>1,584,761</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	133,594	133,594
Other reserves	358	358
Retained earnings	97,113	95,736
	<u>231,065</u>	<u>229,688</u>
Non controlling interest	186,029	178,719
TOTAL EQUITY	<u>417,094</u>	<u>408,407</u>

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	31 March 2023 Unaudited RM'000	31 December 2022 Audited RM'000
Non-current liabilities		
Lease liabilities	3,486	3,875
Trade and other payables	40,667	40,667
Deferred tax liabilities	75,840	75,840
	119,993	120,382
Current liabilities		
Borrowings	733,739	742,416
Lease liabilities	998	711
Contract liabilities	-	541
Trade and other payables	270,680	278,623
Current tax liabilities	33,696	33,681
	1,039,113	1,055,972
TOTAL LIABILITIES	1,159,106	1,176,354
TOTAL EQUITY AND LIABILITIES	1,576,200	1,584,761

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2022 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 MARCH 2023**

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	Other Reserve RM'000	Retained earnings RM'000			
Financial Period Ended 31 March 2023						
Balance as at 1 January 2023	133,594	358	95,736	229,688	178,719	408,407
Profit After Taxation for the Financial Period	-	-	1,377	1,377	7,310	8,687
Closing balance as at 31 March 2023	133,594	358	97,113	231,065	186,029	417,094

	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	Other Reserve RM'000	Retained earnings RM'000			
Financial Period Ended 31 March 2022						
Balance as at 1 January 2022	133,435	2	99,886	233,323	152,473	385,796
Profit After Taxation for the Financial Period	-	-	2,569	2,569	7,277	9,846
Other Comprehensive Income	-	3	-	3	-	3
Issuance of shares	77	-	-	77	-	77
Closing balance as at 31 March 2022	133,512	5	102,455	235,972	159,750	395,722

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 2022 and the accompanying explanatory notes attached to these interim financial statements.

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Company No: 198501002015 (134463-X)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1.1.2023 to 31.3.2023 Unaudited RM '000 3 months	1.1.2022 to 31.3.2022 Unaudited RM '000 3 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,911	9,847
Adjustments for :		
Accretion of fair value on non-current trade receivables	(16,594)	(16,971)
Depreciation of property, plant and equipment	86	108
Depreciation of rights-of-use assets	183	292
Gain on disposal of property, plant and equipment	-	(306)
Interest expense	11,321	11,941
Interest income	(289)	-
Impairment written back on receivables	(31)	-
Waiver of payables	(217)	(175)
Operating profit before working capital changes	3,370	4,736
Decrease in contract assets	45	21,623
Decrease in receivables	26,127	105,765
Decrease in payables	(7,721)	(113,081)
Cash from operations	21,821	19,043
Interest paid	(8,761)	(8,887)
Interest received	289	-
Taxation paid, net of refund	(207)	(826)
Net cash from operating activities	13,142	9,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(196)	(17)
Proceeds from disposal of property, plant and equipment	-	306
Net cash from investing activities	(196)	289

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of term loan	(12,000)	(11,882)
Repayment of lease liabilities	(292)	(35)
Proceeds from ordinary share issuance pursuant to ESOS	-	77
Net cash for financing activities	(12,292)	(11,840)
Net decrease in cash and cash equivalents	654	(2,221)
Cash and cash equivalents at the beginning of the period	426	7,789
Cash and cash equivalents at the end of the period	1,080	5,568

Cash and cash equivalents comprise of the following:-

Deposits with licensed banks	8,175	6,895
Cash and bank balances	28,077	25,239
Bank overdrafts	(9,997)	(9,820)
	26,255	22,314
Less : Deposits pledged to licensed banks	(7,175)	(6,833)
Less : Reserve account	(18,000)	(9,913)
	1,080	5,568

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 March 2023

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 2022. 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 2022.

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 2022 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 2023 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 10 and MFRS 128: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture
- Amendment to MFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9-Comparative Information
- Amendments to MFRS 101: Disclosure of Accounting Policies

2. Changes in accounting policies (continued)

- Amendment to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendment to MFRS 101: Non-current Liabilities with Covenants
- Amendment to MFRS 108: Definition of Accounting Estimates
- Amendment to MFRS 112: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

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 March 2023.

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 2023.

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 March 2023, 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 March 2023.

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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		
	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	1.1.23 to 31.3.23	1.1.22 to 31.3.22	
	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	10,306	5,010	-	-	-	-	12,560	12,400	73	10	-	-	22,939	17,420	
Inter-segment sales	-	-	-	-	-	-	(2,507)	-	(5)	(8)	2,513	8	-	-	
Total Revenue	10,306	5,010	-	-	-	-	10,053	12,400	68	2	2,513	8	22,939	17,420	
Segment (loss)/profit	(1,420)	(1,511)	(459)	(88)	(3,074)	(2,340)	24,986	25,883	(198)	(156)	(397)	-	20,232	21,788	
													Finance cost	(11,321)	(11,941)
													Profit before taxation	8,911	9,847

	Construction (A)		Property Development		Property Holding		Service Concession (B)		Others (C)		Adjustment and eliminations		Total	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
	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	323,642	334,010	47,947	50,780	592,211	592,215	968,995	965,871	3,240	3,488	(359,834)	(361,604)	1,576,200	1,584,761
Segment Liabilities	469,448	473,260	58,057	60,431	393,890	390,156	772,654	787,337	28,366	28,594	(563,309)	(563,424)	1,159,106	1,176,354

8. Segmental Reporting (continued)

(a) Construction Sector

The sector continues to record construction revenue from Pan Borneo Highway 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 other management services.

9. Event after the Reporting Period

There are no other material events subsequent to the reporting date that have any material impact on the financial result for the period ended 31 March 2023.

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 2022 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 563,897,847 utilised. The Group also acknowledge potential legal claims against the Group amounting to RM10,902,536.

13. Recurrent Related Party Transactions (“RRPT”)

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

	31 March 2023	31 March 2022
	RM'000	RM'000
Aggregate gross value of RRPT	<u>225</u>	<u>225</u>

The RRPT comprise transactions controlled by or connected to certain substantial shareholder of the Group, 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.

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
	31.03.23	31.03.22		31.03.23	31.03.22	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	22,939	17,420	31.7%	22,939	17,420	31.7%
Gross profit	9,570	10,114	-5.4%	9,570	10,114	-5.4%
Profit from operations	20,232	21,788	-7.1%	20,232	21,788	-7.1%
Profit before taxation	8,911	9,847	-9.5%	8,911	9,847	-9.5%
Profit after taxation	8,687	9,846	-11.8%	8,687	9,846	-11.8%
Profit attributable to the ordinary equity holders of the parent	1,377	2,569	-46.4%	1,377	2,569	-46.4%

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.

PART B : Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (CONT'D)

14. Review of performance(Cont'd)

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

	Current Quarter 31.03.23 RM'000	Immediate Preceding Quarter 31.12.22 RM'000	Changes %
Revenue	22,939	17,420	31.7%
Gross profit	9,570	10,114	-5.4%
Profit from operations	20,232	21,788	-7.1%
Profit before taxation	8,911	9,847	-9.5%
Profit after taxation	8,687	9,846	-11.8%
Profit attributable to the ordinary equity holders of the parent	1,377	2,569	-46.4%

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 next quarter.

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 3 months ended	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current year	224	1	224	1
Prior year	-	-	-	-
	224	1	224	1
Deferred tax				
Relating to origination and reversal of temporary differences	-	-	-	-
TOTAL	224	1	224	1

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 March 2023	31 December 2022
	RM'000	RM'000
Short term borrowings		
<u>Secured</u>		
- Term loans	587,710	597,955
- Revolving credit	117,266	115,017
- Ijarah facility	28,763	29,444
TOTAL BORROWINGS	733,739	742,416

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 2023.

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 2023.

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”);

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.

23. Material litigation (continued)

- (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.

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.

23. Material litigation (continued)

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.

On 1 March 2023 the Appeal Court postponed the Case Management to 19 April 2023 and on 19 April 2023 Wika's lawyer informed the Appeal Court that Wika has yet to obtain the sanction from the Liquidator to proceed with the appeal. The Appeal Court fixed hearing on 12 October 2023.

(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)

- (i) Affin Hwang Investment Bank Bhd & 2 Others vs. Zecon Berhad(Cont'd)

On 28 March 2023, parties informed the Appeal Court that there was no objection to the extension of the Standstill Agreement for another 12 months.

On 11 April 2023, the Appeal Court allowed 3 months for parties to settled and on 19 April 2023 fixed case management by e-review on 13 July 2023

- (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)

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

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.

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.

23. Material litigation (continued)

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

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.

On 7 March 2023, the Federal Court granted order for Affin’s Notice of Motion for Leave to Appeal be stayed until 24 March 2023 with no order as to Cost.

On 16 March 2023, the Federal Court fixed Affin’s Notice of Motion for Leave to Appeal for hearing on 16 May 2023 and fixed the matter for case management on 2 May 2023.

On 17 April 2023, HH e-filed the Notice of Motion for Stay and on 19 April 2023 via Notice of Hearing, the Federal Court fixed both HH’s Motion for Stay and Affin’s Motion for Leave to Appeal for hearing on 16 May 2023. The case management remains on 2 May 2023.

On 2 May 2023, parties informed the Federal Court that the Standstill Agreement has been extended for 12 months and jointly requested to adjourn the hearing. The Federal Court directed parties to make oral application for adjournment at the hearing on 16 May 2023.

- (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.

23. Material litigation (continued)

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

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

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

23. Material litigation (continued)

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

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

On 7 April 2023, AGC wrote to the Arbitrator to withdraw the Counterclaim after JKR withdrew the Certificate of Termination Costs on 5 April 2023. On 11 April 2023, the Company’s solicitor wrote to the Arbitrator to object against the withdrawal of the Counterclaim and seeking the arbitral tribunal to make an award dismissing the counterclaim with costs.

The hearing was conducted as scheduled and will continue on the following dates:

1. 25-26 May 2023
2. 22-23 June 2023
3. 12-13 & 24-25 July 2023
4. 16-18 & 21-22 August 2023

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 3 months ended	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	RM'000	RM'000	RM'000	RM'000
Accretion of fair value on non-current trade receivables	(16,594)	(16,971)	(16,594)	(16,971)
Depreciation of property, plant and equipment	86	108	86	108
Depreciation of rights-of-use assets	183	292	183	292
Gain on disposal of property, plant and equipment	-	(306)	-	(306)
Interest expense	11,321	11,941	11,321	11,941
Interest income	(289)	-	(289)	-
Impairment written back on receivables	(31)	-	(31)	-
Waiver by Payables	(217)	(175)	(217)	(175)

25. Earnings per Share

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	<u>Basic and Diluted</u>			
Profit attributable to owners of the Company (RM'000)	1,377	2,569	1,377	2,569
Weighted average number of ordinary shares in issue	147,403	147,388	147,403	147,388
Earnings per share (sen)	0.93	1.74	0.93	1.74

26. Auditors' report in preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2022 was not qualified. Kindly refer to our bursa announcement dated 28 April 2023 for the details.

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 29 May 2023.

By order of the Board

Koh Fee Lee

Company Secretary

(MAICSA 7019845)

(SSM PC No. 201908002220)

Dated : 29 May 2023