ZECON

2021

ANNUAL REPORT

PEOPLE . PLANET . GROWTH

"Pan Borneo Highway Phase 1, Work Package Contract 3 - Pantu Section"

VISION:

To be a world class corporation providing excellent engineering and construction services

MISSION:

We will deliver excellent engineering and construction services which meet our customers' requirement through good corporate governance practices and superior technologies.

We also strive to have an efficient, dedicated and trained workforce to serve our customers.

ZECON SUSTAINABLE GOALS

MEDIUM TERM GOALS (1-5 YEARS)

MEDIUM TO LONG TERM GOALS (5 – 10 YEARS)

CERTIFICATIONS

ISO: 9001:2015 (Quality Management System)
ISO: 45001:2018 (Health And Safety Management System)
ISO: 14001:2015 (Environmental Management System)
SEDA-RPVI: Sustainable Energy Development Authority – Registered Solar Photovoltaic Investor

CONTENTS

Cover Story:

PEOPLE . PLANET . GROWTH

Zecon embeds Sustainability Policies into the Group's strategy to create a lasting Change in all its business activities. Change that focuses on; making the Group *Environmentally Aware*, putting safety and health first for all its *People* while adding positive social values and Ultimately, achieving sustainability *Growth* in earnings, brand recognition and shareholders values.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datu Haji Hamzah bin Haji Drahman
Independent Non-Executive Chairman

Datuk Haji Zainal Abidin bin Haji Ahmad
Group Managing Director

Zainurin bin Ahmad
Deputy Managing Director

Dato' Abdul Majit bin Ahmad Khan
Senior Independent Non-Executive Director

Richard Kiew Jiat Fong
Independent Non-Executive Director

Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di
Independent Non-Executive Director

Hui Kok Yuan
Non-Independent Non-Executive Director

Haji Sazali bin Md Salleh
Non-Independent Non-Executive Director

Haji Jamil bin Haji Jamaludin
Executive Director

Mohammed Noor bin Ahmad
Independent Non-Executive Director
(Appointed on 03 January 2022)

AUDIT COMMITTEE

Richard Kiew Jiat Fong (Chairman)
Dato' Abdul Majit bin Ahmad Khan
Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di
Haji Sazali bin Md Salleh

RISK MANAGEMENT COMMITTEE

Hui Kok Yuan (Chairman)
Dato' Abdul Majit bin Ahmad Khan
Zainurin bin Ahmad

REMUNERATION & NOMINATION COMMITTEE

Dato' Abdul Majit bin Ahmad Khan (Chairman)
Richard Kiew Jiat Fong
Hui Kok Yuan (Appointed on 25 November 2021)

COMPANY SECRETARIES

Koh Fee Lee (MAICSA 7019845)
SSM Practising Certificate No. 201908002220
Voon Jan Moi (MAICSA 7021367)
SSM Practising Certificate No. 202008001906

AUDITORS

Messrs Crowe Malaysia PLT
2nd Floor, C378
Block C, iCom Square, Jalan Pending
93450 Kuching, Sarawak, Malaysia
Tel : +6082-266988
Fax : +6082-266987

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor, Malaysia
Tel : +603-78904700
Fax : +603-78904670
Website : www.boardroomlimited.com

PRINCIPAL BANKERS

MBSB Bank Berhad
Kuwait Finance House (Malaysia) Berhad
Bank Muamalat Malaysia Berhad
Malayan Banking Berhad

SOLICITORS

William Leong & Co. Advocates & Solicitors
Beriak Tham Advocates
David Allan, Sagah & Teng Advocates
Reddi & Co. Advocates
Azmi & Associates

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Market
Stock Code : 7028
Stock Name : ZECON

REGISTERED OFFICE

8th Floor, Menara Zecon
No. 92, Lot 393, Section 5 KTLD
Jalan Satok
93400 Kuching, Sarawak, Malaysia
Tel : +6082-275555
Fax : +6082-275500
E-mail : headoffice@zecon.com.my
Website : www.zecon.com.my

BRANCH OFFICE

Suite 2A-11-2, Level 11
Block 2A, Plaza Sentral
Jalan Stesen Sentral 5
KL Sentral
50470 Kuala Lumpur, Malaysia.
Tel : +603-22723118
Fax : +603-22743656
E-mail : kloffice@zecon.com.my

CORPORATE STRUCTURE

ZECON

100%

Zecon Construction Services Sdn Bhd

Zecon Land Sdn Bhd
- 100% Zecon Demak Jaya Sdn Bhd
- 55.44% Zecon Petra Jaya Sdn Bhd

Zecon Assets Sdn Bhd

Zecon Geotechnical Services Sdn Bhd

Zecon Construction (Sarawak) Sdn Bhd

Zecon Toll Concessionaire Sdn Bhd

Zecon Mutiara Sdn Bhd
- 100% IR Concept (M) Sdn Bhd
- 100% ZPM Satu Sdn Bhd
- 100% Zalpoint Tanah Putih Sdn Bhd

Zecon International Limited
- 100% Zecon Engineering & Construction Sdn Bhd

Zecon Engineering (Sabah) Sdn Bhd
(Formerly known as Zecon Designtech Sdn Bhd)

Zecon Piling Sdn Bhd

Demak Concessionaire Sdn Bhd

Zecon Capital Sdn Bhd
- 100% ServeCo Sdn Bhd
- 100% Zecon Hotel Sdn Bhd
- 100% Zecon Re Sdn Bhd
- 100% Parkyocar Sdn Bhd

Zecon Space Sdn Bhd

Excelbuilt Engineering Sdn Bhd

Zecon Medivest Sdn Bhd

Aerotropolis (Kuching) Sdn Bhd

Zecon Energy Sdn Bhd
- 60% Zecon Well Services Sdn Bhd

Zecon Fab Sdn Bhd

96%

Zecon Resources Sdn Bhd
- 50.10% Sarmax Sdn Bhd

70%

Zecon Dredging Sdn Bhd
Zecon Kimlun Consortium Sdn Bhd

55%

Teknik PS Sdn Bhd

51%

Zecon Medicare Sdn Bhd
Huang Hong Sdn Bhd
Saramax Land Sdn Bhd

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

In the past 18 months, Covid-19 pandemic recovery has been slow, coupled by the disruption caused by new variants, globally and locally in Malaysia. Our operations continued throughout this challenging time, keeping our works on schedule and keeping our people on the job. In the 2nd half of 2020 in particular, we saw the successful completion and handing over of one of our major projects in December 2020. I take this opportunity to acknowledge the trust from our clients and the support of our teams without whom we will not be where we are now.

The outlook has been boosted by the announcement made by our Prime Minister recently that Malaysia will be entering the endemic stage from 1 April 2022. I am confident that we can anticipate more economic activities and launching of more significant infrastructure and development projects in coming months.

Zecon ended 18 months of financial period with a profit after tax of RM17.17 million, keeping the Group profitable for the 2nd consecutive years. Revenue rose from RM519.23 million to RM632.63 million or an increase of 22%. More analysis can be read in the Financial Highlights in the following pages.

PAN BORNEO HIGHWAY

Zecon's infrastructure project, the RM1.35 billion Proposed Development And Upgrading of The Pan Borneo Highway In The State of Sarawak – Phase 1 – Serian Roundabout To Pantu Junction (Pan Borneo Highway) project is near its completion. The Serian Roundabout section was fully completed and handed over to Jabatan Kerja Raya on 5 December 2021. The completion was slightly ahead of the scheduled completion time.

Zecon was presented the Certificate of Practical Completion from JKR on 5 December 2021

2 Lanes dual-carriageway, a section from Serian Roundabout to Pantu Junction

The Pantu section which has an official completion date of June 2022 is still in progress. As at the time of this report, the physical completion is around 97%. We expect this section to be fully completed and on schedule.

CHILDREN SPECIALIST HOSPITAL, UKM

Hospital Pakar Kanak-Kanak Universiti Kebangsaan Malaysia (HPKK) is a Public Private Partnership / Private Finance Initiatives (PPP/PFI) project on a Build, Lease, Maintain and Transfer (BLMT) concept. The RM606 million project provides facilities of 243 beds, a 54 rooms hotel to provide family-centered care and a multi-level carpark with a total floor area of 39,564 m^2.

The Certificate of Practical Completion for HPKK was issued on 19 August 2020 and subsequently Universiti Kebangsaan Malaysia (UKM) issued the Certificate of Acceptance on 30 December 2020. Indeed, it was a significant milestone for the Group.

The concession period under the BLMT contract is 25.5 years, starting from 1 January 2021. Zecon Medicare Sdn Bhd (ZMSB), the concessionaire provides the core competencies for the 5 maintenance services during this period, namely: Cleansing Services, Biomedical Engineering Management Services, Facility Engineering Management Services, Linen And Laundry Services, Clinical Healthcare Waste Management Services and Facility Maintenance Services.

In order to meet the stringent key performance indicators required by UKM, ZMSB has recruited several managers that has a combined working experience of 115 years in hospital and healthcare relevant fields, providing professional support to HPKK. Moving forward, they also form the fundamental competency for any healthcare facility management projects for the Group in the near future.

LEGAL PROCEEDING

(1) Wrongful Termination And Claim For Unpaid Workdone

Zecon's RM207.2 million claim against Jabatan Kerja Raya Malaysia (Federal JKR) for the wrongful termination of the Hospital Petrajaya project is still progressing through arbitration. The arbitration hearing commenced in January 2022 at the Asian International Arbitration Centre will continue as scheduled until the end of October 2022. Together with our solicitors, Zecon is fully committed to recoup for justice, financial losses and reputation. The Board of Zecon has obtained assurance that there are merits to the claim against JKR, including but not limited to the claim for unpaid workdone.

(2) Default In Payment And Foreclosure of Land

The Writ of Summon filed by Affin Hwang Investment Bank Berhad, Bank Pembangunan Malaysia Berhad and Affin Bank Berhad (Syndicated Lenders) against Zecon for default in payment arising from the termination of the Hospital Petrajaya project by JKR Malaysia. As judgement was given against Zecon, Zecon filed the Notice of Appeal on 11 August 2020 against the summary judgement and strike out of Zecon's counterclaim granted to the Syndicated Lenders by the Court. Following the Standstill Agreement signed between the parties on 24 September 2021 to withhold all legal proceedings against each other for a period of one year, the Court of Appeal set 5 April 2022 to monitor the settlement progress.

In the case of the foreclosure suit filed by Affin Hwang Investment Bank Berhad (Affin) against Huang Hong Sdn Bhd (Huang Hong, 51% subsidiary of Zecon), the Court granted Affin the order of sale in June 2020. However, on 26 August 2021, at Huang Hong's appeal, the Appeal Court judges unanimously set aside the order of sale and Affin's high court suit was disposed of in Huang Hong's favour. Affin's appeal at the Federal Court was put on hold by virtue of the Standstill Agreement until 23 September 2022.

Zecon has timely and accurately updated the development of these cases to Bursa Malaysia through monthly announcements and in the Annual Reports. All potential risks have been identified, assessed and have their respective mitigation measures put in place, through our internal control and risk management processes.

ON-GOING CORPORATE EXERCISE

Zecon's proposed medium term Islamic Bond of up to RM865 million is still on-going. Part of the proceeds will be utilised to pay off existing loans, enhance liquidity and inject much needed cashflow into operations. The management is working intensively with the lead advisor for this exercise together with the rating agency to ensure that the exercise progresses as scheduled. This is part of our mitigation measures for the legal and financial risks arising from the default in payment legal suit. We are confident that we are able to obtain the issuance of funds before the expiry of the Standstill Agreement on 23 September 2022.

REVIEW ON SUSTAINABILITY

I am pleased to share that Zecon Group Sustainability Committee (Sustainability Committee) was approved by the Board on 25 February 2021. The Sustainability Committee which was part of the Risk Management Committee before this is now led by an independent non-executive director and reports to the Board of Directors (Board). Zecon is committed to operating sustainably and reporting on our Environmental, Social And Governance (ESG) performance. Sustainability continues to form part of the Annual Report keeping our shareholders informed on progresses and updates.

The Group's Sustainability policies have been integrated into the Board's strategy. We are still in the early stage of this transformation. However, Zecon is committed to the Sustainable Goals which we have set to achieve in the next 10 years.

Below are some of the Group's efforts toward achieving our Medium Term (1 – 5 Years) Sustainable Goals namely; (1) Good Health & Well-Being, and (2) Affordable And Clean Energy, during the period under review.

Good Heath & Well-Being (People And Communities)

- **Covid-19 Initiatives**
  Zecon Covid-19 Taskforce established the Standard Operating Procedures (SOP) for all offices and sites since the beginning of the Covid-19 pandemic. The Covid-19 Taskforce also constantly reviews the guidelines and the SOP, monitors the pandemic situation, communicates with relevant authorities and enforces the SOP compliance to provide employees with adequate protection. Our Children Specialist Hospital, HPKK continues to support the National Immunisation Programme, once again making its facility and services ready as a vaccination center.

- **Safe & Healthy Workplace**
  Zecon continues to provide its employees a safe workplace, it is our aim to achieve zero accident cases at all our sites and offices. Our safety officers, as members of the Safety and Health Committees at respective project sites and offices work diligently in accordance with the Group's Health & Safety Policy which is established in accordance with our ISO 45001:2008 (Occupational Health and Safety Management Systems) guidelines. Zecon is also certified by ISO 14001:2015 (Environmental Management Systems), hence these standard operating procedures in place for safety, health and environment have been periodically reviewed and audited by the independent certification bodies in order to remain compliant and operational.

I am pleased to share that during the period under review, there were no major accidents, serious injuries and fatalities which occurred, and there was no fine imposed by the authorities on any of our projects or premises.

Affordable And Clean Energy

- **Sustainable Energy Development Authority Malaysia (SEDA)**
  Zecon Medicare Sdn Bhd (ZMSB) is the Registered Solar Photovoltaic Investor (RPVI) under the New Energy Metering (NEM) programme by SEDA. ZMSB was first certified in 2021 and it was recently renewed in February 2022.

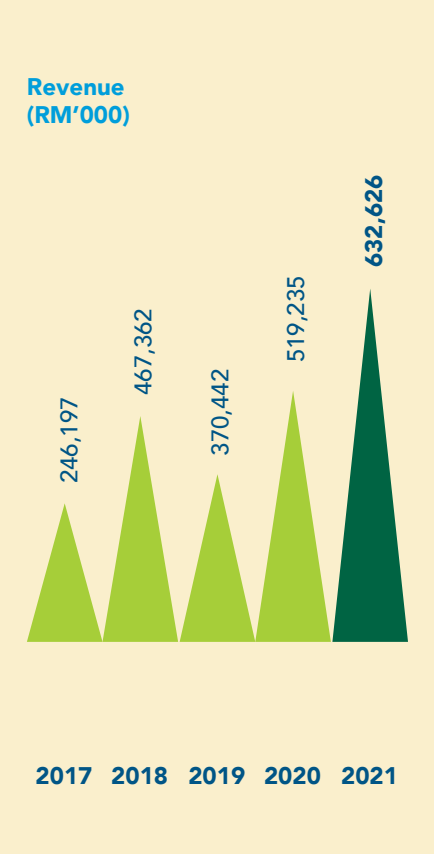
I am pleased to update that at the time of this reporting, Zecon has also successfully obtained the RPVI certification which will allow Zecon to diversify into renewable energy sector and to take advantage of the growing potential in the global renewable energy market, and at the same time meeting our sustainable goal in promoting affordable, reliable and modern energy services. I strongly believe that we are able to boost earnings in coming years through collaborations projects in this field.

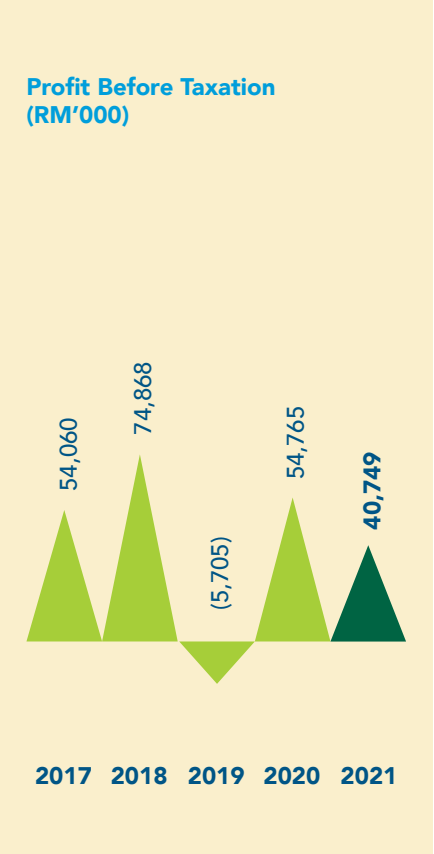
More on the Group's Sustainability Statement, Framework, Structure, Material Matters and Reporting can be read in this Annual Report.

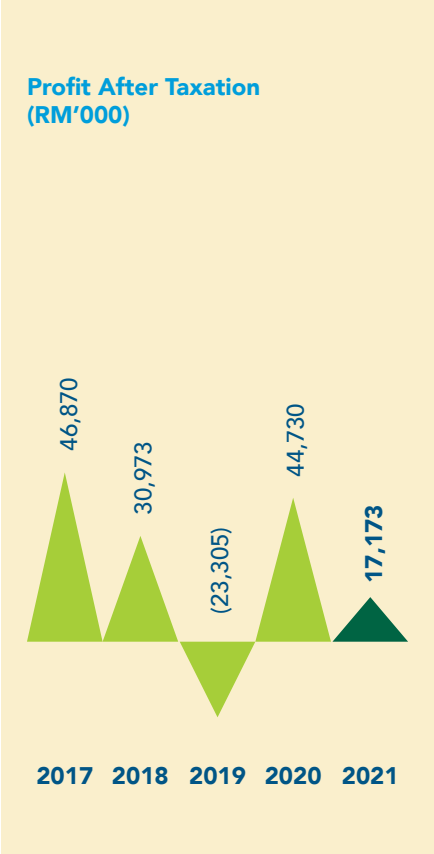
FINANCIAL HIGHLIGHTS

5-Year Financial Highlights:

	2017	2018	2019	2020	2021
Revenue (RM'000)	246,197	467,362	370,442	519,235	**632,626**
Profit Before Taxation (RM'000)	54,060	74,868	(5,705)	54,765	**40,749**
Profit After Taxation (RM'000)	46,870	30,973	(23,305)	44,730	**17,173**
Profit for the Year Attributable to Owners of the Parent (RM'000)	14,179	13,232	(20,974)	35,935	**(17,507)**
Total Equity Attributable to Owners of the Parent (RM'000)	112,139	274,201	216,881	256,121	**233,323**
Earnings per Share (Sen)	11.90	10.33	(16.01)	25.03	**(12.13)**
Total Assets (RM'000)	844,615	1,206,578	1,374,353	1,602,059	**1,705,604**
Net Assets per Share (RM)	0.94	2.14	1.66	1.78	**1.62**
Current ratio (times)	0.70	0.31	0.24	0.23	**0.25**
Gearing ratio (times)	3.12	1.71	2.83	3.08	**3.32**

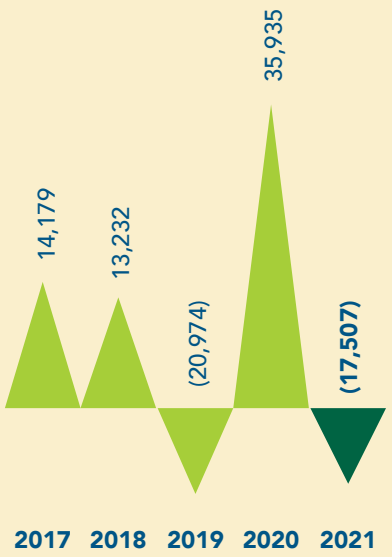




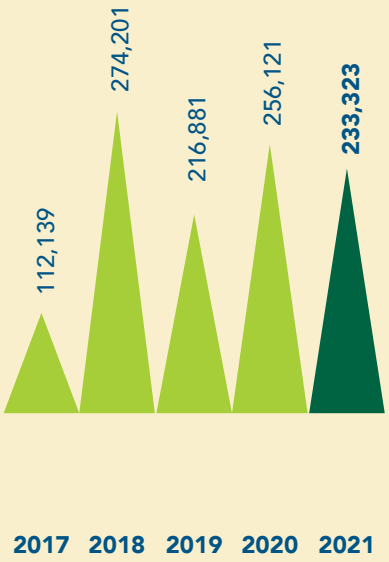


FINANCIAL HIGHLIGHTS (Cont'd)

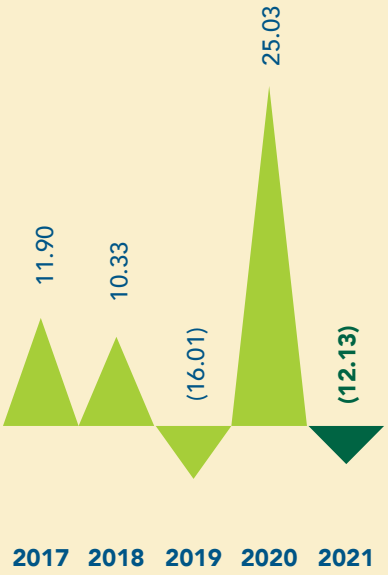
Profit For The Year Attributable To Owners Of The Parent (RM'000)



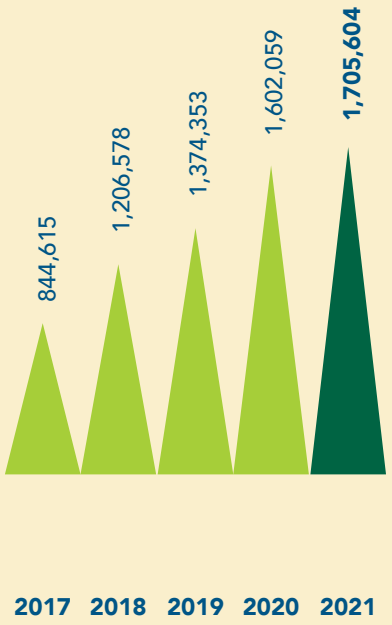
Total Equity Attributable To Owners Of The Parent (RM'000)



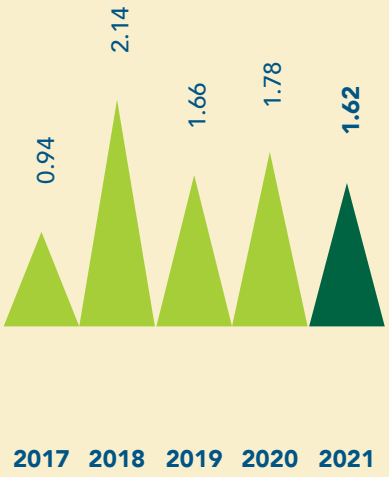
Earnings Per Share (Sen)



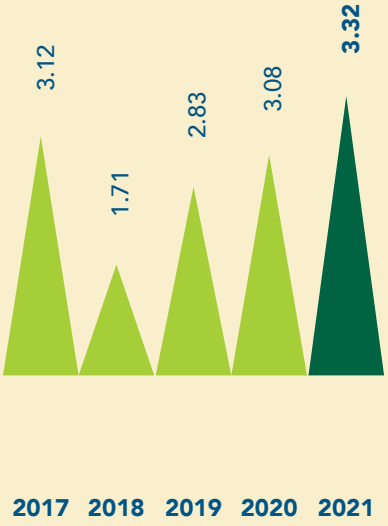
Total Assets (RM'000)



Net Assets Per Share (RM)



Gearing Ratio (Times)



FINANCIAL HIGHLIGHTS (Cont'd)

Review Of Financial Performance

An 18-month cumulative total since 1 July 2020 saw the Group registering a revenue of RM632.63 million with a profit after tax of RM17.17 million. A positive result from a very challenging period.

Pan Borneo Highway project continued to contribute positively with 18 months revenue of RM508.51 million whereas RM69.40 million was construction revenue from HPKK. HPKK also added RM52.45 million from its Assets Management Services, a minimum of RM4 million per month starting from January 2021.

Gross profit decreased from RM71.15 million to RM32.56 million mainly due to the completion of HPKK project which was handed over in December 2020 coupled by the one-off adjustment of RM8 million on HPKK's costs escalation.

Profit after tax of RM17.17 million was mainly boosted by other income especially the recognition of RM98.17 million interest income from HPKK.

Financial costs continue to be the significant factor slowing down the Group's overall profitability growth, also resulting in high gearing at 3.32 times and loss per share of 12.13 sen for the period under review.

PROSPECTS

Zecon continues to be actively participating in tenders for potential projects both in Sarawak and Semenanjung Malaysia. The plans on the launching new development projects on our 3,000 acres of land in Kuching are on-going and progressing well. The Group's prospects remain positive.

THANK YOU

I would like to close this discussion by welcoming our new director, Mohammed Noor Bin Ahmad to the Board. I believe his vast experience especially in the field of taxation would be invaluable to Zecon. I take this opportunity to thank all our shareholders, the Board of Directors, clients and management and staff for your support.

It is our commitment that Zecon Group will continue to operate responsibly to our people and our planet. Our mission has always been to maximise long-term values for our shareholders. I look forward to sharing more updates and development of our on-going plans and activities with you in the near future.

Datuk Haji Zainal Abidin Bin Haji Ahmad
Group Managing Director

SUSTAINABILITY REPORT

Zecon Group Sustainability Committee was approved by the Board of Directors on 25 February 2021 and held its first committee meeting on 15 October 2021.

SUSTAINABILITY STATEMENT

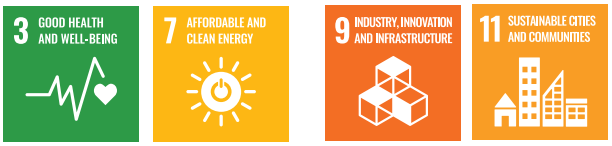
Zecon's Group sustainability approach embeds sustainability opportunities and risks into business strategic direction, focusing on the people and the environment around the Group's activities to enhance long term economic growth and shareholders' values. Through processes and measures based on global best practice and strategic collaboration, the Group's Sustainability aims to increase competitiveness and cultivate a sustainability lifestyle for its people and stakeholders.

ZECON GROUP SUSTAINABILITY FRAMEWORK (ZGSF)

ZGSF	
People	Focusing On Employees Welfare, Safety and Health and Practice Inclusivity
Environmental	Enhance Climate Awareness & Management To Minimise Negative Impact
Governance	Establish Governance and Policies In Managing The Group's Economic, Environmental and Social (EES) Opportunities and Risks Through Best Practices
Sustainability Lifestyle	Advocating Sustainability Culture For Our People and Stakeholders

ZECON GROUP SUSTAINABLE GOALS

Medium Term Goals (1-5 Years)	Medium To Long Term Goals (5 – 10 Years)



Zecon Group Sustainable Goals are identified from the United Nations Sustainable Development Goals (SDGs) published in September 2015 (http://sdghub.com/ceo-guide). These 4 goals are best related and practicable to the Group's day-to-day activities covering the core businesses of Construction, Healthcare Concession and Property Development. They are also in-line with the long-term goal to have a sustainable lifestyle for the people in the organisation and the communities which the Group operates in.

Good Health and Well-being

- Focus On Employees Health and Welfare
- Improve Health Coverage
- Improve Safety At The Workplace (Against Hazardous Contamination and Pollution)
- Promote and Raise Mental Health Awareness

Affordable and Clean Energy

- Promote Affordable, Reliable and Modern Energy Services
- Be Part Of The Global Effort To Increase Energy Efficiency
- Collaborate In Renewable Energy Research and Practice

Industry Innovation and Infrastructure

- Industrial Collaboration
- Industrial Building System
- Research and Development

Sustainable Cities and Communities

- Promote Safe & Affordable Housing
- Reduce The Adverse Effect Of Natural Disasters
- Reduce The Environmental Effect Of Cities
- Provide Access To Safe And Inclusive Green And Public Spaces

ZECON GROUP SUSTAINABILITY STRUCTURE

Scope & Responsibility

The BOD is ultimately responsible for embedding sustainability into the Group's business strategy and business direction, creating long term value for business continuity and competitiveness, optimise stakeholders' values.

The BOD reviews the Sustainability Report (SR) tabled by the ZGSC, discusses and approves initiatives and recommendations made by the ZGSC.

Zecon adopts top-down approach in sustainability governance, the BOD is responsible for the overall integrity of the Group's Sustainability.

ZGSC is responsible for the overall group level sustainability policy, framework, initiatives and materiality. ZGSC is also tasked to review the process regularly and to evaluate performance by the working committee on various sustainability initiatives outlined by the ZGSC.

ZGSC prepares SR to advise and recommend to the BOD the business strategies in the area of sustainability, every quarterly, prior to the BOD meeting.

ZSWC is responsible to carry out the sustainability initiatives outlined by the ZGSC, to apply them diligently in their everyday activities at work.

ZSWC's performance and accountability will be evaluated and measured by the ZGSC.

MATERIAL SUSTAINABILITY MATTERS

The Group established its material sustainability matters by identifying attributes and factors that are relevant and substantial to the overall performance, financial and operational results and viability of business, in terms of the impact on *governance*, *social*, *environmental* and *consequences to its shareholders*.

The following matters were identified as the group's material sustainability matters:

- Occupational Safety and Health
- Quality, Timeliness and Pricing of Products and Services
- Business Ethics
- Environmental Management
- Building Technology; and
- Social Impact of Products and Services

The Group's sustainability reports on Construction, Property Development and Healthcare Divisions. These are the core revenues generating divisions which cover the majority of the Group's resources and activities. Hence the biggest overall economic, environment and social impact.

The following matters were identified as the Group's Material Sustainability Matters and are discussed in details in the following sections:

- Occupational Safety and Health
- Quality, Timeliness and Pricing of Products and Services
- Business Ethics
- Environmental Management
- Building Technology; and
- Social Impact of Products and Services

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Occupational Safety and Health

Operating in the construction and property development sectors, we recognise that our business has an inherently significant safety and health risks on the Group's stakeholders such as employees and workers. It is one of the Group's key objectives to establish a safe working environment for our workers and the communities we operate.

The Group has established a group-level Environmental, Health & Safety Policy (EHS Policy) in accordance with ISO 14001:2015 and ISO 45001:2018 which guide the principles for all health and safety practices of the Group's operations, with an added focus on project sites. The Group takes compliance with relevant law, rules and regulations relating to environmental and social matters seriously and has incorporated key compliance requirements in the Group's EHS Policy. The Group is also required to comply with laws and/or regulations such as those imposed by the Construction Industry Development Board (CIDB), Department of Occupational Safety and Health (DOSH), Department of Environment (DOE) and Natural Resources And Environmental Board, to name a few. The Group has in place processes to ensure compliance so as to obtain the relevant certificates of compliance from these authorities to be able to continue operations.

The Group's Management System on Health and Safety has obtained ISO 45001:2018 (valid until December 2023) – Occupational Health and Safety Management Systems and forms part of the Group's Integrated Management System (IMS) which comprises ISO 9001:2015 (valid until August 2024) – Quality Management Systems, and ISO 14001:2015 (valid until December 2023) – Environmental Management Systems.

Each of the Group's projects is monitored by the respective Safety and Health Committee (SHC) which is responsible to oversee the project's management of health and safety risk and practices. The SHC reviews safety and health procedures, investigates any complaints or related matters raised, and holds regular discussions with employees and workers on issues relating to workplace safety and health.

Safety, Security and Environment (HSSE) Officers who assist the SHCs in monitoring adherence to the Group's EHS Policy and relevant guidelines by employees and workers. The HSSE Officers conduct frequent site visits to observe site conditions and construction process and work together with the on-site Project Manager in addressing any health and safety concerns include the following measures:

- performance of Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and appropriate safety plans where necessary;
- provision of appropriate personal protective equipment to employees and workers;
- zoning practices (e.g. green zone and red zone) that manage or prohibits public access at construction sites which are close to the public;
- traffic management plans are devised for construction sites within proximity of traffic to ensure safety of the public and the construction sites;
- establishment of an Emergency Response Team; and
- periodic safety training is provided to employees and workers to instil awareness on workplace safety.

Zecon aims to achieve zero accident cases at its worksite. For the financial period under review, there were no serious injury cases or fatalities, nor fines by authorities, reported for the Group's operations and activities within the scope of this Statement.

Quality, Timeliness and Pricing of Products and Services

Dedicated to providing excellent engineering and construction services, Zecon Group places quality and timely delivery of its services as a vital element in driving business sustainability. The Group endeavours to ensure its construction and property development projects are delivered in accordance with the agreed and promised standards and quality in a timely manner. The Group believes that the delivery of value in its works helps enhance key customers' confidence in the Group's brand name and thus is able to attract, retain and grow its customer base.

In order to maintain the quality of its services, the Group has established standard operating procedures (SOP) for quality management system in accordance with, and certified by, ISO 9001:2015 which forms part of the Group's IMS. The Group's Construction and Property Divisions conduct stringent quality checks at all stages of construction and completion of their projects to ensure works at each stage are done in accordance with specifications. In this regard, the Group is supported by Project Directors and Construction Managers who are conversant with relevant industry requirements and possess vast experience on top of their qualification. The Group's collaboration with established developers and contractors with proven track records in the form of consortium and partnership shows the commitment to deliver the best quality products and services.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Quality, Timeliness and Pricing of Products and Services (Cont'd)

In view of preparation for the delivery of asset and facilities management service under the government concession contract for Children Specialist Hospital, University Kebangsaan Malaysia, the Group also incorporates IMS principles and practices into the operations of its Service Concession Division. This will include regular monitoring of service quality and effective communication between the management company and the user to facilitate timely resolution of issues or actions required.

The Group's emphasis on timely delivery of its projects helps to win customers' trust in its construction works and development projects. On a monthly basis, the Project Management Committee of each of the Group's projects meets to update and discuss on project progress, such as timeliness of project execution, billing progress and cost and profit estimation. In addition, the Project Management Committee provides quarterly updates to the Board. Major projects, as well as those requiring additional attention, are also discussed at risk management meetings which are held on a quarterly basis, considering amongst others, any mitigation and contingency plans where required.

At times, projects may face challenges of all sorts which may affect the progress of project implementation, e.g. changes in technical designs, unfavourable weather conditions, escalating costs of raw materials, incompetent sub-contractors, etc. In this regard, the Group endeavours to minimise losses which may potentially be incurred as a result of these challenges.

Therefore, moving forward, the Group will place greater preference on total subcontracting of construction projects to reputable subcontractors or forming joint venture or consortium to participate in major projects, in order to enhance delivery efficiency. We have also enhanced our sub-contractor selection process by establishing a more stringent sub-contractor selection requirement on the competency, experience, track records and financial soundness of sub-contractors, and imposing an increased Liquidated Ascertain Damages (LAD) charges and performance bonds against sub-contractors.

Apart from work quality and timeliness of delivery, the Group also views tender pricing as an important factor for the Group to be relevant and competitive in the market. When participating in tenders, the Group, being mindful of the need to expand its order book, strives to balance between making competitive bids and securing reasonable profit margins without compromising on work quality, all with the objective of creating value for shareholders and other stakeholders on a long-term basis.

Against the backdrop of the Government's objective to promote a fair and competitive environment on public projects, the Group prepares itself to remain relevant in the space of public tenders. In this regard, the Group will seek to ensure the robustness of its tender pricing process, which considers inputs from various functions within the Group, such as budgeting and quantity surveying, legal and contract documentation, project management and delivery, etc.

Business Ethics

Zecon believes that conducting business ethically helps to create a fair and competitive business environment and drives confidence and trust between the business and its stakeholders. The Group is committed to fostering a business culture of integrity and of high ethical standards.

The Board sets the culture for business ethics and conduct, formalised and communicated via the Code of Ethics for Directors, as embedded in the Board Charter, and the Code of Ethics for the Group's employees, provided for in the Employee Handbook. The Code of Ethics is developed based on the principles of transparency, integrity, accountability and social responsibility, addressing amongst others, conflict of interest situations, abuse of power, insider trading and corruption. The Group also has a no-bribery policy and has communicated such policy in its Employee Handbook.

In view of the amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC 2009) which introduces corporate liability in preventing bribery, the Group's Anti-Bribery And Corruption Policy was adopted by the Board of Directors on 22 May 2020.

The Group has a Whistleblowing Policy and whistleblowing mechanism that enables the public as well as the Group's employees to raise any concerns on unethical, unlawful and improper behaviour and conduct. In order to uphold check and balance, the reporting channels established include an alternative, independent channel to the Independent Chairman of the Audit Committee of Zecon. Apart from providing protection to the whistleblower's identity, the mechanism also allows for anonymous reporting.

For the financial period under review, the Group did not receive any whistleblowing case where ethical business practices are concerned.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Environmental Management

The Group has obtained ISO 14001:2015 certification for its project management of construction services. This provides for systematic management of the Group's operation for environmental accountability and minimisation of adverse environmental impact.

In practice, all wastes generated from project sites are either recycled for use or transported to designated disposal sites timely and efficiently to minimise disruption to the daily lives of the community. Besides installing silt traps to minimise site pollution, large solid wastes such as concrete, steel or other building materials that cannot be disposed of in landfills are managed according to waste disposal regulations stipulated by the Environmental Quality (Scheduled Wastes) Regulations 2005. Zecon ensures that different kinds of waste are properly disposed of via licensed contractors.

In addition, effluent generated from construction operations, such as site clearing, cut and fill operations, etc., is also treated before it is allowed to be discharged. Biochemical Oxygen Demand levels, i.e. B.O.D, are regularly monitored to ensure that the effluent discharged does not affect the water quality of waterways or drainage systems. To ensure the reliability and credibility of water quality tests, an independent external party is engaged to perform testing periodically.

Ambient dust is also generated during various phases of construction such as demolition, hacking, excavation, vehicular movement, housekeeping and carpentry works. The Group requires its contractors to monitor the ambient dust in accordance with local environmental pollution control regulations.

Construction sites are commonly prone to water retention spots, especially during rainy season, increasing the possibility of it becoming a mosquito breeding ground and thus a greater risk of dengue outbreak. The Group's construction teams undertake necessary efforts to ensure water retention spots are reduced or cleared at project sites.

There were no fines imposed by authorities, neither have there been complaints received from those residing in the vicinity of development sites, relating to environmental matters during the financial period.

Building Technology

The leverage of technology in the construction sector poses a myriad of opportunities in various ways including shorter construction time, less involvement of manual labour, reduced waste and better work quality. Technology such as the Industrialised Building System (IBS) have been getting much traction in recent years in both the public and private sectors. Further, the Malaysian Government has also mandated the adoption of IBS in public projects.

The Group has already started to leverage on some form of IBS technologies in some of its projects. However, the adoption of IBS technology is not without challenge. In Sarawak where the Group's projects are largely based, manufacturers and suppliers of IBS materials are much more limited than in Peninsular Malaysia and hence the economic viability of IBS for projects based in Sarawak becomes challenged. In addition to that, the specification and requirements of the project owners will also determine the extent of IBS application in construction.

That said, the Group continues to explore possibilities to enable economically-viable adoption of IBS in its projects. This includes actively looking out for sourcing partners and strategic alliance with other market players. In addition, where possible, the Group invests in the development of IBS knowledge and skills within its workforce, in various aspects including design, manufacturing and project management.

The Group's subsidiary, Zecon Medicare Sdn Bhd (project Children Specialist Hospital, Universiti Kebangsaan Malaysia) is registered with Sustainable Energy Development Authority (SEDA) Malaysia as Solar Photovoltaic Investor 2021 (RPVI) under The Net-Energy Metering (NEM) Programme. The RPVI certificate was renewed in February 2022.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Social Impact of Products And Services

Zecon Group's experience and expertise have allowed the Group to contribute to the public and society through the construction of public infrastructure including schools, hospitals, water works and highways.

We pride ourselves with our involvement in projects which enables better access and geographical connection including across the two largest states of Malaysia, better access to water and water treatment facilities, education and healthcare.

Zecon aims to maintain itself as a reliable development and construction partner of the Malaysian public, especially the Sarawakian society, and this will continue to be part of Zecon Group's business strategy that fosters a sustainable business-society relationship driving the nation and the state towards prosperous development. Zecon will continue to improve and enhance itself to prepare to continue its contribution in elevating living standards of the community in Sarawak, as well as in Malaysia.

INTERNAL AUDIT & RISK MANAGEMENT

As an integrated element in Zecon Group's business strategy and operations, the Group's internal audit conducts regular audits to ensure the Group's policies and Standard Operating Procedures, as well as relevant law, rules and regulations where Material Sustainability Matters are concerned. Schedules audits are also conducted periodically by auditors of external certification bodies.

In response to any audit findings subsequent to audit exercises, Risk Management Committee reviews all potential risks, identifies and recommends appropriate remedial actions to rectify control lapses in managing the material risks identified, i.e. Material Sustainability Matters in the context of this Statement.

CONCLUSION

Notwithstanding the Material Sustainability Matters disclosed in this Statement, the Group also considers other aspects of sustainability risks and opportunities and has invested resources and relevant efforts proportionally in managing these sustainability matters.

The Board believes that sustainability considerations are vital to the preservation of the Group's long-term value and are an integral element in driving business, economic, environmental and social prosperity. The Group's set up its independent standalone Sustainability Committee in 2021 chaired by an Independent Non-Executive Director and consists of another Independent Director and representatives from the Management. The Group will continue to align its sustainability practices to the Group's purpose and strategies, as appropriate.

March 2022

PROFILE OF DIRECTORS

DATU HAJI HAMZAH BIN HAJI DRAHMAN

Age: 75 **Nationality:** Malaysian **Gender**: Male

Qualification
- Bachelor of Economics (Honours) from University of Malaya.

Position held
Independent Non-Executive Chairman

Date first appointed to the board
01 December 2014

Working experience & occupation
Datu Hamzah has over 30 years' experience in public sector in various capacities notably Permanent Secretary of various State Ministries of Sarawak. He has some experience in public listed companies as he was a director of Tradewinds Corporation Berhad, Sarawak Oil Palm Berhad and Sarawak Consolidated Industries Berhad. His last posting was as the Chairman of Public Services Commission in Sarawak ended 30 June 2012.

Details of any board committee to which the person belongs
None

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

DATUK HAJI ZAINAL ABIDIN BIN HAJI AHMAD

Age: 64 **Nationality:** Malaysian **Gender**: Male

Qualification
- Master of Arts degree in Management from the University of Kent at Canterbury, England;
- University Diploma in Accounting from the University of Kent at Canterbury, England; and
- Bachelor of Arts from University Kebangsaan Malaysia.

Position held
Group Managing Director

Date first appointed to the board
28 July 1994

Working experience & occupation
Datuk Zainal started his career by joining the Sarawak Civil Service in 1981 until he moved to private sector in 1987. Under his leadership, Zecon Group has undertaken dynamic diversification recent years.

Details of any board committee to which the person belongs
None

Other directorship in public companies and listed issuers
None

Relationship with directors
Brother to Zainurin bin Ahmad

Relationship with substantial shareholders
Director and major shareholder of Dawla Capital Sdn Bhd

Conflict of interest with the listed issuer
No conflict of interest apart for the related party transactions, which have been disclosed in the Notes to the Accounts.

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

ZAINURIN BIN AHMAD

Age: 61 **Nationality:** Malaysian **Gender**: Male

Qualification
- Master of Commerce Degree in Business Administration from University of Canterbury, Christchurch, New Zealand;
- BSc. in Business Administration from Indiana Institute of Technology, Indiana, USA; and
- Diploma in Business Studies from Universiti Teknologi MARA.

Position held
Deputy Managing Director

Date first appointed to the board
12 June 1998

Working experience & occupation
Zainurin was appointed to the Board on 12 June 1998 as a Director and subsequently as Executive Director on 16 April 1999. He was appointed as Deputy Managing Director on 1 June 2008. Prior to joining Zecon, he spent 13 years in financial and commercial sectors where his last position was the General Manager of Advance Finance Berhad.

Details of any board committee to which the person belongs
Member of the Risk Management Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
Brother to Datuk Haji Zainal Abidin bin Haji Ahmad

Relationship with substantial shareholders
Brother to Datuk Haji Zainal Abidin bin Haji Ahmad

Conflict of interest with the listed issuer
No conflict of interest apart for the related party transactions, which have been disclosed in the Notes to the Accounts.

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

DATO' ABDUL MAJIT BIN AHMAD KHAN

Age: 76 **Nationality:** Malaysian **Gender**: Male

Qualification
- Bachelor of Economics (Honours) from University of Malaya.

Position held
Independent Non-Executive Director

Date first appointed to the board
16 May 2007

Working experience & occupation
Dato' Abdul Majit was a former Malaysian Diplomat who joined the Malaysian Administrative and Diplomatic Service in 1970. In his 34 years of service, he had served in the Prime Minister's Department and the Ministry of Foreign Affairs as well in several missions abroad and senior positions in the Ministry of Foreign Affairs.

He had served as the Under Secretary of South East Asia, Under Secretary of West Asia and the Organisation in Islamic Cooperation ("OIC") as well as the Director General of the ASEAN Division of the Foreign Ministry. In the above capacities he has participated in several Prime Ministerial and Ministerial visits to these countries as well as to ASEAN and OIC Meetings and Summits.

He had served as a diplomat in Laos, Vietnam, China, USA and High Commissioner to Nigeria. He served twice in China and was the Ambassador to China, a post he held for seven years until his retirement in January 2005.

He is currently the President of Malaysia - China Friendship Association (PPMC), Honorary Chairman of the Malaysia - Chinese Chambers of Commerce. He was the Chairman of the Malaysian Investment Development Authority from 23 April 2019 to 23 April 2021.

He is also the Chairman of MGB Berhad and a Director of Dutaland Berhad, Hong Leong Asset Management Berhad and Unitrade Industries Berhad.

Details of any board committee to which the person belongs
- Chairman of the Remuneration & Nomination Committee
- Member of the Audit Committee
- Member of the Risk Management Committee

Other directorship in public companies and listed issuers
- MGB Berhad
- Dutaland Berhad
- Hong Leong Asset Management Berhad
- Unitrade Industries Berhad

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
4/5

RICHARD KIEW JIAT FONG

Age: 68 **Nationality:** Malaysian **Gender**: Male

Qualification
- Member of The Malaysian Institute of Accountants;
- Fellow of The Institute of Chartered Accountants in England and Wales;
- Fellow of The Association of Chartered Certified Accountants, United Kingdom;
- Fellow of The Institute of Singapore Chartered Accountants; and
- Fellow of The Chartered Tax Institute of Malaysia.

Position held
Independent Non-Executive Director

Date first appointed to the board
01 June 2008

Working experience & occupation
Mr. Richard Kiew was appointed to the Board of Directors of the Company on 01 June 2008. He has seven years working experience in England with firms of Chartered Accountants. When he came back to Malaysia, he worked as an audit manager for four years before starting his own audit firm in 1986 as a sole practitioner.

Details of any board committee to which the person belongs
- Chairman of the Audit Committee
- Member of the Remuneration & Nomination Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

DATUK HAJI BOLHASSAN BIN HAJI DI @ AHMAD BIN DI

Age: 69 **Nationality:** Malaysian **Gender**: Male

Qualification
- B. Eng, University of Sheffield, The United Kingdom.

Position held
Independent Non-Executive Director

Date first appointed to the board
02 August 2010

Working experience & occupation
Datuk Bolhassan began his career as an Engineer with Sarawak Shell Berhad in 1979. In 1987, he was appointed Chairman to Miri Port Authority and then Kuching Port Authority, a post which he held until 1997.

Details of any board committee to which the person belongs
Member of the Audit Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

HUI KOK YUAN

Age: 72 **Nationality:** Malaysian **Gender**: Male

Qualification
- Bachelor of Engineering from the University of Adelaide, Australia; and
- Member of the Institution of Engineers, Malaysia and the Institution of Engineers, Australia

Position held
Non-Independent & Non-Executive Director

Date first appointed to the board
09 March 2015

Working experience & occupation
Mr. Hui joined Jabatan Kerja Raya (Public Works Department) Sarawak as an Executive Engineer in 1976 supervising government building projects. In 1982, he was transferred to Sarawak Land Custody and Development Authority ("LCDA") as a Civil Engineer involved in the planning and design of urban development projects. He left LCDA in 1994 to join the private sector where he was involved in the management and administration of commercial and housing projects. He was appointed Executive Director of Zecon Berhad on 16 February 2001 and was re-designated as Vice President on 02 August 2010. He was reappointed to the Board as Non-Executive & Non-Independent Director on 09 March 2015. In 1993, he was awarded the 'Pingat Perkhidmatan Bakti' by the Sarawak Government.

Details of any board committee to which the person belongs
- Chairman of the Risk Management Committee
- Member of the Remuneration & Nomination Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

HAJI SAZALI BIN MD SALLEH

Age: 49 **Nationality:** Malaysian **Gender**: Male

Qualification
- Member of The Malaysian Institute of Accountants;
- Bachelor of Accountancy (Honours) from ITM, Shah Alam, Selangor; and
- Diploma in Accountancy from ITM Kuching, Sarawak,Malaysia

Position held
Non-Independent & Non-Executive Director

Date first appointed to the board
02 October 2017

Working experience & occupation
Haji Sazali spent 18 years in financial sector, including financial management, investments advisory, restructuring and commercial operation where his last position was as Group General Manager in a Yayasan Sabah Group of Companies. Apart from the above, he also has direct working experiences in shipping and oil & gas industries.

Details of any board committee to which the person belongs
Member of the Audit Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
Director and major shareholder of Mentari Hijau Sdn Bhd

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

HAJI JAMIL BIN HAJI JAMALUDIN

Age: 61 **Nationality:** Malaysian **Gender**: Male

Qualification

- Master in Business Administration from Universiti Teknologi MARA;
- Bachelor of Accounting from Universiti Teknologi MARA; and
- Member of the Malaysian Institute of Accountant

Position held
Executive Director

Date first appointed to the board
12 April 2019

Working experience & occupation
Haji Jamil joined Zecon on 08 May 2001 as an Independent Director and was re-designated as Executive Director on 06 July 2005. On 02 August 2010, he resigned as an Executive Director and on the same day he was appointed the Vice President in charge of the Group's Corporate Finance and Account. He was reappointed as an Executive Director of the Company on 12 April 2019. He was a Senior General Manager with Land Custody and Development Authority and was a Director of Sarawak Oil Palm Berhad prior to his stint with Zecon.

He is backed by considerable experiences in Finance and Account having served for more than 33 years in both the Government and private sectors.

Details of any board committee to which the person belongs
None

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
5/5

MOHAMMED NOOR BIN AHMAD

Age: 62 **Nationality:** Malaysian **Gender**: Male

Qualification

- Bachelor of Social Science (Hons) major in Political Science, Universiti Sains Malaysia; and
- Diploma Professional Taxation Malaysian Tax Academy

Position held
Independent Non-Executive Director

Date first appointed to the board
03 January 2022

Working experience & occupation
Mohammed Noor joined Zecon on 03 January 2022 as an Independent Director. He has more than 35 years of experience in Inland Revenue Board of Malaysia (IRBM) starting in Kuching, Sarawak in 1985. He was later appointed as Director of IRBM Sungai Petani Branch, IRBM Petaling Jaya Branch, Director of Information Processing Centre, Director of Policy Operations Division, Director of Department of International Taxation and Director of Tax Operations Department. During his tenure with Department of International Taxation, he had successfully organised two international conferences, namely 36th Commonwealth Association of Tax Administrators Annual Technical Conference in 2015 and 13th Association of Tax Authorities of Islamic Countries Annual Technical Conference in 2016.

In 2019, he was promoted to the post of IRBM Deputy Director General/Chief Executive Officer (Administration), overseeing IRBM activities in human development, training, finance, asset, security, internal audit and risk management. In 2020, his portfolio was changed to IRBM Deputy Director General/Chief Executive Officer (Compliance), responsible for the successful operation of IRBM core activities in audit, investigation, large taxpayers, special industries, cross border transactions and other special enforcement functions.

Details of any board committee to which the person belongs
Member of the Risk Management Committee

Other directorship in public companies and listed issuers
None

Relationship with directors
None

Relationship with substantial shareholders
None

Conflict of interest with the listed issuer
None

Other than traffic offences, the list of convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial period
None

No. of board meetings attended in the financial period
Not applicable

PROFILE OF
KEY SENIOR MANAGEMENT

IR. HAJI ABG AZAHARI BIN ABG OSMAN

Age: 60 **Nationality:** Malaysian **Gender**: Male

Qualification
- Bachelor Degree of Science in Civil Engineering from the University of Iowa, USA;
- Member of Institution of Engineers, Malaysia;
- Professional Engineer, Board of Engineers Malaysia; and
- Associate ASEAN Engineer, ASEAN Federation of Engineering Organization

Position held
Vice President, Infrastructure

Date first appointed to the board
14 June 2002

Working experience & occupation
Haji Abg Azahari was appointed the General Manager of the Company on 14 June 2002. He was appointed the Executive Director of the Company on 08 March 2004 and was re-designated as Vice President, Infrastructure on 02 August 2010.

He began his career by joining Jabatan Kerja Raya (JKR) in 1985 He served JKR in Kuching, Sarikei and Sibu Divisions prior to joining PPES Works (Sarawak) Sdn Bhd, a subsidiary of Cahya Mata Sarawak Berhad (CMS). He held several senior positions within the CMS Group.

HAJI SAINI BIN HAJI ALI

Age: 61 **Nationality:** Malaysian **Gender**: Male

Qualification
- Master in Business Administration (with distinction) from the Warwick University, England; and
- Bachelor of Science in Civil Engineering, Loughborough University of Technology, England. Member of Institution of Engineers, Malaysia

Position held
Vice President, Properties

Date first appointed to the board
16 January 2003

Working experience & occupation
Haji Saini was appointed General Manager of the Company on 16 January 2003. He was appointed to the Board of Directors on 01 June 2008 as an Executive Director and was re-designated as Vice President, Properties on 02 August 2010.

He began his career as a Civil Engineer with the Sarawak Housing and Development Commission ("SHDC") in 1983, supervising various government housing projects. He held several senior positions in SHDC and was made the acting Chief Executive Officer prior to his retirement from SHDC in 2002.

In recognition of his service, Encik Saini was awarded the Ahli Mangku Negara (AMN) by the Federal Government in 1996. In the same year, he also received the Pingat Perkhidmatan Bakti (PPB) from the State Government.

The above Key Senior Management have no directorship in Public Companies, no relationship with directors and/or substantial shareholders of Zecon, no conflict of interest with Zecon and have not convicted any offence other than traffic offences (if any) within the past 5 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Zecon Berhad ("Zecon" or "Company") presents this Statement to provide an overview of the Company's application of the Principles set out in the Malaysian Code on Corporate Governance ("MCCG") for the financial year under review and up to the date of this Statement.

The Board recognises the importance of implementing high standards of corporate governance in the Company for the purposes of safeguarding the interest of its stakeholders and assets of Zecon and its subsidiaries ("Group"). In applying corporate governance practices, the Board is mindful of the five pillars of transparency, accountability, ethical culture, sustainability and financial performance.

As such, the Board seeks to embed in the Group a culture that is aimed at delivering a balance between conformance requirements with the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

Details on how the Company has applied each of the Practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at https://www.zecon.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Board's Role

The Company is led by a Board that is responsible for the overall business direction of the Group. The Board provides stewardship to the Company and oversees the conduct of the business affairs of the Group's business operations and performance in achieving long term values to shareholders as well as other stakeholders of the Group.

Board Charter

The Company has established a Board Charter, the objective of which is to serve as a source of reference and primary guide to the Board and Senior Management as it sets out the roles, functions, composition, operation and processes of the Board and seeks to ensure that all Board members are fully aware of their duties and responsibilities. The revised Board Charter was approved by the Board on 25 August 2018 and is made available on the Group's website.

To enable the Board to function effectively with proper accountability and to ensure that the powers and direction of the Company are vested in the Board, the Board Charter has delineated a schedule of matters reserved for the Board's deliberation and decision. These include, amongst others, the following:

Appointment of Board Chairman, Group Managing Director, individual Directors and Company Secretary	**Establishment of Board Committees, their membership and delegated authorities**	**Review of Corporate Governance principles and policies**
Approval of major capital investments or expenditure, acquisitions and divestitures in excess of authority levels delegated to Management	**Conflict of interest issues related to a substantial shareholder or a Director**	**Material acquisitions and disposals of undertakings and properties not in the ordinary course of business**
Approval of annual budgets and major capital commitments	**Approval of Executive Directors' remuneration**	**Approval of interim dividend and recommendation of final dividend and Directors' fees for shareholders' approval**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Separation of Chairman and Group Managing Director

Board
Responsible for the overall business direction and oversees the conduct of the Group's business affairs

Board Chairman
Responsible for leadership of the Board, by ensuring effective conduct of the Board and effective communication with Management and stakeholders

Group Managing Director
Responsible for ensuring efficiency and effectiveness of the Group's operations, implementing policies, strategies and decisions adopted by the Board and highlighting material and relevant matters to the attention of the Board in an accurate, comprehensive and timely manner

The Board is chaired by Datu Haji Hamzah bin Haji Drahman, an Independent Director ("ID"), whereas the Group Managing Director ("GMD") position is held by Datuk Haji Zainal Abidin bin Haji Ahmad, providing a clear distinction and separation of the two roles, maintaining a balance of power and authority to the Board's dynamics and ensuring no one individual has unfettered decision-making powers.

The Senior ID also serves as a sounding board to the Board Chairman and the principal conduit between the IDs and the Board Chairman on sensitive issues.

Board's Committees

Certain specific responsibilities are delegated to the Board Committees, namely the Audit Committee ("AC"), Remuneration & Nomination Committee ("RNC") and Risk Management Committee ("RMC"), which operate within clearly defined terms of reference and report regularly to the Board. Authority for the operational management of the Group's business has been delegated to the GMD and Deputy Managing Director ("DMD") for effective day-to-day running and management of the Group.

The roles and responsibilities of the Board of Directors, Board Committees, Chairman and GMD, are delineated as follows:

Audit Committee	Remuneration & Nomination Committee	Risk Management Committee
Oversees matters relating to financial reporting, external audit, internal audit, related party transactions and conflict of interests' situation	Identifies and nominates candidates for directorship, conduct annual evaluation of the Board, Board Committees and individual Directors and reviews and recommends to the Board the remuneration of Directors and Senior Management	Develops, reviews, recommends and implements the Group Risk Management Policy Framework, including identifying, analysing, evaluating, managing and monitoring key risks faced by the Group

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Audit Committee

Whilst Datu Haji Hamzah bin Haji Drahman focuses on providing overall leadership to the Board, the AC, chaired by Mr. Richard Kiew Jiat Fong, an ID, provides checks and balances by independently overseeing and scrutinising the Group's financial reporting and related matters, related party transactions, including any conflict of interest situations, and system of internal controls.

Remuneration & Nomination Committee

The RNC is chaired by the Senior ID, Dato' Abdul Majit bin Ahmad Khan, to lead the RNC to objectively and independently perform its duties, including overseeing matters pertaining to the structure, size and composition of the Board and other Board Committees, identifying and nominating candidates to fill Board and Board Committee vacancies, conducting annual assessment of the Board, Board Committees and individual Directors, assessing suitability for retiring Directors to be re-elected as well as overseeing Directors training and succession planning.

Risk Management Committee

The RMC is chaired by a Non-Independent & Non-Executive director, Hui Kok Yuan. The primary functions of the RMC which amongst others, identify, evaluate and manage the key risks that have significant impact on the Group's overall operations, financial position, environment, employees and communities and monitor the risk mitigation plans.

The Committee will meet on a quarterly basis to review existing major risk factors and identifying new and potential risk exposures of the Group and will escalate matters to the Board for further deliberation and decisions, if need be.

Sustainability

The Board acknowledge the importance of sustainability relating to environment, social and governance ("ESG") along with their risks and opportunities to/for the Group. The Group's sustainability approach embeds sustainability opportunities and risks into business strategic direction, focusing on the people and the environment around the Group's activities to enhance long term economic growth and shareholders' values.

Through processes and measures based on global best practice and strategic collaboration, the Group's sustainability aims to increase competitiveness and cultivate a sustainability lifestyle for its people and stakeholders.

Through the Sustainability Framework focusing on People, Environment, Governance and Sustainable Lifestyle, the Group set to achieve Medium-Term Sustainable Goals of (1) Good Health and Well-Being and (2) Affordable and Clean Energy, within 5 years, whereas (3) Industry, Innovation and Infrastructure and (4) Sustainable Cities and Communities, from next 5 to 10 years.

The Board had on 25 February 2021, established a committee known as "Sustainability Committee" to assist the Board in discharging the duties relating to ESG.

Code of Conduct and Ethics

The Board is committed to conducting its business in accordance with the highest standards of business ethics and complying with the relevant laws, rules and regulations. The Company has put in place a Code of Conduct and Ethics which sets out the standards of conduct expected from the Directors and employees, to ensure an ethical culture and high standards of behaviour permeate all levels of the Group. Further details on the Code of Conduct and Ethics are made available on the Group's website.

Whistleblowing Policy and Anti-Bribery And Corruption Policy

To further fortify the Group's governance framework, a Whistleblowing Policy and Anti-Bribery and Corruption Policy have been formalised and a Whistleblowing Channel set up to enable internal and external stakeholders of the Group to raise in confidence any concerns relating to wrongful activities or possible breaches of laws within the Group.

Company Secretaries

The Board members have unrestricted access to the Company Secretaries ("CS") who provide advisory services to the Board, particularly on Corporate Governance issues and compliance with the relevant laws and regulatory requirements and policies and procedures, in addition to administrative matters.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Attendance of Board Meetings and Committees' Meetings

The Board is committed to devoting sufficient time and efforts in carrying out their duties and responsibilities, which include attending Board and Board Committee meetings. Details of attendance of the Directors in office during the financial period under review are as follows:

		Meeting Attendance			
Directors	**Designation**	**Board**	**AC**	**RNC**	**RMC**
Datu Haji Hamzah Bin Haji Drahman *(Resigned as member of RNC and RMC on 25 November 2021 and 26 November 2021 respectively)*	Independent Chairman	5/5	-	1/1	5/5
Datuk Haji Zainal Abidin Bin Haji Ahmad	GMD	5/5	-	-	-
Zainurin Bin Ahmad	DMD	5/5	-	-	5/5
Haji Jamil Bin Haji Jamaludin	Executive Director	5/5	-	-	-
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	ID	5/5	7/7	-	-
Dato' Abdul Majit Bin Ahmad Khan	ID	4/5	6/7	1/1	4/5
Richard Kiew Jiat Fong	ID	5/5	7/7	1/1	-
Hui Kok Yuan *(Appointed as member of RNC on 25 November 2021)*	Non-Independent & Non-Executive Director	5/5	-	-	5/5
Haji Sazali Bin Md Salleh	Non-Independent & Non-Executive Director	5/5	7/7	-	-

Directors' Training

The Board acknowledges the importance of continuous education and training programmes for its members to enable effective discharge of its responsibilities and to be apprised of the changes to regulatory requirements and the impact of such regulatory requirements on the Group. The CS often circulate relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference.

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board has assessed the training needs of the Directors based on the annual assessment on the Board, Board Committees and individual Directors facilitated by the RNC.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Directors' Training (Cont'd)

During the financial period under review, trainings attended by the Directors included seminars, workshops, conferences and briefings conducted by the relevant regulatory authorities and professional bodies, as follows:

Directors	Training programmes attended	Date	Organiser
Datu Haji Hamzah Bin Haji Drahman	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	Malaysian Alliance of Corporate Directors (MACD) and Malaysian Digital Economy Corporation (MDEC)
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	Boardroom Corporate Services Sdn Bhd. (BOARDROOM)
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
Datuk Haji Zainal Abidin Bin Haji Ahmad	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
Zainurin Bin Ahmad	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	Unleash your organisation's potential through IPO	18.09.2020	BOARDROOM
	Malaysian Budget 2021	18.11.2020	Federation of Public Listed Companies Bhd ("FPLCB")
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
	ESG in the new normal: A corporation's lens	17.03.2021	UN Global Compact Network Malaysia & Brunei and Bloomberg
	The Future of Work After COVID-19	30.03.2021	McKinsey & Company

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Directors' Training (Cont'd)

Directors	Training programmes attended	Date	Organiser
Haji Jamil Bin Haji Jamaludin	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	Unleash your organisation's potential through IPO	18.09.2020	BOARDROOM
	Malaysian Budget 2021	18.11.2020	FPLCB
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
	The Future of Work After COVID-19	30.03.2021	McKinsey & Company
	Transfer Pricing Workshop - Mastering Intra-Group Financing in 2 Hours	21.10.2021	FPLCB
Dato' Abdul Majit Bin Ahmad Khan	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Key Disclosure Obligations Of A Listed Company - Financial Reporting	06.07.2020	CKM Advisory Sdn Bhd
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
	Anti-Money Laundering: Detection and Practices	06.04.2021	Hong Leong Asset Management Sdn Bhd
	Fraud and Financial Scandals, Trend, Red Flags and Mitigations	03.09.2021	Malaysian Institute of Accountants ("MIA")
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
Richard Kiew Jiat Fong	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Audit Completion Stage and Auditing Disclosures - with Special Emphasis on Covid-19 Audit Procedures and Disclosures	06.07.2020	MIA
	New Public Rulings in 2019 and 2020	14.07.2020	MIA
	Accounting Considerations of the Covid-19 Pandemic and Economic Recession	18.08.2020	MIA
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	2021 Budget Seminar	19.11.2020	Chartered Institute of Malaysia ("CTIM")
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
	MPERS: An Overview and Practical Approach	29-30.03.2021	MIA
	The Malaysian Transfer Pricing Developments	12.04.2021	Association of Chartered Certified Accountants
	Real Property Gains Tax	21.09.2021	CTIM

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

Directors' Training (Cont'd)

Directors	Training programmes attended	Date	Organiser
Richard Kiew Jiat Fong	Workshop on Preparation of Transfer Pricing Documentation for Financial Assistance	21.10.2021	CTIM
	2022 Budget Seminar	18.11.2021	CTIM
Hui Kok Yuan	Data Driven Decision in Integrated Value Creation for Corporate Directors	03.07.2020	MACD and MDEC
	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	When Trouble Comes Knocking - How to Deal with Investigations	23.02.2021	MACD
Haji Sazali Bin Md Salleh	Section 17A - Protecting you and your business with T.R.U.S.T	08.09.2020	BOARDROOM
	When Trouble Comes Knocking -How to Deal with Investigations	23.02.2021	MACD

II. Board Composition

There are nine (9) members on the Board, of whom four (4) are IDs during the period under review. However, the Company had appointed an additional ID on 03 January 2022. The IDs provide unbiased and independent judgment in ensuring that the strategies proposed by the Management are fully and objectively deliberated, challenged and examined, taking into account the interests of shareholders and other stakeholders of the Group. They are essential for protecting the interests of minority shareholders and can make significant contributions to the Board's decision-making by bringing in the quality of detached impartiality.

The assessment of the independence of each ID is undertaken annually, upon readmission or when any new interest or relationship develops through self-declaration, according to the criteria as prescribed by the Listing Requirements of Bursa Securities.

The Board recognises that diverse professional backgrounds, skills and extensive experience and knowledge are pivotal towards the Group's performance, financial or otherwise. The current Board members possess a diverse range of skills and experience, including, amongst others, in the areas of business, finance, accountancy and engineering.

The Board has incorporated a policy on board diversity in its Board Charter, stating the Board's belief in board diversity while applying the principle of meritocracy. Evaluation of the suitability of candidates is based on the candidates' competence, character, integrity, time commitment and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre. The Board targets to on-board female director(s) in its effort to enhance board diversity whenever the opportunity arises.

The Board, through the RNC, conducts an annual assessment of the Board and Board Committees, to determine if the Board and Board Committees have the right composition, adequate information in decision making and have effectively discharged their duties and responsibilities. Individual Director, besides undertaking a self-assessment, is also assessed by the RNC on their character, experience, integrity, contribution, commitment and effectiveness in discharging their duties. Through these assessments, the Board is satisfied that the Board, Board Committees and individual Directors are functioning effectively and collectively possess adequate knowledge and skills to meet the Company's needs.

Pursuant to Listing Requirements of Bursa Securities, all directors shall retire from office once at least in every 3 years but shall be eligible for re-election. The Company's Constitution also provide that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The retiring Directors can offer themselves for re-election. Directors who are appointed during the financial period shall hold office only until the next AGM and shall be eligible for re-election.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

Retiring Directors who are seeking re-election are subject to assessment and evaluation by the RNC. If thought fit, the RNC will give recommendation to the Board for endorsement on the re- election of the Directors and to put forward the re-election of Directors to the shareholders for approval at the AGM. A similar process also applicable for Directors seeking re-appointment upon serving the Company for more than 9 years to continue office as an IDs.

The Directors who are seeking re-election and re-appointment are set out in the Notice of AGM.

A summary of key activities undertaken by the RNC in discharging its duties during the financial year under review is set out below:

- Reviewed and recommended to the Board the appointment of additional member to the RNC;
- Reviewed and recommended to the Board the retention of ID after serving the Company for a cumulative term of more than nine (9) years;
- Reviewed and recommended the re-election and re-appointment of Directors at the Annual General Meeting of the Company;
- Reviewed the performance of two (2) directors and two (2) key management personnel and recommended the renewal of their fixed term employment to the Board for approval. The Board had approved all four (4) renewal of employment contracts based on the RNC's recommendations; and
- Assessed the performance of the Board, Board Committees, and AC members, using a set of tailored self-assessment questionnaire to be completed by the Directors and tabled to the Board for review and deliberation.

III. Remuneration

The RNC is tasked to review and recommend the remuneration of the Directors and Senior Management for the Board's approval. The criteria for consideration in determining Executive Directors' remuneration include the level of responsibility and accountability accorded, and the Group's performance and/or their respective performance. In the case of Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by the Non-Executive Directors concerned. The respective Directors are required to abstain from deliberating and voting on their own remuneration at Board and/or RNC Meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

The aggregate remuneration of Directors received from the Company and on Group basis for the financial period ended 31 December 2021 is as follows:

Directors	Fees	Salaries and EPF	Bonuses	Other allowances/ emoluments	Benefits in- kind	Total
Group			**(in RM)**			
Non-Executive Director						
Datu Haji Hamzah Bin Haji Drahman	45,000	-	-	174,900	-	**219,900**
Dato' Abdul Majit Bin Ahmad Khan	21,600	-	-	75,900	-	**97,500**
Richard Kiew Jiat Fong	21,600	-	-	87,900	-	**109,500**
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	21,600	-	-	69,900	-	**91,500**
Hui Kok Yuan	21,600	305,136	-	57,900	-	**384,636**
Haji Sazali Bin Md Salleh	21,600	-	-	69,900	-	**91,500**
Executive Director						
Datuk Haji Zainal Abidin Bin Haji Ahmad	21,600	2,088,720	-	92,700	-	**2,203,020**
Zainurin Bin Ahmad	21,600	863,856	-	92,700	-	**978,156**
Haji Jamil Bin Haji Jamaludin	21,600	632,260	-	2,700	-	**656,560**
Company			**(in RM)**			
Non-Executive Director						
Datu Haji Hamzah Bin Haji Drahman	45,000	-	-	174,900	-	**219,900**
Dato' Abdul Majit Bin Ahmad Khan	21,600	-	-	75,900	-	**97,500**
Richard Kiew Jiat Fong	21,600	-	-	87,900	-	**109,500**
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	21,600	-	-	69,900	-	**91,500**
Hui Kok Yuan	21,600	-	-	57,900	-	**79,500**
Haji Sazali Bin Md Salleh	21,600	-	-	69,900	-	**91,500**
Executive Director						
Datuk Haji Zainal Abidin Bin Haji Ahmad	21,600	1,188,720	-	2,700	-	**1,213,020**
Zainurin Bin Ahmad	21,600	503,856	-	2,700	-	**528,156**
Haji Jamil Bin Haji Jamaludin	21,600	362,260	-	2,700	-	**386,560**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

As for the other non-Board Senior Management positions, the Board is of the view that disclosing the detailed remuneration packages of its top 4 Senior Management on a named basis will pose security issues to the Group, for example vulnerability of these personnel being poached by competitor companies and risk of spiralling remuneration when the personnel concerned are aware of what their peers are drawing, notwithstanding that the disclosure is in bands of RM50,000 each.

As an Alternative Practice, the Board believes that disclosure of its top 4 Senior Management's compensation and benefits packages received from the Group for the financial period under review in bands of RM50,000 on an unnamed basis would provide pertinent insights to shareholders on whether such personnel, being the top 4 Senior Management of the Group, are being remunerated responsibly and fairly with a view of attracting, motivating and retaining talents. Accordingly, the remuneration of the top 4 Senior Management in bands of RM50,000 received from the Group for the financial period under review on an unnamed basis, is set out below:

Range of Remuneration	No. of Senior Management of the Group
Less than RM400,000	1
RM450,001 up to RM500,000	1
RM500,001 up to RM550,000	1
RM700,001 up to RM750,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Board has established an AC which is tasked to oversee matters relating to financial reporting, auditing, internal controls, related party transactions and conflicts of interest situations. The AC comprises four (4) members, three (3) of whom, including the AC Chairman, are IDs and one (1) member who is a Non-Independent & Non-Executive Director.

The AC brings to the Board an independent and objective approach that safeguards the integrity of the Company's financial reporting, which includes ensuring the independence and quality of audit activities which are vital towards providing objective assurance to the AC in forming the basis for their recommendations to the Board.

In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the Listing Requirements of Bursa Malaysia.

The performance of the AC and its members are evaluated annually by the RNC and the results are reported to the Board. The evaluation covers key aspects such as the members' independence and discharge of their duties under the AC's Terms of Reference. Based on the assessment for the financial period ended 31 December 2021, the Board was satisfied with the performance of the AC and its members. As disclosed earlier in this Statement, the AC members had attended various training programmes and seminars to broaden their knowledge and keep abreast with the relevant development and changes in laws, regulations, internal control systems and risk environment in which the Group operates.

II. Risk Management and Internal Control Framework

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance on the effective and efficient running of business operations, fair financial and other reporting, compliance with laws and regulations as well as internal procedures and guidelines.

The Board, through the RMC, oversees risk management matters of the Group, which include identifying, analysing, evaluating, managing, monitoring, treating and mitigating significant risks across the Group. In this respect, the RMC and Board are assisted by the Risk Management Working Committee, a Management-level working committee established to ensure the implementation of an effective risk management system.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. Risk Management and Internal Control Framework (Cont'd)

The system of internal control is continually reviewed and assessed by the Internal Audit Division, which was established as an in-house function of the Company. The Internal Audit Division reports directly to the AC and provides reasonable assurance through its internal audit works, which include the audit activities, presenting findings and recommendations, and follow-up on action plans devised to address any weaknesses in the internal control system, as agreed by Management. In carrying out its activities, the internal audit function has unrestricted access to relevant records, personnel and physical properties.

Further information on the Group's risk management and internal control framework, as well as the activities carried out during the financial period under review and reporting processes, is set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Group has established a process for the management of sustainability matters which are material to the Group, i.e. those which reflect the Group's significant economic, environmental and social risks and opportunities or those which substantively influence the assessments or decisions of stakeholders. Further information on the Group's management of material sustainability matters is set out in the Sustainability Statement of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board recognizes the importance of being transparent and accountable to the Company's stakeholders and acknowledges that the continuous communication between the Company and its stakeholders would facilitate mutual understanding of each party's objectives and expectations. As such, the Board consistently ensures the supply of clear, comprehensive and timely information to stakeholders via various disclosures and announcements, including the quarterly and annual financial results, which provide investors with up-to-date financial information of the Group. All the announcements and other information about the Company are available on the Company's website, where shareholders, investors and the public may access via https://www.zecon.com.my/investor-relations/.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the Company's Annual General Meetings ("AGM").

II. Conduct of General Meetings

The AGM, which is the principal forum for shareholders dialogue, allows for direct two-way interaction amongst Shareholders, Board members and Management team. Shareholders are encouraged to participate in deliberations at the AGM and seek clarification where needed. In compliance with Practice 13.1 of the revised MCCG 2021, the Company sends out Notice of AGM at least 28 days prior to the AGM date to allow shareholders sufficient time to review the Company's Annual Report and explanatory notes supporting the resolutions proposed.

The Non-Executive Directors, together with the GMD, DMD, Senior Management team and External Auditors, are present to respond to any queries raised by Shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of each financial year and of their results and cash flows for the financial period ended 31 December 2021.

In preparing the financial statements, the Directors have:

- adopted the applicable approved accounting standards and applied them consistently;
- ensured that the financial statements of the Company and the Group give a true and fair view of the affairs of the Company and the Group;
- made judgements and estimates that are reasonable;
- ensured that applicable accounting standards have been complied with; and
- applied the going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy on the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016. The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect other irregularities.

This Directors' Responsibility Statement is made in accordance with resolution of the Board of Directors dated 22 April 2022.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") is committed to maintain an effective risk management framework and a sound system of internal control within the Group of Companies ("the Group") and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature and scope of risk management framework and system of internal control of the Group during the financial period ended 31 December 2021 in pursuant to Paragraph 15.26(b) of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers.

RESPONSIBILITY OF THE BOARD

The Board is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. However, it should be noted that such systems are designed to manage rather than eliminate risks of failure to achieve corporate objectives. Hence, it can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Group's risk management process continues to identify, evaluate and manage the key risks which have significant impact on the Group's overall operations, financial position, environment, employees and communities throughout the financial period.

The Group's risk management committee has carried out the following main tasks during the period:-

- The risk management committee met every quarter during the year under review except for the 4th quarter of 2020.
- Reviewing all existing major risk factors and identifying new and potential risk exposures of the Group.
- Assessment all identified risks and evaluate their risk profiles.
- Reviewing and monitoring the strength and effectiveness of internal controls and mitigation plans in managing these risks.
- Significant risk matters that require further attention were escalated to the Board of Directors for further deliberation and decisions.

Key Risk Areas: The Risk Management Committee identified the following key risk areas with respective risk factors and mitigation actions:

Categories	Risk Factors	Mitigation Actions
Operational Risks	• Cash flow and financial risks	• Continuous efforts are in place to raise funds through corporate exercises, and also the on-going monetisation of assets.
Business Sustainability Risks	• New projects and competitiveness risks	• The Board and the management reviewed the tender processes regularly and are constantly monitoring efforts in bidding; and • Works on Zecon's 3,000 acres of land are on-going.
Regulatory And Compliance Risks	• Risks of non-compliance with Bursa Malaysia, Securities Commissions and relevant authorities	• The Board has approved various policies to ensure that Zecon group of companies complied with all the regulatory and statutory rules; and • Anti-Bribery and Anti-Corruption Policies, Whistleblowing Policies, Sustainability Statement are in place, reviewed timely and remain enforceable.

KEY PROCESSES OF INTERNAL CONTROL

The key processes of internal control of the Group can be summarized as follows:

Internal Audit Review: The system of internal control is continually being reviewed and assessed by our in-house Internal Audit Division. Apart from internal review on the Group's policies and procedures, the Internal Audit Division also conducts periodic internal audits and evaluates the effectiveness of the system of internal control within the Group. Our Audit Plan for the period will give priority on the areas of high risk as per our risk management framework to date. The Internal Auditor provides the Audit Committee with independent and objectives reviews and reports on the state of internal controls, the extent of compliance with policies and procedures, recommendations and the management response thereof. The Audit Committee considers the report from internal audit and response from management and thereafter presents their conclusion to the Board. The total cost incurred on the Internal Audit Division for the financial period ended 31 December 2021 (18 months) is RM161,548.87 as compared to 2020 (RM157,486.37).

Financial Policies and Procedures Manual: The Group has a clear structure whereby the responsibilities and scope of authorities are defined. This is clearly documented in the internal policies and operation procedures as set out in the Financial Policies and Procedures Manual. This manual is reviewed and updated by the management regularly. The Group has also put in place policies and procedures on tenders and contracts which had been deliberated and approved by the Board for its implementation.

Financial Reporting: Quarterly results and year-end financial statements are being scrutinized by external auditors and further reviewed and deliberated by the Audit Committee before being recommended to the Board for approval. Thereafter, the results are announced to Bursa Malaysia Berhad Securities as required.

Operational Risk: The risks inherent in the construction and properties sectors are mainly related to market conditions, procurement and tendering processes, execution of construction works and completion of project within the contract period. Construction schedules, cost of projects and quality are controlled through monthly project meetings and progress reports to the management. The Group's Risk Management framework and risk management sub-committee at project and subsidiary levels continue to identify, evaluate, control, mitigate and minimize all identified risks.

Integrated Management (IMS) Systems certification: The Company's Quality Management System and Environmental Management System have been recertified to ISO 9001 : 2015 and ISO 14001 : 2015 on 23 August 2021 and 23 December 2020 respectively by United Registrar of Systems Ltd (URS). Our Occupational Health and Safety Management System has been certified to ISO 45001:2018 by United Registrar of Systems Ltd (URS) on 11 December 2020. The ISO certification serves as a quality assurance approach where customers are assured of continuous delivery of the highest quality of products and services provided by the Group.

Related Party Transaction (RPT): The Group has in place adequate procedures and processes to monitor, trace and identify RPT in a timely and orderly manner and such procedures and processes are reviewed on a yearly basis. The RPT has been a permanent agenda in our quarterly Audit Committee meeting where the list of RPT and quantum are stated and whether adequate approval are sought.

This statement does not include the state of internal controls in joint ventures and associated companies, which have not been dealt with as part of the Group.

ASSURANCE

The Board has received reasonable assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group. It has been the policy of the company to request our external auditors to review and give their opinion on the Statement of Risk Management and Internal Controls before it is brought to the Board's approval prior to its incorporation into the Company's Annual Report.

BOARD'S CONCLUSION

The Board of Directors is pleased to disclose that the risk management and the system of internal control processes are adequately in place and implemented responsibly by its management team to support the Group's operation. Nevertheless, the process in identifying, evaluating and managing the significant risks faced by the Group are updated from time to time to align with the dynamic changes in the business environment as well as any improvement initiatives undertaken.

REPORT OF AUDIT COMMITTEE

During the financial period (FP) ended 31 December 2021 (18 months), the Audit Committee ("AC") had carried out its duties and responsibilities and held discussions with the external auditors, internal auditors and relevant members of management in accordance with its terms of reference. The AC wished to report that no material misstatements or losses, contingencies or uncertainties have risen based on the reviews made and discussions held. The details of the terms of reference of the AC are available for reference at www.zecon.com.my.

1. Membership and Meetings

During the FP 2021, the AC had held seven (7) meetings in compliance with the minimum of four (4) meetings as per its term of reference. The Internal Auditor who is the Secretary was in attendance during all the meetings. The Executive Director for Finance, external auditors and other relevant members of management were invited to the meeting to deliberate on matters within their purview as and when requested by the AC. After each meeting, the AC Chairman submits a report on material issues/matters being deliberated to the Board of Directors for their further deliberation, approval and actions where necessary. The Company Secretary shall record decisions made and circulate it to the Management for their further action.

The Chairman of the AC, Mr Richard Kiew Jiat Fong is a member of The Malaysian Institute of Accountants, Fellow of The Institute of Chartered Accountants in England and Wales, Fellow of The Association of Chartered Certified Accountants, United Kingdom, Fellow of The Institute of Singapore Chartered Accountants and Fellow of The Chartered Tax Institute of Malaysia. Other AC members, designation and attendances at the AC meetings held during the FP 2021 are as follows:

Committee Members	Status of Directorship	Attendance
Richard Kiew Jiat Fong **Chairman**	Independent Non-Executive Director	7/7
Dato' Abdul Majit Bin Ahmad Khan **Member**	Independent Non-Executive Director	6/7
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di **Member**	Independent Non-Executive Director	7/7
Haji Sazali Bin Md Salleh **Member**	Independent Non-Executive Director	7/7

2. Summary of Activities of AC for the Financial Period Ended 31 December 2021

In line with the terms of reference of the Committee, the following activities were carried out:

(i) **External Audit**

- Reviewed the Audit Planning Memorandum presented by External Auditor and their evaluation of the system of internal control;
- Reviewed accounting/auditing issues, findings and other reservations arising from the external audit assignments and ensure that appropriate actions are taken;
- Reviewed Statement on Risk Management and Internal Control which has been vetted by External Auditors before they were presented to the Board of Directors for approval;
- Assessed the performance of the External Auditors and recommends their appointment, remuneration and other related fees to the Board of Directors for approval. Audit fees for the financial period was RM430,700.00 whereas non-audit fee charged to review Statement on Risk Management and Internal Control was RM8,000.00; and
- Reviewed the assistance given by the internal auditors to the external auditors.

2. Summary of Activities of AC for the Financial Period Ended 31 December 2021 (Cont'd)

In line with the terms of reference of the Committee, the following activities were carried out: (Cont'd)

(ii)	**Internal Audit**	‹ Reviewed and approved Internal Audit's structure, manpower, budget and Annual Audit Plan to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks; ‹ Reviewed the internal audit reports issued by Internal Auditor on the effectiveness and adequacy of internal controls with regard to financial, operational and compliance process. It has been a permanent agenda in the AC meeting to discuss internal audit reports and issues highlighted. Significant issues are brought up by the AC Chairman to the attention of the board for further deliberation and actions; and ‹ Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant issues raised.
(iii)	**Financial Results**	‹ Reviewed and deliberated on the Quarterly financial results and Annual Financial Statements of the Company and Group. It has been a permanent agenda in the AC meeting where members deliberate on the quarterly and year end financial results and thereafter bring up the same to the Board meeting for approval. In the review, the AC discussed with Management (Executive Director – Finance) and external auditors on areas of importance, among others are as follows:- i. changes in or implementation of major accounting policy changes if any; ii. significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed; and iii. compliance with accounting principles and standards and other legal requirements.
(iv)	**Related Party Transactions**	‹ Reviewed the related party transactions entered into by Zecon Berhad and its subsidiaries to ensure that the transactions are conducted at arm's length, fair and reasonable, and are detrimental to the minority shareholders; and ‹ Passed a circular resolution on the proposed renewal of shareholders' mandate and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading in nature.

3. Summary of Internal Audit Functions and Activities for the Financial Period

The Internal Audit function is carried out by the Internal Audit Division (IAD) which was established on 1 April 2002. The IAD is headed by a General Manager and assisted by one (1) internal auditor. Functionality wise, it reports directly to the AC and has direct access to the Managing Director and Deputy Managing Director. The General Manager of the IAD is a member of Malaysian Institute of Accountants, Malaysia. All internal audit functions are conducted in-house by the internal audit staff.

The Internal Audit function provides to the Board through the AC and to management reasonable assurance on the effectiveness of the Group's systems of internal control and the adequacy of these controls to manage business risks and to safeguard the Group's assets and resources.

The IAD is governed by the Internal Audit Charter which sets out the purpose, functions, scope and responsibilities of the Internal Audit function and how it maintains its independence from the management. The AC is satisfied that the internal auditors' independence has been maintained and upheld adequately.

The IAD adopts a risk based auditing approach, prioritizing audit assignments based on the Group business activity, risk management and past audit findings. It evaluated the adequacy and effectiveness of key controls in responding to risks within the organization's governance, operations and information systems.

3. Summary of Internal Audit Functions and Activities for the Financial Year (Cont'd)

For the FP ended 31 December 2021, the activities of the internal audit were slightly impacted by the Movement Control Order arising from Covid-19 pandemic imposed nation-wide. However, it did not affect materially the audit function and activities which are listed as follows:-

(i) Preparation of Audit Planning Memorandum and the Internal Audit Plan for the year, taking into consideration a risk-based assessment of the business and a review of the Group's risk policies.

(ii) Secretary to AC.

(iii) Conduct internal audit assignments as per Internal Audit Plan and special audit assignments on an ad-hoc basis based on the requests of the Senior Management. Audit findings are discussed with auditees and recommendations are provided to address the issues. The internal audit reports are presented in the AC meeting for deliberation and unresolved/material issues are brought up to the Board for deliberation and further actions.

(iv) The General Manager for Internal Audit is also the Management Representative (MR) responsible in managing the company's Integrated Management System which comprised of Quality Management Systems (ISO 9001:2015), Occupational, Safety and Health Management Systems (ISO 45001:2018) and Environmental Management System (ISO 14001:2015).

(v) Preparation of AC Report and Statement on Risk Management and Internal Controls for the Company's Annual Report 2021.

The total cost for maintaining the IAD for the financial period under review amounted to RM161,548.87 (2020: RM157,486.37).

The Board has approved this Report via circular resolution dated 22 April 2022.

ADDITIONAL DISCLOSURES

1. Audit Fees and Non-Audit Fees

The amount of audit fees and non-audit fees accrued and billed by the External Auditors, Messrs Crowe Malaysia PLT for the financial period ended 31 December 2021 are as follows:-

Audit Fees

Category	Amount (RM)
Company	**250,000**
Group	**430,700**

Non-Audit Fees

Category	Amount (RM)
Company	**16,600**
Group	**140,050**

2. Material Contracts

There was no material contract of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders either still subsisting at the end of the financial period ended 31 December 2021 or entered into since the end of previous financial year.

3. Employees' Share Option Scheme ("ESOS")

The Group has one (1) ESOS in existence during the financial period ended 31 December 2021 and the said ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 17 July 2020.

The duration of the said ESOS is five (5) years from the date of implementation i.e 04 August 2021 and shall lapse on 03 August 2026. The duration of the ESOS may be extended for a further period of up to five (5) years, at the discretion of the Option Committee subject to compliance with the By-Laws.

The information in relation to the options granted and exercised since its implementation is as follows:

	Total Number	Aggregate for Directors and Chief Executive
Granted	19,505,000	6,030,000
Exercised	3,085,000	2,345,000

The total options outstanding as at 31 December 2021 stood at 15,490,000.

The aggregate maximum allocation applicable to directors and senior management was 50% and the actual allocation to them since commencement of the scheme was approximately 38%

The breakdown of the options offered to and exercised by the non-executive directors pursuant to the ESOS in respect of the financial period ended 31 December 2021 are as follows:

	Name of director	Amount of options granted	Amount of options exercised
1	Datu Haji Hamzah Bin Haji Drahman	600,000	20,000
2	Dato' Abdul Majit Bin Ahmad Khan	600,000	-
3	Richard Kiew Jiat Fong	600,000	-
4	Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	500,000	500,000
5	Hui Kok Yuan	650,000	-
6	Haji Sazali Bin Md Salleh	400,000	-

CONTENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 1 July 2020 to 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are foundation engineering, civil engineering and building contracting works and their related activities. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed the financial year end from 30 June to 31 December.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after taxation for the financial period	17,173,390	(42,637,154)
Attributable to:-		
Owners of the Company	(17,507,148)	(42,637,154)
Non-controlling interests	34,680,538	-
	17,173,390	(42,637,154)

DIVIDENDS

The Company has no distributable reserves with which to pay dividends.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial period:-

(a) the Company increased its issued and paid-up share capital from RM132,247,370 to RM133,435,095 by way of:-

   (i) issuance of 3,085,000 new ordinary shares for a cash consideration of RM1,187,725 via exercising employee's share option scheme.

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme of the Company (''ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 17 July 2020. The ESOS is to be in force for a period of 5 years effective from 4 August 2021.

The details of the ESOS are disclosed in Note 18 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate. The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to going concerns as disclosed in Note 5 'Going Concern'.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 36 to the financial statements. At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial period and up to the date of this report are as follows:-

Datu Haji Hamzah Bin Haji Drahman
Datuk Haji Zainal Abidin Bin Haji Ahmad
Zainurin Bin Ahmad
Dato' Abdul Majit Bin Ahmad Khan
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di
Richard Kiew Jiat Fong
Hui Kok Yuan
Haji Sazali Bin Md Salleh
Haji Jamil Bin Haji Jamaludin
Mohammed Noor Bin Ahmad (Appointed on 3.1.2022)

The names of directors of the Company's subsidiaries who served during the financial period and up to the date of this report, not including those directors mentioned above, are as follows:-

Haji Abang Azahari Bin Abang Osman
Dato' Haji Hamzah Bin Haji Ghazalli
Haji Saini Bin Haji Ali
Ong Kian Lim
Prof Dato Dr. Haron Bin Ahmad (Resigned on 31.3.2022)
Syed Mohd Muzakir Bin Syed Hussin (Resigned on 9.4.2022)
Chuan Thong Huat (Resigned on 31.1.2021)
Leong Choon Thye
Firdaus Bin Saif
Datu Dr. Zulkifli Bin Jantan
Dollah Chek @ Abdullah Chek Bin Sahamat
Jamel Bin Matin @ Ibrahim (Resigned on 30.1.2021)
Brandon Goh Mun Han
Yahya Bin Sukirman
Abdul Movin Bin Che Ngah
Dato' Mahamed Bin Hussain
Jafri Bin Lias
Ahmad Faizal Yaman Bin Ahmad Shafiee
Haji Zaidi Bin Haji Ahmad
Koh Fee Lee (Appointed on 28.1.2021)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares of the Company and its related corporations during the financial period are as follows:-

	<----------Number Of Ordinary Shares ---------->			
	At 1.7.2020	Bought	Sold	At 31.12.2021
Direct Interests In The Company				
Datu Haji Hamzah Bin Haji Drahman	133,500	20,000	-	**153,500**
Datuk Haji Zainal Abidin Bin Haji Ahmad	10,693,350	1,644,800	-	**12,338,150**
Zainurin Bin Ahmad	525,000	475,000	-	**1,000,000**
Richard Kiew Jiat Fong	63,000	-	-	**63,000**
Hui Kok Yuan	250,000	-	-	**250,000**
Haji Sazali Bin Md Salleh	150,000	-	-	**150,000**
Haji Jamil Bin Haji Jamaludin	-	150,000	-	**150,000**
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	-	500,000	-	**500,000**
Indirect Interest In The Company				
Datuk Haji Zainal Abidin Bin Haji Ahmad #	50,189,475	-	-	**50,189,475**
Haji Sazali Bin Md Salleh*	12,520,600	-	-	**12,520,600**
Direct Interest In Subsidiaries				
Teknik PS Sdn. Bhd.				
Datuk Haji Zainal Abidin Bin Haji Ahmad	34,000	-	-	**34,000**
Huang Hong Sdn. Bhd.				
Datuk Haji Zainal Abidin Bin Haji Ahmad	49,000	-	-	**49,000**
Sarmax Sdn. Bhd.				
Datuk Haji Zainal Abidin Bin Haji Ahmad	30,000	-	-	**30,000**
Saramax Land Sdn. Bhd.				
Datuk Haji Zainal Abidin Bin Haji Ahmad	49	-	-	**49**

Deemed interested by virtue of his direct substantial shareholdings in Dawla Capital Sdn. Bhd.
* Deemed interested by virtue of his direct substantial shareholdings in Mentari Hijau Sdn. Bhd.

There were no other movements in shares of the Company or its related corporations during the financial period other than as disclosed.

Datuk Haji Zainal Abidin Bin Haji Ahmad, by virtue of his interest in the Company, is also deemed to have interests in shares of all the Company's subsidiaries to the extent the Company has an interest in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' INTERESTS (Cont'd)

The other directors holding office at the end of the financial period had no interest in shares of the Company or its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33(a) to the financial statements.

Neither during nor at the end of the financial period was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial period are disclosed in Note 33 to the financial statements.

INSURANCE COST AND INDEMNIFICATION OF DIRECTORS AND AUDITORS

During the financial period, the total amount of indemnity coverage and insurance premium paid for the directors of the Group and of the Company was RM10,000,000 and RM21,210 respectively. To the extent permitted by law, the Group and the Company have agreed to indemnify their auditors, Crowe Malaysia PLT, as part of the terms of their audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Crowe Malaysia PLT during the financial period and up to the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 39 to the financial statements.

SUBSEQUENT EVENT

The subsequent event occurring after the reporting period are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 28 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2022.

Datuk Haji Zainal Abidin Bin Haji Ahmad

Datu Haji Hamzah Bin Haji Drahman

STATEMENT BY
DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Haji Zainal Abidin Bin Haji Ahmad and Datu Haji Hamzah Bin Haji Drahman, being two of the directors of Zecon Berhad, state that, in the opinion of the directors, the financial statements set out on pages 53 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial period ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2022.

Datuk Haji Zainal Abidin Bin Haji Ahmad

Datu Haji Hamzah Bin Haji Drahman

STATUTORY
DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Haji Jamil Bin Haji Jamaludin, MIA Membership Number: 7173, being the director primarily responsible for the financial management of Zecon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 164 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Haji Jamil Bin Haji Jamaludin, NRIC Number: 610915-13-5519
at Kuching
in the State of Sarawak
on this 22 April 2022.

Haji Jamil Bin Haji Jamaludin

Before me

986, 2nd Floor,
BDC Commercial Centre,
93250 Kuching, Sarawak.

PESURUHJAYA SUMPAH
PSJ No : Q131
Nama : CHAI SING HOI
01.01.2021 - 31.12.2023
MALAYSIA

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Zecon Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 164.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards*) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 5 to the financial statements, which indicated that as at 31 December 2021, the Group's current liabilities exceeded its current assets by RM894,557,228. This event give rise to concerns about whether the Group has sufficient cash flows to meet its obligations for the next 12 months from the end of the reporting period and whether the use of going concern basis is appropriate.

In assessing the appropriateness of the use of the going concern assumption, management have considered the Groups' cash flows forecast for the financial year ending 31 December 2022 as well as other factors enumerated in Note 5 to the financial statements.

In view of the above, barring any unforeseen circumstances, management has a reasonable expectation that the Group have adequate resources to continue as a going concern for the foreseeable future. Accordingly, the financial statements of the Group have been prepared on the going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other than the material uncertainty related to going concern, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (Cont'd)

Revenue recognition and construction contract accounting Refer to Note 24 and 25 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
For the financial period ended 31 December 2021, the Group recorded revenue and cost from construction contracts of RM580,122,724 and RM598,423,121 respectively. Construction activities represent the largest revenue stream of the Group. Significant management judgements and estimation are involved in the recognition of the revenue and its associated costs. Significant judgement and estimation are also required in determining the stage of completion, gross profit margin, project cost to complete, provision for foreseeable losses and liquidated ascertained damages, if any. These estimations are subject to uncertainties that depend on the outcome of future events. We determined this to be a key audit matter due to the complexity and judgemental nature of these activities.	Our procedures included, amongst others:- ▪ Perused the significant contracts and discussed with management to obtain full understanding of the terms and risks to assess our consideration whether revenue was recognised in accordance with percentage of completion; ▪ Assessed the management's bases and assumptions in determining the percentage of completion for projects, estimation of revenue and costs; ▪ Reviewed estimated profit margin and cost to complete; ▪ Tested samples of costs incurred to date by checking the contractors' claim certificates; ▪ Checked to subsequent documentation to identify if there are any delay in completion of contracts and penalties imposed; and ▪ Assessed the adequacy and reasonableness of provisions for foreseeable losses as well as liquidated ascertained damages, if any. No significant issues noted from our work.

Fair value of investment properties Refer to Note 10 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As at 31 December 2021, the Group's investment properties which are carried at fair value, amounted to RM600,163,628. The valuations of the Group's investment properties were performed by independent external valuers. We focused on this area due to complexities in determining the fair value of the investment properties, which involved significant judgements in estimating the underlying assumptions to be applied.	Our procedures included, amongst others:- ▪ Discussed the valuation methodologies and assumptions used in the valuation with the independent external valuers; ▪ Assessed the independent external valuers' competency, capabilities and objectivity by checking the valuers' qualification and their registration to the respective boards; ▪ Carried out procedures to assess the inputs underpinning the valuation of the properties by discussing with valuers: (a) location of the property; (b) shape, size and physical terrain of the land; (c) the demand for the property in its existing use and condition; (d) legal and planning conditions affecting the property; and (e) uses of surrounding properties. No significant issues noted from our work.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Chong Thian Poh
01580/02/2023 J
Chartered Accountant

Kuching

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	NOTE	The Group 31.12.2021 RM	The Group 30.6.2020 RM	The Company 31.12.2021 RM	The Company 30.6.2020 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	7	**2,700,822**	2,454,421	**1,682,391**	1,780,505
Inventories	8	**10,668,535**	10,668,535	**-**	-
Intangible assets	9	**-**	-	**-**	-
Investment properties	10	**600,163,628**	596,088,388	**-**	-
Right-of-use assets	11	**4,980,470**	7,515,790	**4,526,035**	5,645,455
Investment in subsidiaries	12	**-**	-	**15,343,287**	15,841,675
Other investments	13	**434,418**	1,535,698	**396,508**	1,442,939
Trade and other receivables	14	**789,846,837**	731,916,526	**-**	-
		1,408,794,710	1,350,179,358	**21,948,221**	24,710,574
CURRENT ASSETS					
Inventories	8	**7,342,842**	8,743,065	**-**	-
Trade and other receivables	14	**254,004,568**	213,141,456	**279,531,895**	311,806,507
Contract assets	15	**1,106,795**	2,222,428	**15,733**	441,062
Cash and bank balances	16	**27,462,771**	20,892,251	**5,049,220**	5,555,496
Deposits with licensed banks	17	**6,892,467**	6,880,381	**6,730,816**	6,729,008
		296,809,443	251,879,581	**291,327,664**	324,532,073
TOTAL ASSETS		**1,705,604,153**	1,602,058,939	**313,275,885**	349,242,647

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2021

	NOTE	The Group 31.12.2021 RM	The Group 30.6.2020 RM	The Company 31.12.2021 RM	The Company 30.6.2020 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	**133,435,095**	132,247,370	**133,435,095**	132,247,370
Non-distributable reserves	19	**1,551**	(219,898)	**-**	(261,583)
Retained profits/ (Accumulated losses)		**99,886,271**	124,093,895	**(66,924,428)**	(24,287,274)
Equity attributable to owners of the Company		**233,322,917**	256,121,367	**66,510,667**	107,698,513
Non-controlling interests		**152,472,818**	111,091,914	**-**	-
TOTAL EQUITY		**385,795,735**	367,213,281	**66,510,667**	107,698,513
NON-CURRENT LIABILITIES					
Lease liabilities	20	**4,706,585**	5,354,344	**3,703,006**	4,620,389
Trade and other payables	21	**47,906,418**	63,002,554	**-**	-
Deferred tax liabilities	22	**75,828,744**	52,835,217	**-**	-
		128,441,747	121,192,115	**3,703,006**	4,620,389
CURRENT LIABILITIES					
Lease liabilities	20	**903,512**	1,732,731	**622,196**	571,372
Short-term borrowings	23	**774,428,744**	789,544,107	**167,897,684**	156,737,131
Trade and other payables	21	**379,922,159**	283,917,256	**74,540,684**	79,545,363
Contract liabilities	15	**1,648**	61,133	**1,648**	58,329
Current tax liabilities		**36,110,608**	38,398,316	**-**	11,550
		1,191,366,671	1,113,653,543	**243,062,212**	236,923,745
TOTAL LIABILITIES		**1,319,808,418**	1,234,845,658	**246,765,218**	241,544,134
TOTAL EQUITY AND LIABILITIES		**1,705,604,153**	1,602,058,939	**313,275,885**	349,242,647

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM
REVENUE	24	**632,625,717**	519,234,698	**11,206,681**	74,931,963
COST OF SALES	25	**(600,062,456)**	(448,087,183)	**(747,007)**	(25,370,661)
GROSS PROFIT		**32,563,261**	71,147,515	**10,459,674**	49,561,302
OTHER INCOME	26	**138,961,438**	58,388,438	**11,836,552**	3,685,502
		171,524,699	129,535,953	**22,296,226**	53,246,804
ADMINISTRATIVE EXPENSES		**(26,297,501)**	(16,464,969)	**(14,455,444)**	(8,896,961)
OTHER EXPENSES		**(27,313,473)**	(3,304,626)	**(33,928,822)**	(12,659,288)
PROFIT/(LOSS) FROM OPERATIONS		**117,913,725**	109,766,358	**(26,088,040)**	31,690,555
FINANCE COSTS	27	**(77,164,595)**	(54,926,698)	**(16,538,654)**	(12,056,204)
SHARE OF LOSSES OF EQUITY ACCOUNTED ASSOCIATES		**-**	(74,724)	**-**	-
PROFIT/(LOSS) BEFORE TAXATION	28	**40,749,130**	54,764,936	**(42,626,694)**	19,634,351
INCOME TAX EXPENSE	29	**(23,575,740)**	(10,034,673)	**(10,460)**	(11,550)
PROFIT/(LOSS) AFTER TAXATION		**17,173,390**	44,730,263	**(42,637,154)**	19,622,801
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences		**-**	14,167	**-**	-
Fair value changes of equity instruments		**221,449**	15,660	**261,583**	(17,238)
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSES)		**221,449**	29,827	**261,583**	(17,238)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL PERIOD		**17,394,839**	44,760,090	**(42,375,571)**	19,605,563

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**(17,507,148)**	35,935,003	**(42,637,154)**	19,622,801
Non-controlling interests		**34,680,538**	8,795,260	**-**	-
		17,173,390	44,730,263	**(42,637,154)**	19,622,801
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		**(17,285,699)**	35,964,830	**(42,375,571)**	19,605,563
Non-controlling interests		**34,680,538**	8,795,260	**-**	-
		17,394,839	44,760,090	**(42,375,571)**	19,605,563
EARNINGS PER ORDINARY SHARE (SEN)					
Basic	30	**(12.13)**	25.03		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

	Note	Share Capital RM	Foreign Exchange Translation Reserve RM	Fair Value Adjustment Reserve RM	Retained Profits RM	Attributable To Owners Of the Company RM	Non-Controlling Interests RM	Total Equity RM
The Group								
Balance as at 1.7.2019		128,971,951	(14,167)	(235,558)	88,158,892	216,881,118	102,296,654	319,177,772
Profit after taxation for the financial year		-	-	-	35,935,003	35,935,003	8,795,260	44,730,263
Other comprehensive income for the financial year		-	14,167	15,660	-	29,827	-	29,827
Total comprehensive income for the financial year		-	14,167	15,660	35,935,003	35,964,830	8,795,260	44,760,090
Issuance of shares	18	3,275,419	-	-	-	3,275,419	-	3,275,419
Balance as at 30.6.2020		132,247,370	-	(219,898)	124,093,895	256,121,367	111,091,914	367,213,281

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

	Note	Share Capital RM	Fair Value Adjustment Reserve RM	Retained profits RM	Attributable To Owners Of The Company RM	Non-Controlling Interests RM	Total Equity RM
The Group							
Balance as at 1.7.2020		132,247,370	(219,898)	124,093,895	256,121,367	111,091,914	367,213,281
(Loss)/Profit after taxation for the financial period		-	-	(17,507,148)	(17,507,148)	34,680,538	17,173,390
Other comprehensive income for the financial period		-	221,449	-	221,449	-	221,449
Total comprehensive income/(expenses) for the financial period		-	221,449	(17,507,148)	(17,285,699)	34,680,538	17,394,839
Changes in the subsidiaries ownership interests that do not result in a loss of control	32.3	-	-	(6,700,476)	(6,700,476)	6,700,366	(110)
Contributions by and distributions to owners of the Group - Employees' share options exercised	18	1,187,725	-	-	1,187,725	-	1,187,725
Balance as at 31.12.2021		**133,435,095**	**1,551**	**99,886,271**	**233,322,917**	**152,472,818**	**385,795,735**

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

	Note	Share Capital RM	Fair Value Adjustment Reserve RM	Accumulated Losses RM	Total Equity RM
The Company					
Balance as at 1.7.2019		128,971,951	(244,345)	(43,910,075)	84,817,531
(Loss)/Profit after taxation, representating total comprehensive income for the financial year		-	(17,238)	19,622,801	19,605,563
Issuance of shares	18	3,275,419	-	-	3,275,419
Balance as at 30.6.2020/1.7.2020		132,247,370	(261,583)	(24,287,274)	107,698,513
Profit/(Loss) after taxation, representating total comprehensive expenses for the financial period		-	261,583	(42,637,154)	(42,375,571)
Contributions by and distributions to owners of the Company:					
- Employees' share options exercised	18	1,187,725	-	-	1,187,725
Balance at 31.12.2021		**133,435,095**	**-**	**(66,924,428)**	**66,510,667**

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

	NOTE	The Group		The Company	
		Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		**40,749,130**	54,764,936	**(42,626,694)**	19,634,351
Adjustments for:-					
Accretion of fair value on non-current trade receivables		**(98,172,269)**	(45,910,246)	**-**	-
Allowance for impairment losses on:					
- trade receivables		**26,458,141**	1,663,669	**25,383,077**	1,526,258
- other receivables		**5,425**	372,882	**-**	330,454
- amount owing by subsidiaries		**-**	-	**7,136,895**	10,679,283
- contract assets		**525,329**	-	**425,329**	-
- investment in subsidiaries		**-**	-	**500,000**	-
Bad debts on:					
- trade receivables		**16,019**	5,293	**-**	5,293
- other receivables		**10,220**	118,129	**4,826**	115,798
- amount owing by subsidiaries		**-**	-	**7,437**	-
Contract assets written off		**-**	22,092,702	**-**	22,073,347
Depreciation of:					
- property, plant and equipment	7(b)	**648,651**	774,233	**193,991**	200,120
- right-of-use assets		**2,648,797**	1,830,485	**1,119,420**	743,874
Dividend income		**(870)**	-	**(9,000,000)**	-
Fair value loss on other investment		**220,213**	-	**220,213**	-
Inventories written down		**2,878,287**	-	**-**	-
Interest expense		**77,164,595**	54,926,698	**16,538,654**	12,056,204
Loss on disposal of other investment		**171,225**	-	**251,045**	-
Loss/(Gain) on deemed disposal of an associate		**-**	1,110,794	**-**	(1,212,779)
Preliminary expenses		**6,058**	-	**-**	-
Share of net losses of equity associates		**-**	74,724	**-**	-
Fair value gain on investment properties		**(4,075,240)**	(2,707,050)	**-**	-
Impairment written back on:					
- trade receivables		**(4,050)**	(631,794)	**-**	-
- other receivables		**(83,764)**	(438,044)	**(83,764)**	(261,832)
- amount owing by subsidiaries		**-**	-	**-**	(109,861)
Interest income		**(657,002)**	(57,390)	**(651,154)**	(40,926)

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM
(Gain)/Loss on strike off of subsidiaries		**-**	(93,577)	**-**	2,202
Gain on disposal of property, plant and equipment		**(634,699)**	(1,477,306)	**(346,193)**	(1,407,362)
Gain on disposal of rights-of-use assets		**(35,023)**	-	**-**	-
Unrealised (gain)/loss on foreign currency translation		**(1,345)**	16,763	**-**	-
Written back on trade and other payables		**(206,474)**	(225,278)	**(39,605)**	(41)
Operating profit/(loss) before working capital changes		**47,631,354**	86,210,623	**(966,523)**	64,334,383
BALANCE CARRIED FORWARD		**47,631,354**	86,210,623	**(966,523)**	64,334,383

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM
BALANCE BROUGHT FORWARD		**47,631,354**	86,210,623	**(966,523)**	64,334,383
(Increase)/Decrease in trade and other receivables		**(27,023,145)**	(198,597,977)	**18,411,280**	(52,683,708)
Decrease/(Increase) in contract assets		**590,304**	1,564,692	**-**	(2,753,665)
Increase in amount owing by subsidiaries		**-**	-	**(18,585,139)**	(8,895,743)
Increase in inventories		**(1,478,064)**	(1,334,463)	**-**	-
Increase/(Decrease) in trade and other payables		**73,516,222**	(40,887,992)	**(13,144,763)**	(3,487,528)
Increase/(Decrease) in amount owing to subsidiaries		**-**	-	**6,716,774**	(1,274,810)
(Decrease)/Increase in amount owing to directors		**(1,446,431)**	10,635,830	**2,146,227**	2,528,391
(Decrease/Increase in amount owing to directors of subsidiaries		**(3,313)**	2,845	**(3,313)**	2,845
Increase/(Decrease) in amount owing to a corporate shareholder		**9,037,525**	24,357,782	**(679,999)**	-
(Decrease)/Increase in contract liabilities		**(59,485)**	(4,703,399)	**(56,681)**	58,329
CASH FROM/(FOR) OPERATIONS		**100,764,967**	(122,752,059)	**(6,162,137)**	(2,171,506)
Interest paid		**(63,564,583)**	(45,240,642)	**(3,378,101)**	(4,076,562)
Interest received		**657,002**	57,390	**651,154**	40,926
Preliminary expenses paid		**(6,058)**	-	**-**	-
Income tax paid, net of refund		**(2,869,921)**	(1,291,590)	**(22,010)**	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		**34,981,407**	(169,226,901)	**(8,911,094)**	(6,207,142)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Addition to right-of-use asset	31(a)	**-**	-	**-**	-
Incorporations of subsidiaries, net of cash	32.1	**-**	-	**(1,500)**	-
Acquisition of other investment		**-**	(22,560)	**-**	-
Dividend received		**870**	-	**9,000,000**	-
Purchase of property, plant and equipment		**(1,027,566)**	(24,426)	**(95,884)**	-
Proceeds from disposal of other investment		**931,291**	-	**836,756**	-
Proceeds from disposal of property, plant and equipment		**767,213**	2,068,040	**346,200**	1,998,039
Proceeds from disposal of rights-of-use assets		**41,000**	-	**-**	-
(Increase)/Decrease in pledged fixed deposits with licensed banks		**(1,808)**	432,642	**(1,808)**	432,642
Net cash inflow/(outflow) on acquisition of subsidiary	32	**12,473**	-	**(112)**	-
NET CASH FROM INVESTING ACTIVITIES		**723,473**	2,453,696	**10,083,652**	2,430,681

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

		The Group		The Company	
	NOTE	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 (Restated) RM
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Drawdown of term loans	31(b)	**3,970,352**	173,099,579	**-**	-
Increase in reserve accounts		**(10,083,346)**	-	**-**	-
Proceeds from issuance of ordinary shares	18	**1,187,725**	3,275,419	**1,187,725**	3,275,419
Repayment of lease liabilities	31(b)	**(1,596,432)**	(1,403,293)	**(866,559)**	(586,545)
Repayment of term loans	31(b)	**(42,337,385)**	(5,420,000)	**(2,000,000)**	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		**(48,859,086)**	169,551,705	**(1,678,834)**	2,688,874
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,154,206)**	2,778,500	**(506,276)**	(1,087,587)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		**20,943,624**	18,165,124	**5,555,496**	6,643,083
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	31(c)	**7,789,418**	20,943,624	**5,049,220**	5,555,496

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business are as follows:-

Registered office and principal place of business	:	8th Floor, Menara Zecon, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2022.

2. CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed its financial year end from 30 June to 31 December.

3. PRINCIPAL ACTIVITIES

The principal activities of the Company are foundation engineering, civil engineering and building contracting works and their related activities. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4.1 During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

4. BASIS OF PREPARATION (Cont'd)

4.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

5. GOING CONCERN

The financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and settle their liabilities in the normal course of business.

5.1 As at 31 December 2021, the current liabilities of the Group had exceeded the current assets by RM894,557,228 indicating the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

5.2 Since the previous financial years, the Group had failed to fulfill certain obligations and covenants as stipulated in one of the facilities agreements and by reason of such failure, events of default have occurred. Details are as follows:

(i) defaulted in payment of sum of RM106.7 million being the balance of the principal and interest amount under the revolving credit facility; and
(ii) defaulted in relation to the progressive build-up funds into the Sinking Fund Account.

The abovementioned events and conditions indicate the existence of a material uncertainty which may cast doubt about the ability of the Group and of the Company to continue as a going concern.

As at the date of these financial statements, the directors believe that the Group has adequate resources to meet its obligations as and when they fall due for at least 12 months from the end of the financial period which is supported by the Group's cash flow forecast for period ended 31 December 2022. Accordingly, the directors are of the opinion that the preparation of the financial statements on a going concern basis remains appropriate given the following measures being taken or will be taken by the Group to mitigate the existence of material uncertainty on going concern and to its obligations falling due within the next 12 months which, the management has considered the followings:

5. GOING CONCERN (Cont'd)

(a) The HPKK project has been completed and the Certificate of Practical Completion was issued on 19 August 2020 and the Certificate of Acceptance ("COA") on 30 December 2020. The said COA already see positive impact on the Group's cashflow through the realisation of the Availability Charges and Management Service Charges payment from UKM of approximately RM141.0 million per annum;

(b) The Group is actively participate in the exercise of subscribing/purchase of Islamic medium term note of up to RM865,000,000 in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") to further strengthen the cash flows of the Group. Once the exercise is materialised, the management proposed to utilise the proceeds to repay the borrowings;

(c) The shareholders had approved the issuance of Employee Share Option Scheme on 17 July 2020. As of 31 December 2021, the Company had 15,475,000 shares which are yet to be exercised by the eligible person such as directors and employees of the Company. Through the exercising of the remaining employees share option scheme, the Group will further strengthen the cash flows of the Group;

(d) Despite COVID-19 outbreak, the service concession and Pan Borneo project have recorded profit after tax of RM70.09 million and RM0.97 million respectively for the financial period ended 31 December 2021;

(e) The Group was able to generate operating profit before working capital changes of RM47.63 million and positive Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITA") of RM22.38 million for the financial period ended 31 December 2021;

(f) The Group has operating cash and cash equivalents amounting to RM7.79 million for the use of operations. Furthermore, the Group has finance service reserve account and sinking fund amounting to RM10.08 million which are placed with a licensed bank in lien to the bank borrowings;

(g) The bank continues to provide loans and support to the Group. There are no bank cancelling any of the major banking facilities given or provided to the Group, hence the Group is able to continue enjoying the banking facilities and fundings from the banks in the financial period 31 December 2021 except for those mention in Note 5.2(i). The Group had signed a standstill agreement with Affin Hwang Investment Bank whereby, the Group had been granted one year from the commencement of the Agreement dated 24 September 2021 to settle the remaining Revolving credits.;

(h) Included in the net current liabilities are the followings:
- Amount owing to corporate shareholders and Group's directors amounted to approximately to RM43.97 million, which no payments will be demanded in the next 12 months from the financial period ended; and
- The amount owing to one of the major trade creditor had stated that no payment shall be demanded by them to Zecon Group within the next 12 months.

(i) The Group has obtained additional overdraft facilities amounting to RM10 million during the financial period ended 31 December 2021 and has unencumbered land and properties with carrying amount of approximately RM29.6 million that can be pledged to licensed banks to raise new fundings (if required); and

(j) The Group has continued to undertake measures to improve operational efficiencies and productivity.

The ability of the Group to operate as going concern is highly dependent upon:

(i) the timely and successful completion of current ongoing projects;
(ii) the ability of the Group to achieve sustainable and viable operations with adequate cash flows generated from their operating activities; and

If these are not forthcoming, the application of the going concern accounting concept may be inappropriate and adjustment may be required to restate the carrying amounts of the assets to their recoverable amounts and to provide further liabilities that may arise.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is described in Note 7 to the financial statements.

(b) Valuation of Investment Properties

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining the estimated value of the property by comparing the values of other similar properties that were sold recently and those that are currently being offered for sale in the vicinity and making adjustments thereto for value affecting factors such as location of property, shape, size and physical terrain of the property, the demand and existing conditions affecting the property, legal and planning conditions affecting the property and uses of surrounding properties. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value.

(c) Impairment of Property, Plant and Equipment

The Group determines whether an item of its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

(e) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 14 and 15 to the financial statements.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 14 to the financial statements respectively.

(g) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 15 to the financial statements.

(h) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(b) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.2 BASIS OF CONSOLIDATION (Cont'd)

(d) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

6.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when the settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.4 FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.4 FINANCIAL INSTRUMENTS (Cont'd)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

6.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

6.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Motor vehicles	20%
Office furniture, fittings, equipment and renovation	10% - 25%
Plant, machinery and equipment	15%
Vessels and dredgers	15%

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.6 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

6.7 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-to-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If the owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to date of change in use.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.8 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets that do not meet the definition of investment property and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as below:-

(a) Land Held for Property Development

Land held for property development represents right-of-use asset (leasehold land) on which no significant development work has been undertaken or which development activities are not expected to be completed within the normal operating cycle is classified as non-current asset.

The cost comprises cost associated to the purchase of land, payment for the right-of-use asset (leasehold land), conversion fees, other relevant levies and an appropriate proportion of common infrastructure costs.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If future development layout plan is not available, the replacement cost of the properties held for future development will be the best available measure of the net realisable value.

Land held for property development is transferred to property development costs category when development activities have commenced and are expected to be completed within the normal operating cycle.

(b) Property Development Cost

The cost comprises cost associated with the purchase of land, payment for the right-of-use asset (leasehold land), conversion fees, aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

(c) Completed Properties Held for Sale

The cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sales comprises cost associated with the purchase of land, payment for the right-of-use asset (leasehold land), conversion fees, aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

6.10 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

6.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.12 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment losses recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

6.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as ''share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries'employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.15 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

6.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

6.17 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.18 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees such as Employees' Share Option Scheme.

6.19 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

6.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

Long-term concession contracts with government or government agencies

The Group has concession arrangement with the Government of Malaysia ("Government") to design, develop, construct and complete the Facilities and Infrastructure ("concession asset") and to carry out the Asset Management Services for a concession period of 33 (including construction period of 7 years) years and transfer the concession asset to the grantor at the end of the concession periods.

Payment terms for contracts with Government and Grantor are usually based on equal instalments over the duration of the contract after the asset management service commencement date.

(b) Property Development

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from property development is recognised progressively when property development services are rendered and such services do not create an asset with an alternative's use to the Group, and the Group has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Group's performance in satisfying the performance obligation of the contract. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract. Otherwise, revenue is recognised at a point in time upon delivery of property and customer's acceptance, and the Group has a present right to payment for the property sold.

6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

6.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont'd)

(b) Property Development (Cont'd)

A receivable is recognised when the development activities are carried out as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

(c) Rendering of Facility Management Services

Revenue from providing facility management services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises the revenue on a straight-line method over the period of service.

(d) Rendering of Utility Services

Revenue from providing utility services is recognised over time in the period in which the services are rendered. This is based on the actual customer usage relative to the agreed-upon charging rates.

6.22 REVENUE FROM OTHER SOURCES AND OTHER INCOME

(a) Rendering of Management Services

Revenue from providing management services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(d) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

6.23 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.7.2020 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 31.12.2021 RM
Carrying Amount					
Buildings	**1,559,661**	**-**	**-**	**(65,783)**	**1,493,878**
Motor vehicles	**353,351**	**320,000**	**(132,510)**	**(222,271)**	**318,570**
Office furniture, fittings, equipment and renovation	**524,864**	**610,166**	**(2)**	**(316,931)**	**818,097**
Plant, machinery and equipment	**16,545**	**97,400**	**(2)**	**(43,666)**	**70,277**
	2,454,421	**1,027,566**	**(132,514)**	**(648,651)**	**2,700,822**

The Group	At 1.7.2019 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 30.6.2020 RM
Carrying Amount					
Buildings	2,208,345	-	(590,677)	(58,007)	1,559,661
Motor vehicles	551,163	-	(2)	(197,810)	353,351
Office furniture, fittings, equipment and renovation	771,232	24,426	-	(270,794)	524,864
Plant, machinery and equipment	264,221	-	(54)	(247,622)	16,545
	3,794,961	24,426	(590,733)	(774,233)	2,454,421

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2021			
Buildings	**2,192,718**	**(698,840)**	**1,493,878**
Motor vehicles	**12,893,232**	**(12,574,662)**	**318,570**
Office furniture, fittings, equipment and renovation	**12,759,603**	**(11,941,506)**	**818,097**
Plant, machinery and equipment	**33,718,417**	**(33,648,140)**	**70,277**
Vessels and dredgers	**1,400,000**	**(1,400,000)**	**-**
	62,963,970	**(60,263,148)**	**2,700,822**

7. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
30.6.2020			
Buildings	2,192,718	(633,057)	1,559,661
Motor vehicles	13,944,406	(13,591,055)	353,351
Office furniture, fittings, equipment and renovation	12,160,113	(11,635,249)	524,864
Plant, machinery and equipment	34,287,975	(34,271,430)	16,545
Vessels and dredgers	1,400,000	(1,400,000)	-
	63,985,212	(61,530,791)	2,454,421

The Company	At 1.7.2020 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 31.12.2021 RM
Carrying Amount					
Buildings	**1,559,661**	**-**	**-**	**(65,783)**	**1,493,878**
Motor vehicles	**4,963**	**-**	**(5)**	**(4,913)**	**45**
Office furniture, fittings, equipment and renovation	**180,604**	**95,884**	**-**	**(104,795)**	**171,693**
Plant, machinery and equipment	**35,277**	**-**	**(2)**	**(18,500)**	**16,775**
	1,780,505	**95,884**	**(7)**	**(193,991)**	**1,682,391**

The Company	At 1.7.2019 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 30.6.2020 RM
Carrying Amount					
Buildings	2,208,345	-	(590,677)	(58,007)	1,559,661
Motor vehicles	10,867	-	-	(5,904)	4,963
Office furniture, fittings, equipment and renovation	300,219	-	-	(119,615)	180,604
Plant, machinery and equipment	51,871	-	-	(16,594)	35,277
	2,571,302	-	(590,677)	(200,120)	1,780,505

7. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2021			
Buildings	**2,192,718**	**(698,840)**	**1,493,878**
Motor vehicles	**5,238,811**	**(5,238,766)**	**45**
Office furniture, fittings, equipment and renovation	**5,487,078**	**(5,315,385)**	**171,693**
Plant, machinery and equipment	**18,730,705**	**(18,713,930)**	**16,775**
Vessels and dredgers	**1,400,000**	**(1,400,000)**	**-**
	33,049,312	**(31,366,921)**	**1,682,391**

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
30.6.2020			
Buildings	2,192,718	(633,057)	1,559,661
Motor vehicles	5,675,994	(5,671,031)	4,963
Office furniture, fittings, equipment and renovation	5,391,194	(5,210,590)	180,604
Plant, machinery and equipment	19,390,705	(19,355,428)	35,277
Vessels and dredgers	1,400,000	(1,400,000)	-
	34,050,611	(32,270,106)	1,780,505

(a) Included in the property, plant and equipment are the following fully depreciated property, plant and equipment which are still in use: -

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
At cost:-				
Motor vehicles	**10,550,323**	11,022,489	**5,238,811**	5,646,477
Office furniture, fittings, equipment and renovation	**10,194,712**	9,191,623	**5,193,336**	4,944,108
Plant, machinery and equipment	**31,943,503**	31,219,929	**18,952,523**	19,310,293
Vessels and dredgers	**1,400,000**	1,400,000	**1,400,000**	1,400,000
	54,088,538	52,834,041	**30,784,670**	31,300,878

7. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(b) Current period depreciation charges are recognised as follows:-

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Recognised in profit and loss account	**648,651**	774,233	**193,991**	200,120

(c) Included in the property, plant and equipment is a building with a carrying amount of RM304,191 (30.6.2020 – RM317,228) which are pledged to bank for facilities granted.

8. INVENTORIES

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Non-current				
At cost:-				
Land held for property development (Note 8(a))	**10,668,535**	10,668,535	**-**	-
Current				
At cost:-				
Completed properties held for sale	**7,669,227**	7,669,227	**-**	-
Development costs (Notes 8(b))	**-**	1,389,953		
	7,669,227	9,059,180		
Less: Write down value of properties held for sale	**(326,385)**	(316,115)	**-**	-
	7,342,842	8,743,065	**-**	-
Total inventories	**18,011,377**	19,411,600	**-**	-
Recognised in profit or loss:- Inventories recognised as cost of sales	**-**	1,192,713	**-**	-

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Inventories written down:				
At 1 July	**316,115**	316,115	**-**	-
Additions during the financial period	**2,878,287**	-	**-**	-
At 31 December/30 June	**3,194,402**	316,115	**-**	-

8. INVENTORIES (Cont'd)

(a) Land held for property development

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
At cost:		
At 1 July	**10,668,535**	8,141,359
Additions	**-**	2,527,176
At 31 December/30 June	**10,668,535**	10,668,535
Represented by:-		
Right-of-use asset - Leasehold land	**10,626,710**	10,626,710
Development costs	**41,825**	41,825
	10,668,535	10,668,535

(b) Development costs

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
Cumulative development costs		
At 1 July	**2,868,017**	2,868,017
Inventories written down on development cost	**(2,868,017)**	-
At 31 December/30 June	**-**	2,868,017
Less: Cumulative costs recognised in statements of profit and loss and other comprehensive income		
At 1 July	**1,478,064**	1,478,064
Cost elimination due to completion of projects	**(1,478,064)**	-
At 31 December/30 June	**-**	1,478,064
Development costs at 31 December/30 June	**-**	1,389,953

8. INVENTORIES (Cont'd)

(b) Development costs (Cont'd)

Included in property development costs incurred during the financial period are:

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
Depreciation of property, plant and equipment	**411**	362
Staff costs	**39,097**	-

9. INTANGIBLE ASSETS

The Group	**At Cost RM**	**Accumulated Impairment RM**	**Carrying Amount RM**
31.12.2021			
Goodwill	**-**	**-**	**-**

The Group	**At Cost RM**	**Accumulated Impairment RM**	**Carrying Amount RM**
30.6.2020			
Goodwill	2,768,021	(2,768,021)	-

During the financial period, the Group had written off the goodwill.

10. INVESTMENT PROPERTIES

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
Carrying Amount		
At 1 July	**596,088,388**	593,381,338
Gain on changes in fair value	**4,075,240**	2,707,050
At 31 December/30 June	**600,163,628**	596,088,388
Included in the above are:-		
Leasehold lands, at fair value	**600,163,628**	596,088,388

(a) The leasehold lands have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

(b) Investment properties are stated at fair value based on the valuation performed by independent professional valuer. The valuation method adopted by the independent professional valuer are direct comparison method of valuation. This method entails enlisting recorded open market sales and other relevant market evidences such as current offers for sales of similar properties and making adjustments thereto for value affecting factors such as the following:-

(i) location of the property;
(ii) shape, size and physical terrain of the land;
(iii) the demand for the property in its existing use and condition;
(iv) legal and planning conditions affecting the property; and
(v) uses of surrounding properties.

The fair value of the investment properties are within level 3 of the fair value hierarchy.

There has been no change to the valuation technique during the financial period.

11. RIGHT-OF-USE ASSETS

The Group	At 1.7.2020 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 31.12.2021 RM
Carrying Amount					
Leasehold land	**439,801**	**119,454**	**-**	**(24,948)**	**534,307**
Buildings	**5,307,103**	**-**	**-**	**(1,133,344)**	**4,173,759**
Motor vehicles	**166,324**	**-**	**(5,977)**	**(160,345)**	**2**
Plant, machinery and equipment	**1,602,562**	**-**	**-**	**(1,330,160)**	**272,402**
	7,515,790	**119,454**	**(5,977)**	**(2,648,797)**	**4,980,470**

The Group	At 1.7.2019 RM	Depreciation Charges RM	At 30.6.2020 RM
Carrying Amount			
Leasehold land	453,310	(13,509)	439,801
Buildings	6,077,901	(770,798)	5,307,103
Motor vehicles	328,135	(161,811)	166,324
Plant, machinery and equipment	2,486,929	(884,367)	1,602,562
	9,346,275	(1,830,485)	7,515,790

The Company	As 1.7.2020 RM	Depreciation Charges RM	At 31.12.2021 RM
Carrying Amount			
Leasehold land	**439,800**	**(20,264)**	**419,536**
Buildings	**5,124,543**	**(1,031,318)**	**4,093,225**
Plant, machinery and equipment	**81,112**	**(67,838)**	**13,274**
	5,645,455	**(1,119,420)**	**4,526,035**

11. RIGHT-OF-USE ASSETS (Cont'd)

The Company	As 1.7.2019 RM	Depreciation Charges RM	At 30.6.2020 RM
Carrying Amount			
Leasehold land	453,309	(13,509)	439,800
Buildings	5,812,089	(687,546)	5,124,543
Plant, machinery and equipment	123,931	(42,819)	81,112
	6,389,329	(743,874)	5,645,455

(a) The Group and the Company have lease contracts for leasehold land, buildings, motor vehicles, plant, machinery and equipment used in its operations. Their lease terms are as below:-

	The Group		The Company	
	31.12.2021	30.6.2020	31.12.2021	30.6.2020
Leasehold land	**26.5 -99 years**	99 years	**99 years**	99 years
Buildings	**1 to 9 years**	1 to 9 years	**8 to 9 years**	8 to 9 years
Motor vehicles	**1 to 3 years**	1 to 3 years	**Nil**	Nil
Plant, machinery and equipment	**1 year**	1 year	**1 year**	1 year

(b) The Group and the Company have leases with lease terms of 12 months or less and leases of buildings and office equipment with low value. The Group and the Company have applied the 'short-term leases' and 'lease of low-value assets' recognition exemptions for these leases.

12. INVESTMENT IN SUBSIDIARIES

	The Company	
	31.12.2021 RM	30.6.2020 RM
Unquoted shares, at cost	**67,573,690**	67,575,892
Acquisition during the period	**1,502**	-
Acquisition of remaining shares in subsidiaries	**110**	-
Strike-off during the period	**-**	(2,202)
	67,575,302	67,573,690
Accumulated impairment losses	**(52,232,015)**	(51,732,015)
	15,343,287	15,841,675
Movement in accumulated impairment losses:-		
At 1 July	**(51,732,015)**	(51,732,015)
Addition during the financial period	**(500,000)**	-
At 31 December/30 June	**(52,232,015)**	(51,732,015)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Country of Incorporation	Percentage of Issued Share Capital Held by Parent 31.12.2021 %	30.6.2020 %	Principal Activities
Subsidiaries of the Company				
Excelbuilt Engineering Sdn. Bhd.#	Malaysia	**100**	100	Engineering and construction
Zecon Assets Sdn. Bhd.#	Malaysia	**100**	100	Management, maintenance and rental services in relation to machineries, motor vehicles and hardware of every description
Zecon Construction (Sarawak) Sdn. Bhd.#	Malaysia	**100**	100	Construction, housing development and other related activities
Zecon Construction Services Sdn. Bhd.	Malaysia	**100**	100	Construction works
Zecon Engineering (Sabah) Sdn. Bhd.# (Formerly known as Zecon Designtech Sdn. Bhd.)	Malaysia	**100**	100	Engineering and construction
Zecon Geotechnical Services Sdn. Bhd.#	Malaysia	**100**	100	Foundation engineering and piling
Zecon International Limited#*	British Virgin Islands	**100**	100	Foundation engineering and construction
Zecon Land Sdn. Bhd.#	Malaysia	**100**	100	Investment holding, property development and construction
Zecon Mutiara Sdn. Bhd.#	Malaysia	**100**	100	Construction of medium and low cost houses
Zecon Capital Sdn. Bhd.#	Malaysia	**100**	100	Investment holdings
Zecon Dredging Sdn. Bhd.#	Malaysia	**70**	70	Sand dredging, earthworks and material transportation services
Zecon Kimlun Consortium Sdn. Bhd.	Malaysia	**70**	70	Construction
Huang Hong Sdn. Bhd.#	Malaysia	**51**	51	Investment holding
Zecon Energy Sdn. Bhd.#	Malaysia	**100**	51	Energy management and other energy related services

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:- (Cont'd)

Name of Subsidiaries	Country of Incorporation	Percentage of Issued Share Capital Held by Parent 31.12.2021 %	30.6.2020 %	Principal Activities
Subsidiaries of the Company				
Zecon Fab Sdn. Bhd.#	Malaysia	**100**	51	Engineering, design onshore/offshore fabrication, platform installation, pipelaying, production facility backup and platform maintenance
Zecon Medicare Sdn. Bhd.#	Malaysia	**51**	51	Hospital concession
Saramax Land Sdn. Bhd.#	Malaysia	**51**	51	Dormant
Demak Concessionaires Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Teknik PS Sdn. Bhd.	Malaysia	**55**	55	Dormant
Zecon Piling Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Resources Sdn. Bhd.	Malaysia	**96**	96	Dormant
Zecon Space Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Toll Concessionaire Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Aerotropolis (Kuching) Sdn. Bhd.#	Malaysia	**100**	-	Dormant
Zecon Medivest Sdn. Bhd.#	Malaysia	**100**	-	Dormant
Held through subsidiaries:				
Subsidiaries of Zecon Land Sdn. Bhd.:-				
Zecon Demak Jaya Sdn. Bhd.	Malaysia	**100**	100	Property holding
Zecon Petra Jaya Sdn. Bhd.#	Malaysia	**55.44**	55.44	Property development
Subsidiary of Zecon Energy Sdn. Bhd.:-				
Zecon Well Services Sdn. Bhd.#	Malaysia	**60**	60	Involved in oil and gas industry and other activities incidental and ancillary thereto

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:- (Cont'd)

Name of Subsidiaries	Country of Incorporation	Percentage of Issued Share Capital Held by Parent 31.12.2021 %	30.6.2020 %	Principal Activities
Held through subsidiaries:				
Subsidiaries of Zecon Mutiara Sdn. Bhd.:-				
IR Concept (M) Sdn. Bhd.#	Malaysia	**100**	100	Supplier of electrical or electric equipment and services
Zalpoint Tanah Putih Sdn. Bhd.	Malaysia	**100**	100	Property development
ZPM Satu Sdn. Bhd.#	Malaysia	**100**	100	Property sales and management
Agrowell Quarry Sdn. Bhd.^^	Malaysia	**-**	100	Strike off
Subsidiary of Zecon Resources Sdn. Bhd.:-				
Sarmax Sdn. Bhd.	Malaysia	**50.1**	50.1	Property investment and construction
Subsidiary of Zecon International Limited:-				
Zecon Engineering & Construction Sdn. Bhd.#	Malaysia	**100**	100	Engineering and general construction
Subsidiaries of Zecon Capital Sdn. Bhd.:-				
Serveco Sdn. Bhd.	Malaysia	**100**	-	Dormant
Zecon Hotel Sdn. Bhd.#	Malaysia	**100**	-	Dormant
Zecon RE Sdn. Bhd.#	Malaysia	**100**	-	Dormant
Parkyocar Sdn. Bhd.#	Malaysia	**100**	-	Dormant

The auditors' reports on the financial statements of the subsidiaries include a note on "Material Uncertainty Related to Going Concern" regarding the ability of the subsidiaries to continue as a going concern in view of their capital deficiency position as at the end of the current reporting period. The financial statements were prepared on a going concern basis as the Management have considered the Group cash flows forecast for the financial period ending 31 December 2022. The ability of the Company to operate as going concern is highly dependable on the factors in Note 5.

* The subsidiaries were reviewed by Crowe Malaysia PLT for consolidation purpose.

^^ The subsidiaries had been struck off during the financial period.

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	31.12.2021 %	30.6.2020 %	31.12.2021 RM	30.6.2020 RM
Zecon Dredging Sdn. Bhd.	**30**	30	**(14,650,240)**	(14,544,824)
Zecon Energy Sdn. Bhd.	**-**	49	**-**	(1,628,218)
Zecon Fab Sdn. Bhd.	**-**	49	**-**	(5,072,147)
Zecon Kimlun Consortium Sdn. Bhd.	**30**	30	**3,751,625**	3,461,082
Huang Hong Sdn. Bhd.	**49**	49	**91,329,713**	93,652,750
Sarmax Sdn. Bhd.	**51.9**	51.9	**5,379,271**	2,895,656
Zecon Medicare Sdn. Bhd.	**49**	49	**65,964,550**	31,619,431
Other individually immaterial subsidiaries			**697,899**	708,184
			152,472,818	111,091,914

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Zecon Dredging Sdn. Bhd.	
	31.12.2021 RM	30.6.2020 RM
Non-current assets	**6,405**	16,017
Current assets	**12,617**	12,813
Non-current liabilities	**-**	(10,284)
Current liabilities	**(48,853,152)**	(48,501,290)
Net liabilities	**(48,834,130)**	(48,482,744)
Financial period ended		
(Loss)/Profit for the financial period	**(351,386)**	268,661
Total comprehensive (losses)/profit	**(351,386)**	268,661
Total comprehensive (losses)/income attributable to non-controlling interests	**(105,416)**	80,598
Net cash flows from operating activities	**10,295**	5,793
Net cash flows for financing activity	**(9,591)**	(5,858)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	Zecon Energy Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Current liabilities	**(3,375,540)**	(3,322,894)
Net liabilities	**(3,375,540)**	(3,322,894)
Financial period ended		
Loss for the financial period	**(52,646)**	(106,728)
Total comprehensive losses	**(52,646)**	(106,728)
Total comprehensive losses attributable to non-controlling interests	**-**	(52,297)

	Zecon Fab Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Current assets	**1,219**	1,842
Current liabilities	**(10,464,727)**	(10,353,163)
Net liabilities	**(10,463,508)**	(10,351,321)
Financial period ended		
Loss for the financial period	**(112,187)**	(373,523)
Total comprehensive losses	**(112,187)**	(373,523)
Total comprehensive losses attributable to non-controlling interests	**-**	(183,026)
Net cash flows from/(for) operating activities	**5**	(45)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	Zecon Kimlun Consortium Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Non-current assets	**241,061**	384,195
Current assets	**119,161,042**	68,484,091
Non-current liability	**(22,682)**	(118,465)
Current liabilities	**(106,874,003)**	(57,212,881)
Net assets	**12,505,418**	11,536,940
Financial period ended		
Revenue	**508,505,886**	248,932,525
Profit for the financial period	**968,478**	499,768
Total comprehensive profit	**968,478**	499,768
Total comprehensive income attributable to non-controlling interests	**290,543**	149,930
Net cash flows from operating activities	**2,400,413**	2,968,693
Net cash flows for investing activity	**-**	(3,800)
Net cash flows for financing activity	**(89,326)**	(54,562)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	Huang Hong Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Non-current assets	**384,696,200**	386,100,809
Current assets	**5,768**	6,998
Non-current liabilities	**(76,089,189)**	(91,352,805)
Current liabilities	**(122,225,609)**	(103,626,940)
Net assets	**186,387,170**	191,128,062
Financial period ended		
Loss for the financial period	**(4,700,758)**	(4,023,397)
Total comprehensive losses	**(4,740,892)**	(3,990,499)
Total comprehensive losses attributable to non-controlling interests	**(2,323,037)**	(1,955,345)
Net cash flows (for)/from operating activities	**(14,067)**	77,017
Net cash flows from/(for) investing activities	**95,405**	(22,560)
Net cash flows for financing activity	**(82,568)**	(72,996)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	Sarmax Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Non-current assets	**7,998,000**	2,690,000
Current assets	**3,133,743**	3,128,958
Non-current liabilities	**(683,887)**	(164,337)
Current liabilities	**(79,260)**	(71,659)
Net assets	**10,368,596**	5,582,962
Financial period ended		
Profit for the financial period	**4,785,634**	4,527
Total comprehensive income	**4,785,634**	4,527
Total comprehensive income attributable to non-controlling interests	**2,483,615**	2,350

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	Zecon Medicare Sdn. Bhd.	
	31.12.2021 RM	**30.6.2020 RM**
Non-current assets	**790,818,796**	734,098,247
Current assets	**120,910,426**	79,454,946
Non-current liabilities	**(47,148,852)**	(24,447,025)
Current liabilities	**(729,958,839)**	(724,576,717)
Net assets	**134,621,531**	64,529,451
Financial period ended		
Revenue	**119,991,218**	194,459,084
Profit for the financial period	**70,092,080**	21,732,578
Total comprehensive income	**70,092,080**	21,732,578
Total comprehensive income attributable to non-controlling interests	**34,345,119**	10,648,963
Net cash flows from/(for) operating activities	**29,527,794**	(173,360,009)
Net cash flows for investing activities	**(908,774)**	(14,126)
Net cash flows (for)/from financing activities	**(43,189,452)**	174,172,368

13. OTHER INVESTMENTS

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Non-current				
Quoted shares, at fair value	**37,910**	147,919	**-**	55,160
Unquoted shares, at cost	**396,508**	1,387,779	**396,508**	1,387,779
	434,418	1,535,698	**396,508**	1,442,939

The Group and the Company has designated the equity investments at fair value through other comprehensive income because the Group and the Company intend to hold for long-term strategic purposes.

14. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Non-current				
Trade receivables				
Service concession receivables (Note14(d))	**790,724,557**	731,916,526	**-**	-
Less: Allowance for impairment loss	**(877,720)**	-	**-**	-
	789,846,837	731,916,526	**-**	-
Current				
Trade receivables				
Third parties	**216,585,091**	161,029,734	**63,756,104**	61,556,151
Service concession receivables (Note14(d))	**94,262,334**	65,246,654	**-**	-
Retention receivables	**2,199,037**	2,199,038	**2,114,157**	2,114,157
Amount owing by subsidiaries	**-**	-	**5,490,395**	5,490,395
	313,046,462	228,475,426	**71,360,656**	69,160,703
Non-trade receivables				
Other receivables	**9,551,319**	30,109,203	**2,908,926**	23,319,664
Prepayments	**3,105,113**	577,461	**8,912**	1,000
Deposits	**838,314**	1,017,974	**399,518**	612,751
Amount owing by subsidiaries	**-**	-	**277,471,688**	258,893,986
	13,494,746	31,704,638	**280,789,044**	282,827,401
Less: Allowance for impairment losses				
- trade receivables	**(66,757,284)**	(41,180,913)	**(30,907,535)**	(5,524,458)
- other receivables	**(5,779,356)**	(5,857,695)	**(2,739,944)**	(2,823,708)
- amount owing by subsidiaries	**-**	-	**(38,970,326)**	(31,833,431)
	(72,536,640)	(47,038,608)	**(72,617,805)**	(40,181,597)
Total current trade and other receivables	**254,004,568**	213,141,456	**279,531,895**	311,806,507
Grand total trade and other receivables	**1,043,851,405**	945,057,982	**279,531,895**	311,806,507

14. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Current trade receivables from third parties normal trade credit terms range from 30 to 90 days (30.6.2020 – 30 to 90 days). Other credit terms are approved on case by case basis.

(b) Current trade receivables from retention receivables are unsecured and interest-free.

(c) Amount owing by subsidiaries is unsecured, interest-free and is to be settled in cash.

(d) On 22 August 2013, the Subsidiary, Zecon Medicare Sdn. Bhd. executed a concession agreement with the Government of Malaysia and Universiti Kebangsaan Malaysia ("UKM") for the rights and authority to undertake the planning, designing, financing, development and construction of the Facilities and Infrastructure of a Children's Specialist Hospital located at UKM Campus and thereafter to carry out the asset management services of the Facilities and Infrastructure (collectively referred to as the "Concession").

The principle terms of the concession agreement are as follows:-

(i) the concession granted is for a period of 33 (30.6.2020 – 33) years ("Concession Period") which consists of 7 (30.6.2020 - 7) years of construction works and twenty five and a half (25.5) years for asset management services. The commencement date of the construction was 29 May 2014.

(ii) the asset management services will commence upon completion of the construction works and expiring on the last date of the Concession Period ("Asset Management Services Period").

(iii) throughout the asset management services period, UKM will pay the Subsidiary Availability Charges (for the availability of the Facilities and Infrastructure) and Asset Management Services Charges (for the provision of maintenance services and asset replacement programme).

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
Non-current		
Service concession receivables	**789,846,837**	731,916,526
Current		
Service concession receivables	**94,262,334**	65,246,654
Total service concession receivables	**884,109,171**	797,163,180

The service concession receivables comprise the fair value of the consideration receivables for the completion of the construction. The repayment is in the form of availability charges from the concession agreements.

The Subsidiary maintains joint venture bank account that is required to be operated under the asset management programme, which forms part of the concession agreement. The monies deposited in this account can only be utilised for purposes of replacement and refurbishment works for the plants, machinery and equipment and infrastructure of the hospital, of which the utilisation of the fund is subject to approval by UKM. Upon the expiry of the concession period, UKM and the Subsidiary shall be entitled to the residual balances in the bank account, proportionate to their respective contribution, calculated based on the total deposit as at the concession expiry date less any amount incurred by the Subsidiary for the purpose of the Asset Replacement Programme.

The service concession receivables is pledged as security for borrowings of the Subsidiary as disclosed in Note 23 to the financial statements.

14. TRADE AND OTHER RECEIVABLES (Cont'd)

(e) Reconciliation of movement in impairment losses of trade and non-trade receivables are as follows:

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Non-current				
Trade receivables				
Allowance for impairment losses:-				
At 1 July	**-**	-	**-**	-
Addition during the financial period (Note 28)	**(877,720)**	-	**-**	-
At 31 December/30 June	**(877,720)**	-	**-**	-
Current				
Trade receivables				
Allowance for impairment losses:-				
At 1 July	**(41,180,913)**	(40,149,038)	**(5,524,458)**	(3,998,200)
Addition during the financial period (Note 28)	**(25,580,421)**	(1,663,669)	**(25,383,077)**	(1,526,258)
Reversal of impairment losses (Note 26)	**4,050**	631,794	**-**	-
At 31 December/30 June	**(66,757,284)**	(41,180,913)	**(30,907,535)**	(5,524,458)

14. TRADE AND OTHER RECEIVABLES (Cont'd)

(e) Reconciliation of movement in impairment losses of trade and non-trade receivables are as follows: (Cont'd)

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Current				
Other receivables				
Allowance for impairment losses:-				
At 1 July	**(5,857,695)**	(5,922,857)	**(2,823,708)**	(2,755,086)
Addition during the financial period (Note 28)	**(5,425)**	(372,882)	**-**	(330,454)
Reversal of impairment losses (Note 26)	**83,764**	438,044	**83,764**	261,832
At 31 December/30 June	**(5,779,356)**	(5,857,695)	**(2,739,944)**	(2,823,708)
Amount owing by subsidiaries				
Allowance for impairment losses:-				
At 1 July	**-**	-	**(31,833,431)**	(21,264,009)
Addition during the financial period (Note 28)	**-**	-	**(7,136,895)**	(10,679,283)
Reversal of impairment losses (Note 26)	**-**	-	**-**	109,861
At 31 December/30 June	**-**	-	**(38,970,326)**	(31,833,431)
Total current impairment loss	**(72,536,640)**	(47,038,608)	**(72,617,805)**	(40,181,597)
Grand total non-current and current impairment loss	**(73,414,360)**	(47,038,608)	**(72,617,805)**	(40,181,597)

(f) Included in the other receivables is an amount owing by a corporate shareholder amounting to RM2,579,574 (30.6.2020 – RM2,578,518).

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Contract Assets				
Contract assets relating to construction contract (Note 15(a))	**205,305**	1,320,938	**15,733**	441,062
Contract assets relating to property development (Note 15(b))	**901,490**	901,490	**-**	-
	1,106,795	2,222,428	**15,733**	441,062
Current				
Due not later than 1 year	**1,106,795**	2,222,428	**15,733**	441,062
Contract Liabilities				
Contract liabilities relating to construction contracts (Note 15(a))	**(1,648)**	(61,133)	**(1,648)**	(58,329)
Current				
Due not later than 1 year	**(1,648)**	(61,133)	**(1,648)**	(58,329)

(a) Construction contract

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
At 1 July	**1,259,805**	20,213,800	**382,733**	19,760,744
Revenue recognised in profit or loss during the financial period	**510,715,372**	313,865,908	**2,206,681**	64,726,963
Billings to customers during the financial period	**(511,246,191)**	(310,727,201)	**(2,150,000)**	(62,031,627)
Contract assests written off	**-**	(22,092,702)	**-**	(22,073,347)
Allowance for impairment loss	**(525,329)**	-	**(425,329)**	-
At 31 December/30 June	**203,657**	1,259,805	**14,085**	382,733

15. CONTRACT ASSETS AND CONTRACT LIABILITIES (Cont'd)

(a) Construction contract (Cont'd)

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Allowance for impairment loss:-				
At 1 July	**-**	-	**-**	-
Additions during the financial period	**525,329**	-	**425,329**	-
At 31 December/30 June	**525,329**	-	**425,329**	-
Represented by:-				
Contract assets	**205,305**	1,320,938	**15,733**	441,062
Contract liabilities	**(1,648)**	(61,133)	**(1,648)**	(58,329)
	203,657	1,259,805	**14,085**	382,733

(i) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date.

(ii) The contract liabilities primarily relate to advance considerations received from customers for construction work of which the revenue will be recognised over the remaining contract term of the specific contract it relates to.

(b) Property development

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
At 1 July	**901,490**	901,490
Allowance for impairment loss	**-**	-
At 31 December/30 June	**901,490**	901,490
Represented by:-		
Contract assets	**901,490**	901,490

The contract assets and liabilities represent the timing differences in revenue recognition and the milestone billings in respect of the property development activities.

16. CASH AND BANK BALANCES

Included in the cash and bank balances are finance service reserve account and sinking fund account, amounting to RM10,083,346 (30.6.2020 – Nil) of the Group placed with a licensed bank on lien as disclosed in Note 23 to the financial statements.

17. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks amounting to RM6,830,816 (30.6.2020 – RM6,829,008) and RM6,730,816 (30.6.2020 – RM6,729,008) of the Group and of the Company, respectively are pledged to bankers for borrowings and bankers' guarantees granted to the Group and the Company. The interest rate for deposits with licensed banks average at 2.00% to 3.38% (30.6.2020 – 2.10% to 3.38%) per annum. The fixed deposits have maturity periods ranging from 1 to 90 (30.6.2020 - 1 to 90) days for the Group.

18. SHARE CAPITAL

	The Group/The Company			
	31.12.2021	**30.6.2020**	**31.12.2021**	**30.6.2020**
	Number Of Shares		**RM**	**RM**
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 July	**144,118,425**	131,016,750	**132,247,370**	128,971,951
Issuance of new shares for cash	**-**	13,101,675	**-**	3,275,419
New shares issued under the employee share option scheme for cash	**3,085,000**	-	**1,187,725**	-
At 31 December/30 June	**147,203,425**	144,118,425	**133,435,095**	132,247,370

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

During the current financial period, the Company had issued 3,085,000 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme at exercise prices of RM0.385 which amounted to RM1,187,725.

In the previous financial period, the Company issued 13,101,675 new ordinary shares amounting to RM3,275,419 via a private placement to eligible investors for repayment of borrowings and working capital purpose.

Employee Share Option Reserve

The employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 17 July 2020. The ESOS is to be in force for a period of 5 years effective from 4 August 2021.

The main features of the ESOS are as follows:-

(i) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least 1 years before the date of the offer.

(ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.

(iii) The option price shall be determined by the ESOS Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%.

18. SHARE CAPITAL (Cont'd)

Employee Share Option Reserve (Cont'd)

The main features of the ESOS are as follows:- (Cont'd)

(iv) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

The option prices and the details in the movement of the options granted are as follows:-

			<----------Number of Options over Ordinary Shares---------->					
Date of Offer	**Exercise Price RM**	**Remaining Contractural Life of Options**	**At 1 July 2020 '000**	***Granted* '000**	***Exercised* '000**	***Rejected* '000**	***Forfeited* '000**	**At 31 December 2021 '000**
16 August 2021	0.385	5 Years	-	*(19,505)*	*3,085*	*800*	*130*	**(15,490)**

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

The number of options exercisable as at 31 December 2021 was 15,490,000 and have an exercise price of RM0.385 and a weighted average contractual life of 5 years.

During the financial period, the Company has granted 19,505,000 share options under the ESOS. These options expire on 3 August 2026 and are exercisable if the employee remains in service for 1 years from the date of grant.

The fair values of the share options granted were estimated using discounted cash flows (DCF) method, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	The Group/ The Company 31.12.2021
Fair Value of share options at the grant date (RM)	**0.36 to 0.40**
Weighted average ordinary share price (RM)	**0.427**
Exercise price of share options (RM)	**0.385**
Expected volatility (%)	**31.50**
Expected life (years)	**1.59**
Risk free rate (%)	**2.68**

19. OTHER RESERVES

	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Total reserves RM
The Group			
At 1 July 2020	-	(219,898)	(219,898)
Net fair value change on investments designated at fair value through other comprehensive income	-	221,449	221,449
At 31 December 2021	**-**	**1,551**	**1,551**
At 1 July 2019	(14,167)	(235,558)	(249,725)
Net fair value change on equity instruments	-	15,660	15,660
Disposal of subsidiary	14,167	-	14,167
At 30 June 2020	-	(219,898)	(219,898)

	Fair value adjustment reserve RM
The Company	
At 1 July 2020	(261,583)
Net fair value change on investments designated at fair value through other comprehensive income	261,583
At 31 December 2021	**-**
At 1 July 2019	(244,345)
Net fair value change on investments designated at fair value through other comprehensive income	(17,238)
At 30 June 2020	(261,583)

The nature of other reserves are as follows:-

19.1 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

19.2 FAIR VALUE ADJUSTMENT RESERVE

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of investments designated at fair value through other comprehensive income.

20. LEASE LIABILITIES

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
At 1 July	**7,087,075**	8,490,368	**5,191,761**	5,778,306
Addition	**119,454**	-	**-**	-
Interest expense recognised in profit or loss	**602,969**	516,077	**494,463**	380,197
Repayment of principal	**(1,596,432)**	(1,403,293)	**(866,559)**	(586,545)
Repayment of interest expense	**(602,969)**	(516,077)	**(494,463)**	(380,197)
At 31 December/30 June	**5,610,097**	7,087,075	**4,325,202**	5,191,761
Analysed by:-				
Current liabilities	**903,512**	1,732,731	**622,196**	571,372
Non-current liabilities	**4,706,585**	5,354,344	**3,703,006**	4,620,389
	5,610,097	7,087,075	**4,325,202**	5,191,761

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31.12.2021 RM	30.6.2020 RM	31.12.2021 RM	30.6.2020 RM
Non-current				
Other payables				
Third parties	**47,906,418**	63,002,554	**-**	-
Current				
Trade payables				
Third parties	**182,517,953**	110,787,931	**13,676,648**	26,649,131
Retention payables	**10,491,981**	17,508,352	**2,596,223**	4,893,321
Amount owing to subsidiaries	**-**	-	**16,869,796**	22,991,118
Amount owing to a corporate shareholder	**29,787,967**	20,750,442	**4,268,039**	4,948,038
	222,797,901	149,046,725	**37,410,706**	59,481,608
Other payables				
Deposits	**155,159**	88,844	**124,082**	57,767
Third parties and accruals	**132,008,697**	108,371,541	**9,792,650**	7,773,752
Amount owing to subsidiaries	**-**	-	**15,323,003**	2,484,907
Amount owing to directors	**15,644,380**	17,090,811	**11,129,599**	8,983,372
Amount owing to directors of subsidiaries	**760,644**	763,957	**760,644**	763,957
Amount owing to a corporate shareholder	**8,555,378**	8,555,378	**-**	-
	157,124,258	134,870,531	**37,129,978**	20,063,755
Total current trade and other payables	**379,922,159**	283,917,256	**74,540,684**	79,545,363
Grand total trade and other payables	**427,828,577**	346,919,810	**74,540,684**	79,545,363

(a) Current trade payables from third parties normal trade credit terms granted to the Group and the Company range from 30 to 90 days (30.6.2020 – 30 to 90 days).

(b) Amount owing to subsidiaries is unsecured, interest-free and is to be settled in cash.

(c) Amount owing to directors is unsecured, interest-free and is to be settled in cash.

(d) Amount owing to directors of subsidiaries is unsecured, interest-free and is to be settled in cash.

(e) Amount owing to a corporate shareholder is unsecured, interest-free and is to be settled in cash.

(f) Included in non-current and current other payables was an amount owing to third parties amounting to RM154,630,179 (30.6.2020 – RM151,260,569) which is charged interest at 8% (30.6.2020 – 8%) per annum.

22. DEFERRED TAX LIABILITIES

	The Group	
	31.12.2021 RM	**30.6.2020 RM**
At 1 July	**52,835,217**	43,155,199
Recognised in profit or loss (Note 29)	**22,993,527**	9,680,018
At 31 December/30 June	**75,828,744**	52,835,217

The deferred tax liabilities of the Group are in respect of the tax effect on the temporary differences between depreciation and capital allowances on property, plant and equipment of RM51,941 (30.6.2020 – Nil), fair value gain on investment properties of RM28,795,716 (30.6.2020 – RM28,388,192) and revenue from concession not subject to tax of RM46,981,087 (30.6.2020 – RM24,447,025).

23. BORROWINGS

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Current				
Term loan (i)	**20,060,547**	22,332,273	**20,060,547**	22,332,273
Term loan (ii)	**41,105,400**	38,533,240	**41,105,400**	38,533,240
Term loan (iii)	**565,060,818**	597,926,851	**-**	-
Bank overdrafts	**9,651,658**	-	**-**	-
Revolving credit	**106,731,737**	95,871,618	**106,731,737**	95,871,618
Ijarah facility	**31,818,584**	34,880,125	**-**	-
	774,428,744	789,544,107	**167,897,684**	156,737,131
Total borrowings:-				
Term loans	**626,226,765**	658,792,364	**61,165,947**	60,865,513
Bank overdrafts	**9,651,658**	-	**-**	-
Revolving credit	**106,731,737**	95,871,618	**106,731,737**	95,871,618
Ijarah facility	**31,818,584**	34,880,125	**-**	-
	774,428,744	789,544,107	**167,897,684**	156,737,131

(a) Term loan (i) is secured by the following:-

(i) Land held under Lot 462, Block 15, Salak Land District, Sarawak owned by Zecon Demak Jaya Sdn. Bhd.;
(ii) Monies amounting to 10% of the Kafalah Bank Guarantee - i issued up to RM6,000,000 (30.6.2020 – RM6,000,000) held under International Commodity Murabahah account;
(iii) Charge on all present and future assets of Zecon Demak Jaya Sdn. Bhd.; and
(iv) Charge over the Revenue Account (RA) and Finance Service Reserves Account (FSRA).

(b) Term loan (ii) is secured by the following:-

(i) Land Lot 470, Block 15, Salak Land District, Sarawak owned by Zecon Demak Jaya Sdn. Bhd.; and
(ii) Corporate guarantee by Dawla Capital Sdn. Bhd..

23. BORROWINGS (Cont'd)

(c) Term loan (iii) and bank overdrafts are secured by the following:-

(i) Assignment of Zecon Medicare Sdn. Bhd.'s contractual rights, titles, interest and benefits under the Concession Agreement;
(ii) Debenture over all of the Zecon Medicare Sdn. Bhd.'s present and future assets, fixed and floating, save for the Asset Replacement Programmme and Maintenance Reserve Fund;
(iii) Charge over the Designated Accounts;
(iv) Memorandum of deposit and the letter of set off of general investment account-I (GIA-i) or other Islamic Deposit Account to be placed by Zecon Medicare Sdn. Bhd. on lien to the Bank;
(v) Assignment of Zecon Medicare Sdn. Bhd.'s contractual rights, titles, interest and benefits in and to the performance bonds/guarantees issued by its contractors/subcontractors;
(vi) Charge over shares of Zecon Medicare Sdn. Bhd., held by Zecon Berhad;
(vii) Negative pledge by the Shareholders of Zecon Medicare Sdn. Bhd. not to pledge the shares of Zecon Medicare Sdn. Bhd. held by it to any parties during the financing tenure of the Facility;
(viii) Deed of subordination of shareholders present and future advances;
(ix) Assignment of relevant insurance/takaful policies taken in respect of the project, if any;
(x) First legal charge over the land of Zecon Berhad;
(xi) Letter of awareness from State Financial Secretary of Sarawak (SFSS) which that will be in the form of extract of Board Resolution of the Company signed by the representation of SFSS;
(xii) Corporate guarantee in favour of the Bank by Zecon Berhad;
(xiii) Personal guarantee by one of the directors of Zecon Medicare Sdn. Bhd.;
(xiv) Irrevocable letter of undertaking by Zecon Medicare Sdn. Bhd. to provide cash injection in the event of shortfall during the financing tenure of the Facility; and
(xv) Any other documents/security as deemed fit by the Bank and/or solicitors from time to time.

The Group was restricted to provide advances to the directors, shareholders, related companies and associated companies of the Group and to declare dividends to its shareholders until settlement of the borrowing.

The repayment of term loans principal shall commence 24 months after the first disbursement on 31 March 2019.

(d) Revolving credit is secured by the following:-

(i) Personal guarantee by one of the major shareholders to be executed in escrow but effective upon privatisation of the Company;
(ii) Corporate guarantee by Dawla Capital Sdn. Bhd. but effective upon privatisation of the Company;
(iii) First legal charge over a piece of land held under Lot 14, Block 16, Salak Land District owns by Huang Hong Sdn. Bhd.;
(iv) Negative pledge on the assets of the Zecon Berhad;
(v) Deed of Subordination on all present and future advances and loans in relation to the contract to Zecon Berhad from its shareholders, subsidiaries and associate company;
(vi) Assignment of all proceeds under the contract;
(vii) Charge and assignment of all the rights, benefit and interests of Zecon Berhad over the designated accounts comprising revenue account, sinking fund account and operating account; and
(viii) Assignment of relevant insurance policies on the contract.

In the previous financial years, the Group had failed to fulfill certain obligations and covenants as stipulated in one of the facilities agreements and by reason of such failure, Events of Default have occurred. Details are as follows:

(i) defaulted in payment of a sum of RM20 million being the balance of the principal amount under the revolving credit facility due on 28 December 2017; and
(ii) defaulted in relation to the progressive build-up funds into the Sinking Fund Account.

As such, the financial institutions have demanded that the outstanding amount plus interest of the Revolving Credit amounted to RM85,545,680 are immediately due and payable on 7 September 2018. The breach has also triggered a cross default under the other facilities agreements granted to the Group. Consequently, the entire bank borrowings of the Group have been deemed defaulted and were reclassified as current liabilities. The Revolving Credit remain defaulted as at 31 December 2021.

23. BORROWINGS (Cont'd)

(d) On 24 September 2021, the Group had entered into a standstill agreement between Affin Bank Berhad, Bank Pembangunan Malaysia Berhad and Affin Hwang Investment Bank Berhad to defer the payment period by 1 year from the date of agreement.

(e) Ijarah facility

(i) legal assignment over all the customer rights, titles and benefits under the Concession Agreement and such other agreement(s) or supplemental agreement(s) thereto;

(ii) debenture over fixed and floating assets of the subsidiary;

(iii) irrevocable and unconditional corporate guarantee from Zecon Berhad ("ZB") to cover all payment due and payable under the facility;

(iv) any other security arrangement to be advised by KFHMB's solicitors by ZTC/ZB;

(v) a second legal charge under Sarawak Land Code over a leasehold vacant land located at Lot 462, Block 15, Salak Land District, Kuching, Sarawak ("Land 1"), pending consent from caveator; and

(vi) a first legal charge under Sarawak Land Code over a leasehold vacant land located at Lot 471, Block 15, Salak Land District, Kuching, Sarawak ("Land 2").

The interest rates of the Group and of the Company are as follows:

	The Group		The Company	
	31.12.2021 %	**30.6.2020 %**	**31.12.2021 %**	**30.6.2020 %**
Ijarah facility	**7.14**	7.39	**-**	-
Revolving credit	**6.65 - 7.25**	6.95 - 7.05	**6.65 - 7.25**	6.95 - 7.05
Bank overdrafts	**6.50**	-	**-**	-
Term loans	**5.54 - 7.00**	5.80 - 7.00	**5.55 - 7.00**	5.80 - 7.00

24. REVENUE

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Revenue from Contracts with Customers				
Construction contracts	**510,715,372**	313,865,908	**2,206,681**	64,726,963
Service concession construction contracts	**69,397,352**	192,999,779	**-**	-
Rendering of assets management services	**49,425,428**	-	**-**	-
Rendering of construction and utility services	**3,019,950**	-	**-**	-
Sales of developed unit properties	**-**	2,100,000	**-**	-
Project management services fees	**-**	10,205,000	**-**	10,205,000
	632,558,102	519,170,687	**2,206,681**	74,931,963
Revenue from Other Sources				
Dividend income	**-**	-	**9,000,000**	-
Others	**67,615**	64,011	**-**	-
	67,615	64,011	**9,000,000**	-
Revenue recognised at a point in time				
Dividend income	**-**	-	**9,000,000**	-
Others	**67,615**	64,011	**-**	-
Sales of developed unit properties	**-**	2,100,000	**-**	-
Revenue recognised over time				
Construction contracts	**510,715,372**	313,865,908	**2,206,681**	64,726,963
Service concession construction contracts	**69,397,352**	192,999,779	**-**	-
Rendering of assets management services	**49,425,428**	-	**-**	-
Rendering of construction and utility services	**3,019,950**	-	**-**	-
Project management services fees	**-**	10,205,000	**-**	10,205,000
	632,625,717	519,234,698	**11,206,681**	74,931,963

25. COST OF SALES

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Construction costs	**512,375,381**	273,395,076	**747,007**	25,370,661
Service concession cost	**76,744,624**	173,144,127	**-**	-
Asset management services cost	**9,303,116**	-	**-**	-
Cost of developed units properties sold	**-**	417,929	**-**	-
Others	**1,639,335**	1,130,051	**-**	-
	600,062,456	448,087,183	**747,007**	25,370,661

26. OTHER INCOME

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Accretion of fair value on non-current trade receivables	**98,172,269**	45,910,246	**-**	-
Discount received	**15,229**	1,016,946	**5,368**	2,197
Dividend received	**870**	-	**-**	-
Electricity income from tenants	**-**	130,402	**-**	-
Fair value gain on investment properties	**4,075,240**	2,707,050	**-**	-
Gain on deemed disposal of an associate	**-**	-	**-**	1,212,779
Unrealised gain on foreign currency translation	**1,345**	1,944	**-**	-
Gain on disposal of property, plant and equipment	**634,699**	1,477,306	**346,193**	1,407,362
Gain on disposal of rights-of-use asset	**35,023**	-	**-**	-
Gain on strike off of investment in subsidiaries	**-**	93,577	**-**	-
Impairment written back:				
- trade receivables (Note 14)	**4,050**	631,794	**-**	-
- other receivables (Note 14)	**83,764**	438,044	**83,764**	261,832
- amount owing by subsidiaries	**-**	-	**-**	109,861
Insurance income	**-**	27,958	**-**	1,680
Interest income:				
- fixed deposits with licensed banks	**178,753**	57,390	**174,343**	-
- others	**478,249**	-	**476,811**	40,926
Lease income	**428,803**	213,400	**393,703**	199,200
Management fee received	**-**	3,018,048	**-**	18,048
Manpower recovery	**-**	625,500	**-**	303,250
Others	**556,718**	1,813,555	**304,672**	128,326
Overprovision on surcharge on penalty	**4,351,995**	-	**-**	-
Reimbursment of expenses written off in prior years	**18,180,000**	-	**-**	-
Overprovision of contract and development cost	**11,244,157**	-	**9,766,093**	-
Wages subsidy	**313,800**	-	**246,000**	-
Written back on trade and other payables	**206,474**	225,278	**39,605**	41
	138,961,438	58,388,438	**11,836,552**	3,685,502

27. FINANCE COST

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Interest expenses on:-				
Bank borrowings	**68,682,864**	47,694,278	**15,900,151**	11,244,883
Bank interest	**146,600**	320,025	**144,040**	-
Bank overdraft interest	**602,521**	-	**-**	-
Lease liabilities interest	**602,969**	516,077	**494,463**	380,197
Trade and other payables	**7,129,641**	6,399,088	**-**	433,894
	77,164,595	54,929,468	**16,538,654**	12,058,974
Less: Interest capitalised in qualifying assets				
Costs of construction contracts	**-**	(2,770)	**-**	(2,770)
	77,164,595	54,926,698	**16,538,654**	12,056,204

28. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on:				
- trade receivables	**26,458,141**	1,663,669	**25,383,077**	1,526,258
- other receivables	**5,425**	372,882	**-**	330,454
- amount owing by subsidiaries	**-**	-	**7,136,895**	10,679,283
- contract assets	**525,329**	-	**425,329**	-
- investment in subsdiaries	**-**	-	**500,000**	-
Auditors' remuneration:				
- current financial period	**430,700**	344,700	**250,000**	145,000
- underprovision in the previous financial period	**47,500**	15,571	**55,000**	11,500
Bad debts written off:				
- trade receivables	**16,019**	5,293	**-**	5,293
- other receivables	**10,220**	118,129	**4,826**	115,798
- amount owing by subsidiaries	**-**	-	**7,437**	-
Contract asset written off	**-**	22,092,702	**-**	22,073,347
Depreciation:				
- property, plant and equipment	**648,651**	774,233	**193,991**	200,120
- right-of-use assets	**2,648,797**	1,830,485	**1,119,420**	743,874
Directors' fee (Note 33)	**217,800**	144,000	**217,800**	144,000
Directors' non-fee emoluments (Note 33)	**6,272,925**	4,655,154	**2,602,853**	1,715,179
Inventories written down	**2,878,287**	-	**-**	-
Fair value loss on other investment	**220,213**	-	**220,213**	-
(Gain)/Loss on unrealised foreign exchange translation	**(1,345)**	16,763	**-**	-
Loss/(Gain) on deemed disposal of an associate	**-**	1,110,794	**-**	(1,212,779)
Loss on disposal of other investment	**171,225**	-	**251,045**	-
(Gain)/Loss on strike off of investment in subsidiaries	**-**	(93,577)	**-**	2,202
Management fees	**2,060**	31,200	**2,060**	31,200
Short term lease expenses	**95,595**	448,885	**95,595**	286,795
Preliminary expenses	**6,058**	-	**-**	-

28. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM
Staff costs:				
- salaries, allowances and bonuses	**13,885,734**	9,246,308	**5,108,562**	4,298,704
- E.P.F. contributions	**1,515,927**	1,146,041	**610,405**	584,581
- SOCSO contributions	**97,723**	92,262	**36,813**	44,110
- Staff Employment Insurance Scheme	**4,781**	8,809	**4,963**	4,399
Lease income	**(428,803)**	(213,400)	**393,703**	199,200

29. INCOME TAX EXPENSE

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM	Period from 1.7.2020 to 31.12.2021 RM	Period from 1.7.2019 to 30.6.2020 RM
Income tax:				
- Malaysian tax	**552,578**	814,352	**-**	11,550
- Under/(Over)provision in the previous financial period	**19,175**	(459,697)	**-**	-
Real property gains tax	**10,460**	-	**10,460**	-
	582,213	354,655	**10,460**	11,550
Deferred taxation (Note 22):				
- Relating to origination and reversal of temporary differences	**22,993,527**	7,900,195	**-**	-
- Underprovision in previous financia period	**-**	1,779,823	**-**	-
	22,993,527	9,680,018	**-**	-
	23,575,740	10,034,673	**10,460**	11,550

29. INCOME TAX EXPENSE (Cont'd)

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company is as follows:-

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Profit/(Loss) before taxation	**40,749,130**	54,764,936	**(42,626,694)**	19,634,351
Tax at the statutory tax rate of 24% (30.6.2020 - 24%)	**9,779,791**	13,143,585	**(10,230,407)**	4,712,244
Tax effects of:-				
Non-deductible expenses	**4,323,699**	1,104,038	**89,564**	562,267
Income not subject to tax	**(1,224,743)**	(352,834)	**-**	(352,834)
Deferred tax liability related to fair value gain on investment properties	**407,522**	270,705	**-**	-
Utilisation of previously unutilised business losses and unabsorbed capital allowances	**(6,397)**	(5,480,193)	**-**	(4,910,127)
Deferred tax assets not recognised on unabsorbed capital allowances and business losses	**10,266,233**	29,246	**10,140,843**	-
Real Property Gain Tax	**10,460**	-	**10,460**	-
Under/(Over) provision of income tax in the previous financial period	**19,175**	(459,697)	**-**	-
Underprovision of deferred taxation in the previous financial period	**-**	1,779,823	**-**	-
Income tax expense for the financial period	**23,575,740**	10,034,673	**10,460**	11,550

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (30.6.2020 – 24%) of the estimated assessable profit for the period.

30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	The Group	
	31.12.2021	**30.6.2020**
(Loss)/Profit attributable to owners of the Company (RM)	**(17,507,148)**	35,935,003
Weighted average number of ordinary shares in issue	**144,340,115**	143,544,105
Basic earnings per share (Sen)	**(12.13)**	25.03

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

31. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property and equipment and the addition of right-of-use assets is as follows:-

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 7)	**1,027,566**	24,426	**95,884**	-
Right-of-use assests				
Cost of right-of-use asset acquired (Note 11)	**119,454**	-	**-**	-
Less: Additions of new lease liabilities (Note 31(b))	**(119,454)**	-	**-**	-
	-	-	**-**	-

31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Term loans RM	Revolving credit RM	Ijarah facility RM	Lease liabilities RM	Total RM
The Group					
31.12.2021					
At 1 July	**658,792,364**	**95,871,618**	**34,880,125**	**7,087,075**	**796,631,182**
Change in Financing Cash Flows					
Acquisition of new leases	**-**	**-**	**-**	**119,454**	**119,454**
Proceeds from drawdown	**3,970,352**	**-**	**-**	**-**	**3,970,352**
Repayment of borrowing principal	**(38,836,385)**	**-**	**(3,501,000)**	**(1,596,432)**	**(43,933,817)**
Repayment of borrowing interest	**(52,753,737)**	**-**	**(2,329,115)**	**(602,969)**	**(55,685,821)**
	(87,619,770)	**-**	**(5,830,115)**	**(2,079,947)**	**(95,529,832)**
Non-Cash Changes					
Interest expense recognised in profit or loss	**55,054,171**	**10,860,119**	**2,768,574**	**602,969**	**69,285,833**
At 31 December	**626,226,765**	**106,731,737**	**31,818,584**	**5,610,097**	**770,387,183**

31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term loans RM	Revolving credit RM	Ijarah facility RM	Lease liabilities RM	Total RM
The Group					
30.6.2020					
At 1 July	483,239,518	88,820,052	40,118,903	8,490,368	620,668,841
Change in Financing Cash Flows					
Proceeds from drawdown	173,099,579	-	-	-	173,099,579
Repayment of borrowing principal	-	-	(5,420,000)	(1,403,293)	(6,823,293)
Repayment of borrowing interest	(35,341,323)	-	(2,666,900)	(516,077)	(38,524,300)
	137,758,256	-	(8,086,900)	(1,919,370)	127,751,986
Non-Cash Changes					
Interest expense recognised in profit or loss	37,794,590	7,051,566	2,848,122	516,077	48,210,355
At 30 June	658,792,364	95,871,618	34,880,125	7,087,075	796,631,182

31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term loans RM	Revolving credit RM	Lease liabilities RM	Total RM
The Company				
31.12.2021				
At 1 July	**60,865,513**	**95,871,618**	**5,191,761**	**161,928,892**
Change in Financing Cash Flows				
Repayment of borrowing principal	**(2,000,000)**	**-**	**(866,559)**	**(2,866,559)**
Repayment of borrowing interest	**(2,739,598)**	**-**	**(494,463)**	**(3,234,061)**
	(4,739,598)	**-**	**(1,361,022)**	**(6,100,620)**
Non-Cash Changes				
Interest expense recognised in profit or loss	**5,040,032**	**10,860,119**	**494,463**	**16,394,614**
At 31 December	**61,165,947**	**106,731,737**	**4,325,202**	**172,222,886**

31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term loans RM	Revolving credit RM	Lease liabilities RM	Total RM
The Company				
30.6.2020				
At 1 July	59,937,437	88,820,052	5,778,306	154,535,795
Change in Financing Cash Flows				
Repayment of borrowing principal	-	-	(586,545)	(586,545)
Repayment of borrowing interest	(3,265,241)	-	(380,197)	(3,645,438)
	(3,265,241)	-	(966,742)	(4,231,983)
Non-Cash Changes				
Interest expense recognised in profit or loss	4,193,317	7,051,566	380,197	11,625,080
At 30 June	60,865,513	95,871,618	5,191,761	161,928,892

31. CASH FLOW INFORMATION (Cont'd)

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Deposits with licensed banks	**6,892,467**	6,880,381	**6,730,816**	6,729,008
Cash and bank balances	**27,462,771**	20,892,251	**5,049,220**	5,555,496
Bank overdrafts	**(9,651,658)**	-	**-**	-
	24,703,580	27,772,632	**11,780,036**	12,284,504
Less: Deposits pledged to licensed banks	**(6,830,816)**	(6,829,008)	**(6,730,816)**	(6,729,008)
Less: Reserve accounts	**(10,083,346)**	-	**-**	-
Total cash and cash equivalents	**7,789,418**	20,943,624	**5,049,220**	5,555,496

32. INCORPORATION AND ACQUISITION OF SUBSIDIARIES

32.1 INCORPORATION OF SUBSIDIARIES

On 22 September 2020, the Company incorporated a new subsidiary namely, Zecon RE Sdn. Bhd., with a paid-up capital of RM1,000 of which 100% is owned by the Company. However, the Company had transferred the shares to Zecon Capital Sdn. Bhd. as at 2 October 2020.

On 28 September 2020, the Group incorporated two new subsidiaries namely, Zecon Hotel Sdn. Bhd. and Serveco Sdn. Bhd., both with a paid-up capital of RM1,000 of which wholly owned by the Group.

On 27 April 2021, the Group incorporated a new subsidiary namely, Parkyocar Sdn. Bhd., with a paid-up capital of RM1,000 of which 100% is owned by the Group.

On 5 May 2021, the Company incorporated a new subsidiary namely, Aerotropolis Sdn. Bhd., with a paid-up capital of RM1,500 of which 100% is owned by the Company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired at the date of incorporation:-

	The Group 31.12.2021 RM	**The Company 31.12.2021 RM**
Cash balance representing net identifiable assets upon incorporated	**6,000**	**1,500**
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	**-**	**-**
Total purchase consideration, to be settled by cash	**6,000**	**1,500**
Less: Cash balance of newly incorporated subsidiaries	**(6,000)**	**(1,500)**
Net cash inflow upon incorporation of subsidiaries	**-**	**-**
Total purchase consideration, to be settled by cash representing net cash outflow upon incorporation of subsidiaries	**6,000**	**1,500**

32. INCORPORATION AND ACQUISITION OF SUBSIDIARIES (Cont'd)

32.2 ACQUISITION OF SUBSIDIARY

On 1 March 2021, the Company acquired 100% equity interest in Zecon Medivest Sdn. Bhd., with a paid-up capital of RM2.

	The Company 31.12.2021 RM
Cash and bank balances	**2**
Trade and other payables	**(12,583)**
Net identifiable assets acquired	**(12,581)**
Add: Goodwill	**-**
Total purchase consideration, to be settled by cash	**(12,581)**
Cash and bank balances of subsidiary acquired	**(2)**
Net cash outflow from acquisition of subsidiary	**(12,583)**
Total purchase consideration, to be settled by cash representing net cash outflow from acquisition of a subsidiary	**2**

32.3 ACQUISITION OF NON-CONTROLLING INTERESTS

On 1 February 2021, the Company acquired an additional 49% equity interests in Zecon Energy Sdn. Bhd. and Zecon Fab Sdn. Bhd. for RM100 and RM10 in cash, increasing its ownership from 51% to 100%. The Group recognises a decrease in non-controlling interests of RM6,700,366 and a decrease in retained profits by RM6,700,476.

33. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial period are as follows:-

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
(a) Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	**217,800**	144,000	**217,800**	144,000
- salaries, bonuses and other benefits	**2,256,156**	1,490,754	**2,256,156**	1,490,754
	2,473,956	1,634,754	**2,473,956**	1,634,754
Defined contribution benefits	**346,697**	224,425	**346,697**	224,425
	2,820,653	1,859,179	**2,820,653**	1,859,179
Directors of the Subsidiaries				
Short-term employee benefits:				
- salaries, bonuses and other benefits	**3,604,150**	2,939,975	**-**	-
Defined contribution benefits	**65,922**	-	**-**	-
	3,670,072	2,939,975	**-**	-
Total directors' remuneration (Note 28)	**6,490,725**	4,799,154	**2,820,653**	1,859,179
(b) Other Key Management Personnel				
Short-term employee benefits	**2,153,607**	1,392,646	**1,501,357**	1,014,996
Defined contribution benefits	**283,839**	179,906	**238,534**	164,158
	2,437,446	1,572,552	**1,739,891**	1,179,154

34. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial period:-

	The Group		The Company	
	Period from 1.7.2020 to 31.12.2021 RM	**Period from 1.7.2019 to 30.6.2020 RM**	**Period from 1.7.2020 to 31.12.2021 RM**	**Period from 1.7.2019 to 30.6.2020 RM**
Rental income received from a subsidiary:				
- Zecon Dredging Sdn. Bhd.	**-**	-	**(10,800)**	(7,200)
Dividend received:				
- Zecon Construction Services Sdn. Bhd.	**-**	-	**(9,000,000)**	-
Legal and professional charges paid to a related party:				
- Mary Bolhassan, Noreda Ahmad & Co.	**3,640**	35,141	**3,640**	-
Lease payment made to a director:				
- Datuk Haji Zainal Abidin Bin Haji Ahmad	**1,350,000**	900,000	**1,350,000**	900,000
Repair and maintenance expenses paid to a subsidiary:				
- Zecon Assets Sdn. Bhd.	**-**	-	**-**	75,187
Transportation charges paid to a subsidiary:				
- Zecon Assets Sdn. Bhd.	**-**	-	**505**	24,400

35. OPERATING SEGMENTS

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services produced. No geographical analysis has been prepared as the Group's business interests are predominantly located in Malaysia. The operating businesses are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and different markets.

(b) Business segments

The Group is organised into 4 main business segments as follows:-

(i) Construction segment – piling works, foundation engineering and building construction;

(ii) Property development;

(iii) Service concession – construct, operate and maintenance of hospital;

(iv) Property holding; and

(v) Others

The directors are of the opinion that all inter-segment transactions having been entered into in the normal course of business and have been transacted on normal commercial terms.

35. OPERATING SEGMENTS (Cont'd)

31.12.2021	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Revenue							
External revenue	**510,715,372**	**-**	**-**	**118,822,780**	**3,087,565**	**-**	**632,625,717**
Inter-segment revenue	**1,713,676**	**-**	**-**	**(1,851,512)**	**9,389,281**	**(9,251,445)**	**-**
Total revenue	**512,429,048**	**-**	**-**	**116,971,268**	**12,476,846**	**(9,251,445)**	**632,625,717**
Results							
Segment (loss)/profit	**(36,387,706)**	**(239,820)**	**1,856,420**	**140,425,055**	**10,298,811**	**1,960,965**	**117,913,725**
Finance costs							**(77,164,595)**
Share of losses of equity accounted associates							**-**
Profit before tax							**40,749,130**
Income tax expense							**(23,575,740)**
Profit after taxation							**17,173,390**

35. OPERATING SEGMENTS (Cont'd)

31.12.2021	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Segment (loss)/profit includes the followings:-							
Accretion of fair value on non-current trade receivables	-	-	-	(98,172,269)	-	-	(98,172,269)
Interest income	(651,157)	-	-	(5,808)	(37)	-	(657,002)
Interest expenses	16,559,164	-	7,142,572	50,630,947	2,836,427	(4,515)	77,164,595
Depreciation:-							
- property,plant and equipment	267,863	7,901	437	191,627	180,823	-	648,651
- right-of use assets	1,389,732	-	117,000	234,925	1,135,567	(228,427)	2,648,797
Impairment losses on:							
- trade receivables	25,372,753	187,268	-	882,166	15,954	-	26,458,141
- other receivables	5,425	-	-	-	-	-	5,425
- contract assets	425,329	100,000	-	-	-	-	525,329
Unrealised gain on foreign currency translation	-	-	(1,345)	-	-	-	(1,345)
Fair value (gain)/loss on investment properties	-	(5,308,000)	1,232,760	-	-	-	(4,075,240)
Gain on disposal of property, plant and equipment	(382,311)	(8,000)	-	(22,908)	(221,480)	-	(634,699)

35. OPERATING SEGMENTS (Cont'd)

31.12.2021	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Assets							
Segment assets	**455,585,324**	**50,638,108**	**592,211,140**	**911,729,222**	**24,123,446**	**(328,683,087)**	**1,705,604,153**
Liabilities							
Segment liabilities	**561,730,528**	**60,005,119**	**377,469,136**	**777,107,691**	**73,753,273**	**(530,257,329)**	**1,319,808,418**
Addition to non-current assets other than financial instruments are:-							
Property, plant and equipment	**95,884**	**-**	**-**	**931,682**	**-**	**-**	**1,027,566**

35. OPERATING SEGMENTS (Cont'd)

30.6.2020	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Revenue							
External revenue	324,070,908	2,100,000	-	192,999,779	64,011	-	519,234,698
Inter-segment revenue	1,009,158	-	-	1,459,305	123,400	(2,591,863)	-
Total revenue	325,080,066	2,100,000	-	194,459,084	187,411	(2,591,863)	519,234,698
Results							
Segment profit/(loss)	34,136,477	962,529	1,653,444	65,129,966	(1,794,143)	9,678,085	109,766,358
Finance costs							(54,926,698)
Share of losses of equity accounted associates							(74,724)
Profit before tax							54,764,936
Income tax expense							(10,034,673)
Profit after taxation							44,730,263

35. OPERATING SEGMENTS (Cont'd)

30.6.2020	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Segment profit/(loss) includes the followings:-							
Accretion of fair value on non-current trade receivables	-	-	-	(45,910,246)	-	-	(45,910,246)
Interest income	(40,926)	-	-	(16,328)	(136)	-	(57,390)
Interest expenses	12,220,515	-	5,847,337	33,952,500	2,937,337	(30,991)	54,926,698
Depreciation:-							
- property, plant and equipment	272,314	8,393	292	58,326	434,908	-	774,233
- right-of-use assets	924,080	-	108,000	460,482	781,959	(444,036)	1,830,485
Impairment of trade receivables	1,608,813	50,000	-	-	4,856	-	1,663,669
Gain on strike off of subsidiaries	-	-	-	-	(93,577)	-	(93,577)
Gain on disposal of property, plant and equipment	(1,477,306)	-	-	-	-	-	(1,477,306)
Reversal of impairment of trade receivables	-	(631,794)	-	-	-	-	(631,794)
Fair value gain on investment properties	-	-	(2,707,050)	-	-	-	(2,707,050)
Unrealised loss on foreign currency translation	-	-	2,258	-	14,505	-	16,763

35. OPERATING SEGMENTS (Cont'd)

30.6.2020	Construction RM	Property development RM	Property holding RM	Service concession RM	Others RM	Group eliminations RM	Consolidated Total RM
Assets							
Segment assets	454,940,717	48,486,384	593,617,532	813,553,193	25,493,003	(334,031,890)	1,602,058,939
Liabilities							
Segment liabilities	509,064,505	56,963,539	373,672,518	749,023,742	70,755,802	(524,634,448)	1,234,845,658
Additions to non-current assets other than financial instruments are:-							
Property, plant and equipment	3,800	6,500	-	14,126	-	-	24,426

35. OPERATING SEGMENTS (Cont'd)

(c) Major customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	Revenue		Segment
	31.12.2021 RM	**30.6.2020 RM**	
Customer #1	**508,505,886**	203,390,957	Construction
Customer #2	**119,991,218**	177,602,327	Service concession

36. CONTINGENT LIABILITIES

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Secured				
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries, utilised	**-**	-	**608,305,561**	632,421,774
Legal claims against subsidiaries	**3,738,359**	3,738,359	**-**	-

37. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS

There are four material litigation cases as follows:-

(i) Posco Engineering Co. Ltd.

Originating Summons ("OS") against Zecon Engineering & Construction Sdn. Bhd. ("Defendant") as the Plaintiff alleged that the Defendant has failed to pay its outstanding certified sums, losses and expenses. The Plaintiff had further served an Ex-parte Injunction and OS on 17 October 2016 to restrain the Defendant from making demand for payment under the bank guarantees (for advanced payment) of Hospital Petra Jaya project. On 25 October 2016, the High Court Judge dismissed the Plaintiff's OS and set aside the Injunction. On 1 November 2016, the Plaintiff filed an Appeal and applied for temporary Injunction (Erinford Injunction) pending the said appeal. Consent Order (without admission of liability by either party) was then entered on 11 November 2016 between the two parties that out of the bank guarantee of RM8,100,000, Plaintiff shall re-pay RM4,000,000 and the remaining balance of RM4,100,000 shall be partially set-off against Plaintiff's claim of RM12,012,062 of unpaid certified claims.

The said arrangement was disputed by the Defendant and the case was referred to Arbitration. The current status of the case is sole Arbitrator has withdrawn from his office as Arbitrator by his letter dated 11 October 2018. The Plaintiff and the Defendant have nominated respective candidates for substitute Arbitrator by letter dated 30 October 2018 and 12 November 2018 respectively. To date, no substitute Arbitrator has been appointed.

To date, the Defendant has submitted, a retired judge to be the arbitrator. The Plaintiff has yet to submit their choice of arbitrator.

Since there has been no development in the case, upon the Defendant's instructions, our solicitors had written to the Plaintiff'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, the Plaintiff's solicitors have not reverted with any response.

On 23 July 2021, the Defendant's Legal in-house spoke to the solicitors on the next step. The Defendant are advised to wait until end of October 2022 whereon the Plaintiff's claims will be time barred if the Plaintiff does not prosecute the case.

(ii) PT Wijaya Karya (PERSERO) TBK

PT Wijaya Karya (PERSERO) TBK and Wijaya Karya Persero Sdn. Bhd. (both as "Plaintiffs") had on 27 February 2018 initiated a writ of summons against Zecon Berhad and Zecon Construction (Sarawak) Sdn. Bhd. (both as "Defendants") over an alleged outstanding construction fee. The solicitor of Zecon Berhad had written to Asian International Arbitration Centre ("AIAC") to place on record that Zecon Berhad should not be added as a party to the Arbitration proceedings as the Project Management Services Agreement entered between PT Wijaya Karya (PERSERO) TBK and Zecon Berhad had been replaced by another agreement between Wijaya Karya Persero Sdn. Bhd. and Zecon Construction (Sarawak) Sdn. Bhd.. There was a specific clause in the latter agreement clearly stating that it shall replace the earlier agreement between Zecon Berhad and PT Wijaya Karya (PERSERO) TBK. However, the Court did not make any ruling on that issue or provide any direction on the legal suit as at that date.

On 18 April 2019, Arbitrator was appointed and the first preliminary meeting was held on 24 May 2019. On 12 July 2019, Plaintiff submitted their Statement of Claim and Bundle of Document. On 10 September 2019, Defendant submitted their Statement of Defense and Counterclaim.

As per the Arbitration's direction dated 24 May 2019, the Plaintiff has to file the Reply to the Statement of Defense and Counterclaim by 8 October 2019 and the Defendant to submit the Reply to the Statement of Defense and Counterclaim by 29 October 2019. Among other dates set by the Arbitrator are Witness Statements to be delivered by 8 January 2020.

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 2020, 22 and 23 June 2020 and on 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.

37. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

(ii) PT Wijaya Karya (PERSERO) TBK (Cont'd)

On 25 January 2021, parties received the Final Award from the Arbitrator, awarding RM4,617,471.70 together with interest to the Plaintiff. Following Defendants' solicitors submission for Correction of Award on 26 February 2021, the Arbitrator issued a Correction to Final Award of RM3,790,893.67 plus interest on 31 March 2021.

Zecon Berhad has on 29 March 2021 filed Originating Summon Application to set aside the Final Award at the High Court.

On 15 July 2021, the Plaintiff's ex-parte application to enforce the arbitration award was granted by the Court. On 5 July 2021, Zecon Berhad filed application to set aside the enforcement order.

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

On 1 October 2021, the Court ruled in favour of the Defendants 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 11 January 2022, the Court of Appeal fixed case management on 2 March 2022. On 2 March 2022, the Court of Appeal fixed 13 June 2022 for further case management.

(iii) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd.

(a) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd. (formerly known as Zecon Capital Venture Sdn. Bhd.)

Huang Hong Sdn. Bhd. ("HHSB"), a subsidiary of Zecon Berhad has received an Originating Summons ("OS") on 13 November 2018 from Affin Hwang Investment Bank Berhad ("Affin") related to the foreclosure of a land described as Lot 14, Block 16, Salak Land District ("Charged Land"). In response, HHSB has submitted an Affidavit in Opposition on 5 April 2019. The Court has fixed the mention date on 29 April 2019. The Court had adjourned the application to 29 May 2019 for further mention pending filing and service of HHSB's Affidavit in Reply, it was later adjourned to 11 June 2019 to monitor case status. On 11 June 2019, the Court adjourned the mention date to 26 July 2019 and directed all parties to file Executive Summary of argument by 8 August 2019. The matter was fixed for ruling on 11 September 2019.

The Court has on 11 September 2019 granted Affin an order for sale of the charged land with costs in the sum of RM5,000. On 13 September 2019, HHSB via its Solicitors filed Noticed of Appeal to the Court of Appeal of Malaysia. On 27 September 2019, HHSB received a copy of the Grounds of Judgement from the Judicial Commissioner and instructed its solicitors to prepare and file at the Register, the memorandum of appeal and other required documents within 90 days as required.

Meanwhile, solicitor of HHSB 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 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 HHSB's application for Stay of Execution and because of Movement Control Order ("MCO"), the Court made a decision via e-ruling and dismissed HHSB's said application for Stay. HHSB prepared a motion to the Appeal Court to appeal the High Court's decision.

Affin filed a notice of application to appoint a real estate agent to conduct a public tender of HHSB's land, to fix the reserve price of the land at RM187,475,000 and for other directions. The notice was fixed for hearing on 24 June 2020.

37. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

(iii) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd. (Cont'd)

(a) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd. (formerly known as Zecon Capital Venture Sdn. Bhd.) (Cont'd)

On 24 June 2020, the Court of Appeal dismissed HHSB's motion of appeal. Meanwhile, the High Court had, on 24 June 2020, granted Affin's 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 December 2020, solicitors for HHSB was served with The Court Application to fix reduced Reserved Price at RM168,727,500.00 and a hearing was fixed on 4 January 2021. Hearing was then adjourned to 20 January 2021 and on that date, the Court set tender at 10am on 7 April 2021. On 5 April 2021, Plaintiff filed Application to Cancel the Tender. On 6 April 2021, the Court granted the application cancelling the Tender with no order as to costs.

Meanwhile at the Court of Appeal level and in relation to the Notice of Appeal filed by HHSB through its solicitors on 13 September 2019, on 27 January 2021, the Court of Appeal set case management on via e-review on 18 February 2021. On that date, the Court of Appeal set hearing on 26 August 2021 and directed parties to file submission and bundle of authorities 3 weeks before hearing. On 26 August 2021, the Appeal Court unanimously set aside the order for sale of the charged land with costs of RM10,000.00.

On 22 September 2021, Affin Hwang Investment Bank filed an application for Leave to Appeal at the Federal Court. A Standstill Agreement was signed between the Group and Affin Hwang Investment Bank on 24 September 2021 to withhold all court cases between them for one (1) year from the date of the Agreement.

On 8 February 2022, the Applicant 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. Federal Court fixed further case management by e-review on 29 March 2022.

On 22 March 2022, the Federal Court fixed the said Notice of Motion for the order to stay the Leave Application proceedings for hearing on 18 May 2022.

(b) Affin Hwang Investment Bank Berhad & 2 others vs Zecon Berhad

Affin Hwang Investment Bank Berhad, Bank Pembangunan Malaysia Berhad and Affin Bank Berhad (collectively referred to as "Plaintiff") had on 29 October 2018 initiated a writ of summons against Zecon Berhad ("Defendant") on the event of default for payment of principal and interest of the financing facilities.

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.

The Court of Appeal fixed case management on 11 January 2022 to monitor the progress of the settlement and on 11 January 2022, fixed 5 April 2022 for further case management.

On 5 April 2022, parties informed the Court of Appeal that the settlement process is on-going and applied for further case management date. The Court of Appeal fixed the hearing on 29 September 2022.

37. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

(iv) Zecon Berhad vs Government of Malaysia ("GOM")

According to the Notice of Arbitration, the dispute includes wrongful termination by JKR, claim for unpaid work done and loss of profit and other costs for an amount of RM207,217,199.93 in relation to the Hospital Petra Jaya, Kuching project.

Arbitrator was appointed by Asian International Arbitration Centre ("AIAC") on 14 June 2019.

The appointed 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 Attorney General'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 Plaintiff 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 Plaintiff had replied to the Statement of Defense on 9 December 2019.

Pursuant to a tele-conference between the Company's 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 the Plaintiff's 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. The Plaintiff instructed their solicitors to object to the request. However, on 24 November 2020, after having communicated to the AGC and the Plaintiff's 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 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

The Arbitration hearing progressed as scheduled and is still on-going.

38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

38.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Effects On Profit/(Loss) After Taxation				
Increase of 100 basis points	**(7,671,432)**	(7,501,891)	**(1,632,766)**	(1,544,165)
Decrease of 100 basis points	**7,671,432**	7,501,891	**1,632,766**	1,544,165

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit/(loss) after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group has significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors. However, the Board does not consider this to pose significant credit risk to the Group.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In additions, the Group's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments an external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 1 year are deemed credit impaired and assesses for their risk of loss individually.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have a low risk of default as they have a strong capacity to meet their debts.

The Group applies the general approach to measuring expected credit losses for the service concession receivables. Generally, the Group considers the service concession receivables have low credit risks. The Group assumes that there is a significant increase in credit risk when the probability of defaulting payments of availability charges and maintenance charges (collectively known as "the Charges") by the customers deteriorates significantly. As the Group is able to determine the timing of payments of the Charges when they are payable, the Group considers the Charges to be in default when the service concession receivables are not able to pay when demanded. The Group considers the Charges to be credit impaired when the service concession receivables are unlikely to repay the Charges in full.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.12.2021				
Not past due	**1,006,390,243**	**-**	**(882,166)**	**1,005,508,077**
Past due but less than 1 year	**36,390**	**-**	**-**	**36,390**
More than 1 year past due	**57,201,123**	**(2,542,225)**	**(24,067,350)**	**30,591,548**
Credit impaired	**40,143,263**	**(40,143,263)**	**-**	**-**
Trade receivables	**1,103,771,019**	**(42,685,488)**	**(24,949,516)**	**1,036,136,015**
Contract assets	**1,632,124**	**(525,329)**	**-**	**1,106,795**
	1,105,403,143	**(43,210,817)**	**(24,949,516)**	**1,037,242,810**

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:- (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
30.6.2020				
Not past due	820,454,442	-	-	820,454,442
Past due but less than 1 year	43,373,256	-	-	43,373,256
More than 1 year past due	56,909,600	(1,526,259)	-	55,383,341
Credit impaired	39,654,654	(39,654,654)	-	-
Trade receivables	960,391,952	(41,180,913)	-	919,211,039
Contract assets	2,222,428	-	-	2,222,428
	962,614,380	(41,180,913)	-	921,433,467

The Company	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.12.2021				
Not past due	**4,371,178**	**-**	**-**	**4,371,178**
More than 1 year past due	**57,195,520**	**(2,536,622)**	**(24,067,350)**	**30,591,548**
Credit impaired	**4,303,563**	**(4,303,563)**	**-**	**-**
Trade receivables	**65,870,261**	**(6,840,185)**	**(24,067,350)**	**34,962,726**
Contract assets	**441,062**	**(425,329)**	**-**	**15,733**
	66,311,323	**(7,265,514)**	**(24,067,350)**	**34,978,459**

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:- (Cont'd)

The Company	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
30.6.2020				
Not past due	2,780,627	-	-	2,780,627
More than 1 year past due	56,891,481	(481,029)	(1,045,229)	55,365,223
Credit impaired	3,998,200	(3,998,200)	-	-
Trade receivables	63,670,308	(4,479,229)	(1,045,229)	58,145,850
Contract assets	441,062	-	-	441,062
	64,111,370	(4,479,229)	(1,045,229)	58,586,912

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 14 and 15 to the financial statements respectively.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Generally, the Group considers the advances to other receivables have low credit risks. The Group assumes that there is a significant increase in credit risk when the probability of securing the contract deteriorates significantly. As the Group is able to determine the timing of payments of the other receivables' advances when they are payable, the Group considers the advances to be in default when the other receivables are not able to pay when demanded. The Group considers the advances to be credit impaired when the other receivables are unlikely to repay the advances in full.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for the other receivables are summarised below:-

The Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
31.12.2021			
Low credit risk	3,771,963	-	3,771,963
Credit impaired	5,779,356	(5,779,356)	-
	9,551,319	(5,779,356)	3,771,963
30.6.2020			
Low credit risk	24,251,508	-	24,251,508
Credit impaired	5,857,695	(5,857,695)	-
	30,109,203	(5,857,695)	24,251,508
The Company			
31.12.2021			
Low credit risk	168,982	-	168,982
Credit impaired	2,739,944	(2,739,944)	-
	2,908,926	(2,739,944)	168,982
The Company			
30.6.2020			
Low credit risk	20,495,956	-	20,495,956
Credit impaired	2,823,708	(2,832,708)	-
	23,319,664	(2,832,708)	20,495,956

The movements in the loss allowances in respect of other receivables are disclosed in Note 14 to the financial statements.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

The Company	Gross Amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying Amount RM
31.12.2021				
Low credit risk	**155,647,422**	**-**	**-**	**155,647,422**
Significant increase in credit risk	**91,201,250**	**-**	**(2,856,915)**	**88,344,335**
Credit impaired	**36,113,411**	**-**	**(36,113,411)**	**-**
	282,962,083	**-**	**(38,970,326)**	**243,991,757**
30.6.2020				
Low credit risk	137,259,323	(1,752,557)	-	135,506,766
Significant increase in credit risk	105,854,758	-	(8,810,574)	97,044,184
Credit impaired	21,270,300	-	(21,270,300)	-
	264,384,381	(1,752,557)	(30,080,874)	232,550,950

The movements in the loss allowances are disclosed in Note 14 to the financial statements.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
31.12.2021						
Non-derivative Financial Liabilities						
Trade payables	-	193,009,934	193,009,934	193,009,934	-	-
Other payables and accruals	8%	179,915,115	211,164,360	132,275,609	78,860,975	27,776
Amount owing to directors	-	15,644,380	15,644,380	15,644,380	-	-
Amount owing to directors of subsidiaries	-	760,644	760,644	760,644	-	-
Amount owing to a corporate shareholder	-	38,343,345	38,343,345	38,343,345	-	-
Bank overdrafts	6.50%	9,651,658	10,279,016	10,279,016	-	-
Lease liabilities	2.30% - 8.20%	5,610,097	6,578,407	1,345,612	4,482,795	750,000
Revolving credits	6.65% - 7.25%	106,731,737	114,176,207	114,176,207	-	-
Term loans	5.54% - 7.14%	658,045,349	856,008,841	856,008,841	-	-
		1,207,712,259	1,445,965,134	1,361,843,588	83,343,770	777,776

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
30.6.2020						
Non-derivative Financial Liabilities						
Trade payables	-	128,296,283	128,296,283	128,296,283	-	-
Other payables and accruals	8%	171,374,095	231,411,961	152,523,210	63,088,780	15,799,971
Amount owing to directors	-	17,090,811	17,090,811	17,090,811	-	-
Amount owing to directors of subsidiaries	-	763,957	763,957	763,957	-	-
Amount owing to a corporate shareholder	-	29,305,820	29,305,820	29,305,820	-	-
Lease liabilities	2.30% - 7.85%	7,087,075	8,738,164	2,175,829	4,462,335	2,100,000
Revolving credits	6.95% - 7.05%	95,871,618	102,550,449	102,550,449	-	-
Term loans	5.80% - 7.39%	693,672,489	877,150,639	877,150,639	-	-
		1,143,462,148	1,395,308,084	1,309,856,998	67,551,115	17,899,971

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
31.12.2021						
Non-derivative Financial Liabilities						
Trade payables	-	**16,272,871**	**16,272,871**	**16,272,871**	-	-
Other payables and accruals	-	**9,792,650**	**9,792,650**	**9,792,650**	-	-
Amount owing to subsidiaries	-	**32,192,799**	**32,192,799**	**32,192,799**	-	-
Amount owing to directors	-	**11,129,599**	**11,129,599**	**11,129,599**	-	-
Amount owing to directors of subsidiaries	-	**760,644**	**760,644**	**760,644**	-	-
Amount owing to a corporate shareholder	-	**4,268,039**	**4,268,039**	**4,268,039**	-	-
Lease liabilities	**7%**	**4,325,202**	**5,250,000**	**900,000**	**3,600,000**	**750,000**
Revolving credits	**6.65% - 7.25%**	**106,731,737**	**114,176,207**	**114,176,207**	-	-
Term loans	**5.55% - 7.00%**	**61,165,947**	**79,505,662**	**79,505,662**	-	-
		246,639,488	**273,348,471**	**268,998,471**	**3,600,000**	**750,000**

38. FINANCIAL INSTRUMENTS (Cont'd)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
30.6.2020						
Non-derivative Financial Liabilities						
Trade payables	-	31,542,452	31,542,452	31,542,452	-	-
Other payables and accruals	-	7,773,752	7,773,752	7,773,752	-	-
Amount owing to subsidiaries	-	25,476,025	25,476,025	25,476,025	-	-
Amount owing to directors	-	8,983,372	8,983,372	8,983,372	-	-
Amount owing to directors of subsidiaries	-	763,957	763,957	763,957	-	-
Amount owing to a corporate shareholder	-	4,948,038	4,948,038	4,948,038	-	-
Lease liabilities	6.54% - 7.00%	5,191,761	6,611,104	911,104	3,600,000	2,100,000
Revolving credits	6.95% - 7.05%	95,871,618	102,550,449	102,550,449	-	-
Term loans	5.80% - 7.00%	60,865,513	80,036,229	80,036,229	-	-
		241,416,488	268,685,378	262,985,378	3,600,000	2,100,000

38. FINANCIAL INSTRUMENTS (Cont'd)

38.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group		The Company	
	31.12.2021 RM	**30.6.2020 RM**	**31.12.2021 RM**	**30.6.2020 RM**
Lease liabilities	**5,610,097**	7,087,075	**4,325,202**	5,191,761
Term loans	**658,045,349**	693,672,489	**61,165,947**	60,865,513
Bank overdrafts	**9,651,658**	-	**-**	-
Revolving credits	**106,731,737**	95,871,618	**106,731,737**	95,871,618
	780,038,841	796,631,182	**172,222,886**	161,928,892
Less: Deposits with licensed banks	**(6,892,467)**	(6,880,381)	**(6,730,816)**	(6,729,008)
Less: Cash and bank balances	**(27,462,771)**	(20,892,251)	**(5,049,220)**	(5,555,496)
Net debt	**745,683,603**	768,858,550	**160,442,850**	149,644,388
Total equity	**385,795,735**	367,213,281	**66,510,667**	107,698,513
Debt-to-equity ratio	**1.93**	2.09	**2.41**	1.39

There was no change in the Group's approach to capital management during the financial period.

38. FINANCIAL INSTRUMENTS (Cont'd)

38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	31.12.2021		30.6.2020	
	The Group RM	**The Company RM**	**The Group RM**	**The Company RM**
Financial Assets				
Designated at Fair Value Through Other Comprehensive Income				
Other investments	**434,418**	**396,508**	1,535,698	1,442,939
Amortised Cost				
Trade receivables	**1,033,936,978**	**32,848,569**	917,012,001	56,031,693
Other receivables	**3,771,963**	**168,982**	24,251,508	20,495,955
Amount owing by subsidiaries	**-**	**243,991,757**	-	232,550,950
Deposits with licensed banks	**6,892,467**	**6,730,816**	6,880,381	6,729,008
Cash and bank balances	**27,462,771**	**5,049,220**	20,892,251	5,555,496
	1,072,064,179	**288,789,344**	969,036,141	321,363,102

38. FINANCIAL INSTRUMENTS (Cont'd)

38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Cont'd)

	31.12.2021		30.6.2020	
	The Group RM	**The Company RM**	**The Group RM**	**The Company RM**
Financial Liabilities				
Amortised Cost				
Trade payables	**193,009,934**	**16,272,871**	128,296,283	31,542,452
Other payables and accruals	**179,915,115**	**9,792,650**	171,374,095	7,773,752
Amount owing to subsidiaries	**-**	**32,192,799**	-	25,476,025
Amount owing to directors	**15,644,380**	**11,129,599**	17,090,811	8,983,372
Amount owing to directors of subsidiaries	**760,644**	**760,644**	763,957	763,957
Amount owing to a corporate shareholder	**38,343,345**	**4,268,039**	29,305,820	4,948,038
Bank overdrafts	**9,651,658**	**-**	-	-
Lease liabilities	**5,610,097**	**4,325,202**	7,087,075	5,191,761
Term loans	**658,045,349**	**61,165,947**	693,672,489	60,865,513
Revolving credit	**106,731,737**	**106,731,737**	95,871,618	95,871,618
	1,207,712,259	**246,639,488**	1,143,462,148	241,416,488

38. FINANCIAL INSTRUMENTS (Cont'd)

38.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	31.12.2021		30.6.2020	
	The Group RM	**The Company RM**	**The Group RM**	**The Company RM**
Financial Assets				
Equity Investments at Fair Value Through Other Comprehensive Income				
Net gains/(losses) recognised in other comprehensive income	**221,449**	**261,583**	29,827	(17,328)
Amortised Cost				
Net gains/(losses) recognised in profit or loss	**69,035,279**	**(32,722,646)**	44,877,501	(12,244,467)
Financial Liabilities				
Amortised Cost				
Net losses recognised in profit or loss	**(76,958,121)**	**(16,499,049)**	(54,704,190)	(12,058,933)

38. FINANCIAL INSTRUMENTS (Cont'd)

38.5 FAIR VALUE INFORMATION

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value				
The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total Fair Value RM**	**Carrying Amount RM**
31.12.2021								
Financial Asset								
Other investments:								
- quoted shares	**37,910**	**-**	**-**	**-**	**-**	**-**	**37,910**	**37,910**
Financial Liabilities								
Other payables	**-**	**-**	**-**	**-**	**-**	**47,906,418**	**47,906,418**	**47,906,418**

38. FINANCIAL INSTRUMENTS (Cont'd)

38.5 FAIR VALUE INFORMATION (Cont'd)

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value				
The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total Fair Value RM**	**Carrying Amount RM**
30.6.2020								
Financial Asset								
Other investments:								
- quoted shares	147,919	-	-	-	-	-	147,919	147,919
- unquoted shares	-	1,387,779	-	-	-	-	1,387,779	1,387,779
Financial Liabilities								
Other payables	-	-	-	-	-	62,991,304	62,991,304	62,991,304

38. FINANCIAL INSTRUMENTS (Cont'd)

38.5 FAIR VALUE INFORMATION (Cont'd)

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value				
The Company	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total Fair Value RM**	**Carrying Amount RM**
31.12.2021								
Financial Asset								
Other investments:								
- unquoted shares	**-**	**396,508**	**-**	**-**	**-**	**-**	**396,508**	**396,508**
30.6.2020								
Financial Asset								
Other investments:								
- quoted shares	55,160	-	-	-	-	-	55,160	55,160
- unquoted shares	-	1,387,779	-	-	-	-	1,387,779	1,387,779

38. FINANCIAL INSTRUMENTS (Cont'd)

38.5 FAIR VALUE INFORMATION (Cont'd)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(aa) The fair value of quoted equity investments is determined at their quoted closing bid prices at the end of the reporting period.

(bb) The fair value of the unquoted equity investment is determined to approximate the net assets of the investee.

(ii) There were no transfers between level 1 and level 2 during the financial period.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

(i) The fair value of the Group's term loan that carry floating interest rates approximated their carrying amount as they are repriced to market interest rates on or near the reporting date.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

39.1 OUTBREAK OF COVID-19

COVID-19 outbreak has dampened economic activities and rattled the position of all scales though the full impact is yet to be known. The Group has not been spared from the economic uncertainties impacted by the said pandemic. Our planned work programs and activities for our current project have been adversely affected.

Pan Borneo Highway project was initially affected by the imposition of the Stop Work Order issued by the Authorities effective on 18 March 2020. The said Order had caused a significant delay on the progress and thus affected the quantum of claims to be billed. Despite the acceptance of approval to resume works on 14 May 2020, the Govermant had imposed strict Standard Operating Procedure ("SOP"), related to working hours and social distancing requirements which directly affected the progress of the projects. Serian Section had received the Certificate of Practical Completion as it was completed on 5 December 2021 whereby Pantu Section had been granted Extension on Time ("EOT") to complete up to June 2022.

39.2 CHANGES IN THE COMPOSITION OF THE GROUP

On 30 November 2020, the Group had derecognised and struck off its wholly owned subsidiary, Agrowell Quarry Sdn. Bhd., from the Register pursuant to Section 601AA(4) of the Corporations Act 2001 and Section 550 of the Companies Act 2016.

On 1 March 2021, the Group had wholly acquired Zecon Medivest Sdn. Bhd. with a paid-up share capital of RM2.

On 27 April 2021 and 5 May 2021, the Group has incorporated two more new subsidiaries which are Parkyocar Sdn. Bhd., and Aerotropolis (Kuching) Sdn. Bhd. at a cash consideration of RM1,000 and RM1,500 respectively.

The intended principal activities of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Activities
Parkyocar Sdn. Bhd.	To undertake the operation, management, maintenance of car park and its related activities
Aerotropolis (Kuching) Sdn. Bhd.	Property development, general construction and related activities.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (Cont'd)

39.3 EMPLOYEE'S SHARE OPTION SCHEME ("ESOS")

On 17 July 2020, approval had been obtained from the shareholders of Zecon, for the establishment of a new employees' share option scheme of Zecon of up to 15% of the total number of issued shares of Zecon (excluding treasury shares) at any point in time ("ESOS") during the Extraordinary General Meeting ("EGM").

On 4 August 2021, UOB Kay Hian Securities Sdn. Bhd. ("UOBKH") on behalf of the Board of Directors of Zecon ("Board"), announced that the Company is in full compliance with Paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

On 16 August 2021, Zecon announced that the Company has offer up to 19,505,000 ESOS to the eligible employees (including executive and non-executive Directors) of the Zecon Group at the exercise price of RM0.385 per share with a vesting period of 5 years.

39.4 ISLAMIC MEDIUM-TERM NOTES

The subsidiary of Zecon Group had proposed to issue, offer for subscriptions or purchase, or make an invitation to subscribe for or purchase of Islamic medium term notes of up to RM865,000,000 in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") upon the terms and conditions set out on the indicative lodgement kit, as may be amended from time to time.

The Sukuk Wakalah will be secured, inter alia, by the following security ("Security") to be provided by Zecon in favour of Malaysian Trustees Berhad as the security trustee of the Sukuk Wakalah ("Security Trustee"):

(i) A first ranking legal charge by the Company over its entire fifty one percent (51%) shareholdings in the issuer;
(ii) A Kafalah guarantee provided by Zecon;
(iii) A deed of covenants by the Company in favour of the Sukuk Trustee and the Security Trustee in respect of covenants to be given by the Company in favour of the Sukuk Trustee and the Security Trustee; and
(iv) Such other security(ies) as may be required from time to time under the Sukuk Wakalah.

The proposal "Sukuk Wakalah" is still on-going as at the date of report.

40. SUBSEQUENT EVENT

The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia. The Government of Malaysia has implemented various containment measures during the financial period to curb the spread of COVID-19 including Movement Control Order ("MCO"), Enhanced MCO and continued MCO. The threats posed by COVID-19 outbreak continued to spiral and businesses have been crippled by the loss in earnings and disruption in the supply chains.

Given the evolving nature of COVID-19, the Group will face with rising costs of doing business and slowdown of economy. As the situation continues to be fluid and rapidly evolving, the Group does not consider it practicable to provide a quantitative estimate of the potential impact of this economic condition of the Group. However, the Group will continue to monitor the development of Government or regulatory intervention which could have unexpectedly impact and implement measures to mitigate the impact of COVID-19 to the Group's businesses, including prudent management of its cashflows on the operating, investing and financing activities.

The Group will continue to monitor the development of these event and provide further updates on the financial impact and mitigating actions relating to the COVID-19 pandemic in its forthcoming financial reports and will recognise the financial impact, if any, in the financial statements for the financial period ending 31 December 2022 accordingly.

41. COMPARATIVES FIGURES

The following figures have been reclassified to conform with the presentation of the current financial period:

	The Group		The Company	
	As Restated RM	As Previously Reported RM	As Restated RM	As Previously Reported RM
Consolidated Statements of Cash Flows (Extract):-				
Accretion of fair value on non-current trade receivables	(45,910,246)	-	-	-
Interest income	(57,390)	(45,967,636)	-	-
Contract assets written off	22,092,702	-	22,073,347	-
Increase in trade and other receivables	(198,597,977)	(244,508,223)	-	-
Decrease/(Increase) in contract assests	1,564,692	23,657,394	(2,753,665)	19,319,682
Decrease in trade and other payables	(40,887,992)	(25,085,588)	-	-
Increase in amount owing to a corporate shareholders	24,357,782	8,555,378	-	-
Interest received	57,390	45,967,636	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 23 MARCH 2022

SHARE CAPITAL

Number of Issued Shares : 147,403,425
Class of Shares : Ordinary shares
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Shares
Less than 100	68	2,716	0.00
100 to 1,000	192	106,485	0.07
1,001 to 10,000	754	3,638,499	2.47
10,001 to 100,000	327	10,224,525	6.94
100,001 to less than 5%	69	61,756,150	41.90
5% and above	3	71,675,050	48.62
TOTAL	**1,413**	**147,403,425**	**100**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
	Direct	%	Indirect	%
1. Dawla Capital Sdn Bhd	50,189,475	34.05	-	-
2. Digital Network Sdn Bhd	14,192,975	9.63	-	-
3. Mentari Hijau Sdn Bhd	12,520,600	8.49	-	-
4. Datuk Haji Zainal Abidin bin Haji Ahmad	13,039,950	8.85	50,189,475*	34.05
5. Haji Sazali bin Md Salleh	150,000	0.10	12,520,600#	8.49

Note:
** Deemed interested by virtue of his interest in Dawla Capital Sdn Bhd*
 # Deemed interested by virtue of his interest in Mentari Hijau Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

AS AT 23 MARCH 2022

DIRECTORS' INTERESTS

	No. of Shares Held			
	Direct	**%**	**Indirect**	**%**
THE COMPANY				
Datu Haji Hamzah bin Haji Drahman	153,500	0.10	-	-
Datuk Haji Zainal Abidin bin Haji Ahmad	13,039,950	8.85	50,189,475*	34.05
Zainurin bin Ahmad	1,000,000	0.68	-	-
Dato' Abdul Majit bin Ahmad Khan	-	-	-	-
Hui Kok Yuan	250,000	0.17	147,000	0.10
Richard Kiew Jiat Fong	63,000	0.04	-	-
Datuk Haji Bolhassan bin Di @ Ahmad bin Di	500,000	0.34	-	-
Haji Sazali bin Md Salleh	150,000	0.10	12,520,600#	8.49
Haji Jamil bin Haji Jamaludin	150,000	0.10	-	-
RELATED COMPANIES				
Teknik PS Sdn Bhd				
Datuk Haji Zainal Abidin bin Haji Ahmad	34,000	14.20	-	-
Huang Hong Sdn Bhd				
Datuk Haji Zainal Abidin bin Haji Ahmad	49,000	49.00	-	-
Saramax Land Sdn Bhd				
Datuk Haji Zainal Abidin bin Haji Ahmad	49	49.00	-	-
Sarmax Sdn Bhd				
Datuk Haji Zainal Abidin bin Haji Ahmad	30,000	30.00	-	-

THIRTY (30) LARGEST SHAREHOLDERS AS AT 23 MARCH 2022

No.	Name of Shareholders	No. of Shares	%
1.	Dawla Capital Sdn Bhd	50,189,475	34.05
2.	Digital Network Sdn Bhd	13,392,975	9.09
3.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mentari Hijau Sdn. Bhd.	8,092,600	5.49
4.	Chua Sim Neo @ Diana Chua	7,158,900	4.86
5.	Pui Boon Hean	6,860,000	4.65
6.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zainal Abidin bin Ahmad	4,960,675	3.37
7.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tommy bin Bugo @ Hamid bin Bugo	4,858,200	3.30
8.	Mentari Hijau Sdn Bhd	4,428,000	3.00
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zainal Abidin bin Ahmad	3,791,450	2.57
10.	Pui Cheng Wui	2,885,000	1.96
11.	Zainal Abidin Bin Ahmad	2,716,500	1.84

THIRTY (30) LARGEST SHAREHOLDERS AS AT 23 MARCH 2022 (Cont'd)

No.	Name of Shareholders	No. of Shares	%
12.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Pui Cheng Wui	1,550,700	1.05
13.	Zainal Abidin Bin Ahmad	1,481,700	1.01
14.	Maybank Nominees (Tempatan) Sdn Bhd Wee Song Ching	1,429,800	0.97
15.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wong Su Kong	1,328,400	0.90
16.	Lim Li Hui	1,166,400	0.79
17.	Zainurin Bin Ahmad	1,000,000	0.68
18.	Wong Yoke Fong @ Wong Nyok Fing	832,700	0.56
19.	Digital Network Sdn Bhd	800,000	0.54
20.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Foong Lai Khuan	714,000	0.48
21.	Ng Chee Kok	690,800	0.47
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamni Bin Juni	627,800	0.43
23.	Ker Ken Wa	564,000	0.38
24.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tommy Bin Bugo @ Hamid Bin Bugo	540,000	0.37
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Cher Keam	525,000	0.35
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Sie Tong @ Lee Ah Tong	520,000	0.35
27.	Rashidah Binti Abd Karim	502,100	0.34
28.	Bolhassan Bin Di @ Ahmad Bin Di	500,000	0.34
29.	Jenny Wong	496,600	0.34
30.	Wong Yoke Fong @ Wong Nyok Fing	470,000	0.32
	TOTAL	**125,073,775**	**84.85**

LIST OF PROPERTIES

Location	Area (approximately more or less)	Tenure	Description	Year of Acquisition	Existing Use	Net Book Value 31 Dec 2021 (RM)
Lot 464, Block 15 Salak Land District Kuching, Sarawak.	42.19 acre	Leasehold (99 years), Mixed Zone Land, Expiring in Year 2098	Leasehold Land	1999	Investment property	7,171,591
Lot 462 & 470, Block 15 Salak Land District Kuching, Sarawak.	1,178.44 acre	Leasehold (99 years), Mixed Zone Land, Expiring in Year 2098	Leasehold Land	1999	Investment property	200,335,746
Part of Lot 4871, Block 18, Salak Land District, Kuching, Sarawak.	10.16 acre	Leasehold (99 years), Mixed Zone Land, Expiring in Year 2098	Leasehold Land	1999	Commercial & Residential Development	10,668,535
Lot 2260 & 2003, Block 233 Kuching North Land Kuching, Sarawak	3.21 acre	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2048 & 2057	Leasehold Land	1988	Investment property	7,998,000
Crown Land, Lot No. 10049, 16th Miles, Simanggang Road, Kuching Town Land District Kuching, Sarawak	9.3 acre	Leasehold (99 years), Mixed Zone Land, Expiring in Year 2054	Leasehold Land	1991	Vacant Land	419,533
Sublot No.84, Title Lot 7907,Pelita Heights, Kuching Sarawak	174.2 sq metre	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2055	Double-Storey Terrace House	1994	Residential	100,909
Parcel No. 10A Lot 264 of Block 2, Jalan Salak District Kuching, Sarawak	155.4 sq metre	Strata Title	Apartment	2006	Vacant	304,191
Parcel No.2A-11-2, 11th Floor Plaza Sentral KL Building No.Block 2A, Lot 78, Section 70, Kuala Lumpur	361.8 sq metre	Strata Title	Office Suite	2006	Office Premise	1,189,686
Parcel B7-1-9, B7-5-9, B7-6-8, B7-6-9, B6-1-1a, B6-1-2a,B6-2-1, B6-4-1, B6-4-2 of Lot 742, Section 64, KTLD, Kuching, Sarawak	1,399.03 sq metre	Strata Title	Commercial Tower	2002	Office Premises	1,778,554
Lot 471, Block 15, Salak Land District	151.7 hectare	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2076	Leasehold Land	2016	Investment property	111,707,770
Lot 505, Block 15, Salak Land District	85.00 hectare	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2076	Leasehold Land	2016	Investment property	94,500,000
Lot 14, Block 16, Salak Land District	281 hectare	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2076	Leasehold Land	2016	Investment property	178,450,520

NOTICE OF THE THIRTY-SIXTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth (36th) Annual General Meeting ("AGM") of Zecon Berhad ("Zecon"or"the Company") will be held at Ground Floor, Menara Zecon, No.92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Thursday, 26 May 2022 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors there on. (See Note 1)
2. To approve the payment of Directors' fees of RM 217,800.00 for the financial year ended 31 December 2021. Resolution 1
3. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Chairman and Non-Executive Directors of the Company up to an amount of RM600,000.00 for the period from 27 May 2022 until the next AGM of the Company. Resolution 2
4. To re-elect the following Directors who retire in accordance with Clause 100 of the Company's Constitution and being eligible, offer themselves for re-election:-
   - (i) Mr. Zainurin bin Ahmad Resolution 3
   - (ii) Mr. Richard Kiew Jiat Fong Resolution 4
   - (iii) Mr. Hui Kok Yuan Resolution 5
5. To re-elect Mr. Mohammed Noor bin Ahmad who retires in accordance with Clause 107 of the Company's Constitution and being eligible, offers himself for re-election. Resolution 6
6. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the ensuring year and to authorise the Directors to fix their remuneration. Resolution 7

As Special Business

To consider and if thought fit, pass the following resolutions as Ordinary Resolutions :-

7. **Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act")** Resolution 8

   "THAT subject always to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Company's Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company at any times at such price, upon such terms and conditions, for such purpose and to such person (s) whom so ever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

8. Ordinary Resolutions
   - **Proposed retention of Independent Non-Executive Directors**

   (a) "THAT approval be given for Dato' Abdul Majit bin Ahmad Khan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director until the conclusion of the next AGM." Resolution 9

   (b) "THAT subject to the passing of Resolution 4, approval be given for Mr. Richard Kiew Jiat Fong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director until the conclusion of the next AGM." Resolution10

9. To transact any other ordinary business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By order of the Board

Koh Fee Lee (MAICSA 7019845) (SSM PC No. 201908002220)
Voon Jan Moi (MAICSA 7021367) (SSM PC No. 202008001906)
Company Secretaries
Kuching
Dated: 29 April 2022

Notes:-

Appointment of Proxy

i) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 19 May 2022 shall be eligible to attend, speak and vote at the Meeting.

ii) A member entitled to attend and vote at this meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where a member appoints more than 2 proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy need not be a member of the Company.

There shall be no restriction as to the qualification of the proxy.

A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

iii) Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

iv) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

v) Where a Member or an authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

vii) Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment there of.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS

i) Audited Financial Statements for the Financial Year Ended 31 December 2021

The Audited Financial Statements under item 1 of the Agenda are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only. They do not require shareholders' approval and hence, will not be put forward for voting by shareholders of the Company.

ii) Ordinary Resolutions 3-6: Re-election of Retiring Directors

For the purpose of determining the eligibility of the Directors to stand for re-election at the 36th AGM, the Board through its Remuneration & Nomination Committee had assessed Mr. Zainurin bin Ahmad, Mr. Richard Kiew Jiat Fong, Mr. Hui Kok Yuan and Mr. Mohammed Noor bin Ahmad (collectively "the Retiring Directors"). Please refer to the Directors' Profile section for more details of these individuals. The Retiring Directors were assessed on their performance and understanding of the Group's business. Their active participation at the Board and Board Committee meetings showed that they were prepared and were effective in the discharge of their responsibilities. The Retiring Directors have always acted in the best interest of the Company as a whole.

Based on the above, the Board supports their re-election.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS (Cont'd)

iii) Ordinary Resolution 7: Authority to Issue Shares pursuant to Sections 75 and 76 of the Act

Bursa Securities Malaysia Berhad has vide their letter dated 23 December 2021 given the flexibility for listed issuers to seek a higher general mandate of not more than 20% of the total number of issued shares (excluding treasury shares) for the issuance of new securities.

ZECON intends to seek its shareholders approval on the proposed Ordinary Resolution to give powers to the Directors to issue up to a maximum 20% of the issued shares of the Company (excluding treasury shares) for the time being for such purposes as the Directors would consider in the best interest of the Company and is in compliance with the Constitution ("20% General Mandate").

The Covid-19 pandemic has brought significant economic uncertainties in the markets in which the Zecon Group operates in and whilst the Group is unable to reasonably estimate the financial impact of the pandemic, the Board of Directors of Zecon is of the view that it is in the best interest of the Company and its shareholders as the Company to have a higher general mandate to enable the Company to undertake a fund-raising exercise expediently and for larger amount of proceeds to be raised to meet any potential shortfalls in financing needs.

The 20% General Mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. This mandate unless revoked or varied at a general meeting will expire at the next AGM.

The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisition and/or for issuance of shares as settlement of purchase consideration.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty-Fifth AGM held on 03 December 2020 and which will lapse at the conclusion of the 36th AGM.

iv) Ordinary Resolutions 9 and 10: Proposed Retention of Independent Non-Executive Directors

The Resolutions 9 and 10 are proposed pursuant to the revised Malaysian Code of Corporate Governance 2021, and if passed, will allow Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong to be retained and continue to act as Independent Non-Executive Directors of the Company.

The Remuneration & Nomination Committee had assessed the independence of Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

a) They have fulfilled the criteria of an Independent Director pursuant to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

b) They being highly qualified and calibre persons has provided the Board with diverse set of experience, skill and expertise in exercising their roles and responsibilities.

c) They have actively participated in Board deliberation, discharged their duties with reasonable care, skills and diligent; bring independent thought and experience and provided objectivity in decision making.

d) They have devoted sufficient time and efforts to their responsibilities as an Independent Director and have attended all Board meetings held during the year.

e) They have exercised due care in all undertakings of the Company and had carried out their fiduciary duties in the interest of the Company and shareholders during their tenure as an Independent Director.

f) They have given their consent to continue as Independent Directors of the Company.

The Board with the recommendation of the Remuneration & Nomination Committee propose that the shareholders vote in favour of the resolutions for Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong to continue to serve as Independent Non-Executive Directors of the Company.

The Proposed Resolutions 9 and 10, if passed, will enable Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong to continue to act as Independent Non-Executive Director of the Company. Otherwise, they will be re-designated as Non-Independent Non-Executive Directors and relinquish their positions as the Independent Non-Executive Director of the Company upon the conclusion of the 36th AGM.

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FORM OF PROXY

Number of shares held

ZECON

I/We _____

(FULL NAME IN BLOCK LETTERS)

NRIC/Passport No./Company No.of _____

being a member/members of **ZECON BERHAD** hereby appoint _____

NRIC No./Passport No./Company No. _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Sixth (36th) Annual General Meeting of the Company to be held at Conference Room, 8th Floor, Menara Zecon, No.92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Thursday, 26 May 2022 at 11.00 a.m. and any adjournment there of.

My/Our proxy is to vote as indicated below:-

RESOLUTIONS		FOR	AGAINST
1.	To approve payment of Directors' fees.		
2.	To approve the payment of Directors' remuneration.		
3.	To re-elect Mr. Zainurin bin Ahmad as Director.		
4.	To re-elect Mr. Richard Kiew Jiat Fong as Director		
5.	To re-elect Mr. Hui Kok Yuan as Director		
6	To elect Mr. Mohammed Noor bin Ahmad as Director.		
7.	To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Malaysia PLT and to authorise the Directors to fix their remuneration.		
8.	To approve authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
9.	To approve the proposed retention of Dato' Abdul Majit bin Ahmad Khan as an Independent Non-Executive Director.		
10.	To approve the proposed retention of Mr. Richard Kiew Jiat Fong as an Independent Non-Executive Director.		

Please indicate with "X" in the appropriate spaces how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Dated this _____ day of _____ ,2022

_____

Signature / Common Seal of Shareholder

Notes:

i) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 19 May 2022 shall be eligible to attend, speak and vote at the Meeting.

ii) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company and provision of Section 334(2) of the Companies Act, 2016 shall not apply to the Company.

There shall be no restriction as to the qualification of the proxy.

A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

iii) Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

iv) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

v) Where a Member or an authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

vii) The instrument appointing a proxy must be deposited at the registered office of the Company at 8th Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment there of.

Fold this flap for sealing

Affix Stamp

ZECON BERHAD
198501002015 (134463-X)

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

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ZECON BERHAD
198501002015(134463-X)

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