ZECON

DEDICATION TOWARDS

GREENER FUTURE

Annual Report 2022

VISION:

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

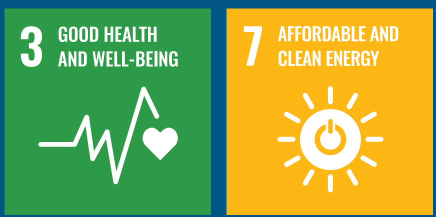
MISSION:

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

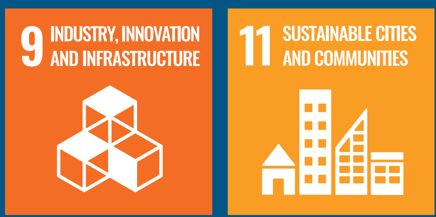
We also strive to have an efficient, dedicated and trained workforce to serve our customers.

Hospital Pakar Kanak-Kanak UKM, Rooftop

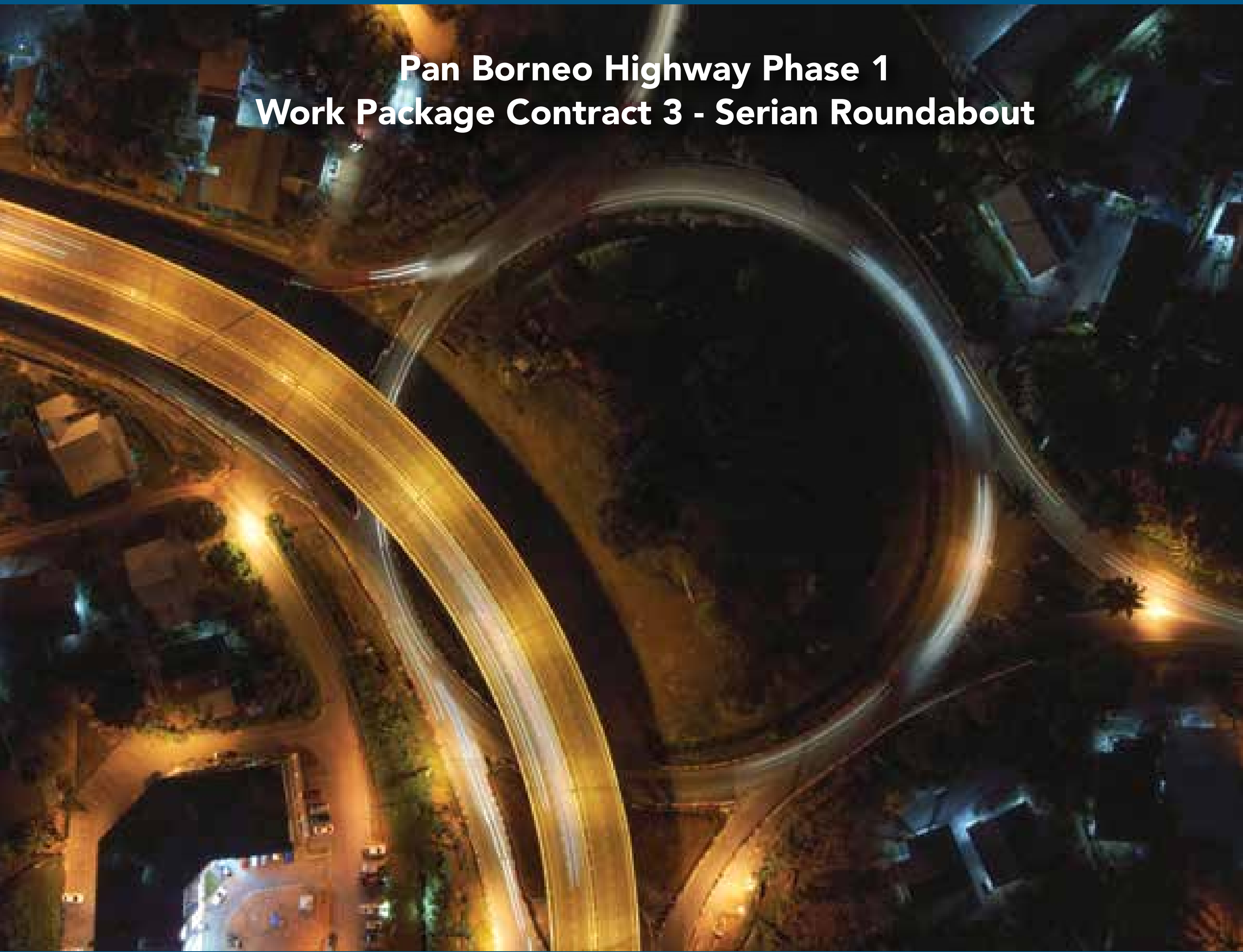
ZECON SUSTAINABLE GOALS



MEDIUM TERM GOALS
(1-5 YEARS)



MEDIUM TO LONG TERM GOALS
(5 – 10 YEARS)



CERTIFICATIONS & LICENSES

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)
MITI Bumiputera PLC (Ministry of International Trade And Industry)
PETROS (Registered Vendor of Petroleum Sarawak Berhad)
PETRONAS licence (Petroliam Nasional Berhad)
PKK & SPKK Grade 7 (Construction Industry Development Board Malaysia)
Class A - Civil Works & Mechanical (Registered Contractor & Consultant Unit Sarawak)

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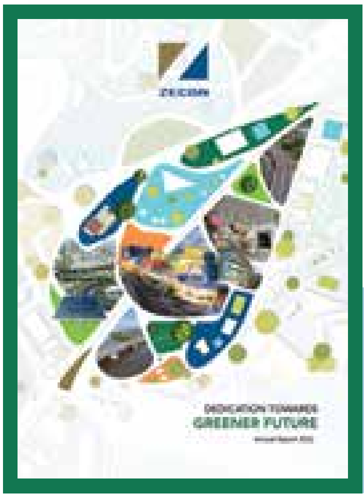


Cover Story:

DEDICATION TOWARDS
GREENER FUTURE

Zecon is committed to a greener future with greater emphasis on sustainability. We continue to operate responsibly to deliver the best products and services to our customers while creating long term economic values and positive environmental and social impact to our shareholders and stakeholders.

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)

Dato Sim Kheng Boon
Independent Non-Executive Director
(Appointed on 01 March 2023)

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

REMUNERATION & NOMINATION COMMITTEE

Dato' Abdul Majit bin Ahmad Khan (Chairman)
Richard Kiew Jiat Fong
Hui Kok Yuan

COMPANY SECRETARIES

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

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

SOLICITORS

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

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

RISK MANAGEMENT COMMITTEE

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

SUSTAINABILITY COMMITTEE

Richard Kiew Jiat Fong (Chairman)
Haji Jamil bin Haji Jamaludin
Hui Kok Yuan
Haji Abang Azahari bin Abang Osman
(Resigned on 3 February 2023)

AUDITORS

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

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
- Zecon Piling Sdn Bhd
- Demak Concessionaires 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,

Zecon Remains Profitable

Zecon Berhad (Zecon) recorded a Group's revenue of RM83.2 million for the financial year ended 31 December 2022 (FY22) and remains profitable with a net profit after taxation of RM22.1 million, an increase of 29.1% as compared to the preceding 18 months period. The Group also reduced loss per share from 12.1 sen to 2.9 sen.

2022 was also the year we achieved commendable activities with the expected completion of project in hand, our planning on several development projects on the Group's land banks and preparation into renewable energy sector.

PAN BORNEO HIGHWAY

Zecon's infrastructure project, the RM1.46 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 full completion. As previously reported, the Serian Roundabout section was fully completed and handed over to Jabatan Kerja Raya on 5 December 2021, ahead of schedule.

The physical completion of the Pantu section which has an official completion date of 26 May 2023 is approximately 99% completed at the time of this report.

HOSPITAL CONCESSION

The Build, Lease, Maintain and Transfer model for **Hospital Pakar Kanak-Kanak Universiti Kebangsaan Malaysia (HPKK)**, a 243-bed hospital and 54-room hotel Public Private Partnership / Private Finance Initiatives project was fully completed by Zecon Medicare Sdn Bhd (ZMSB) on 21 October 2020 and officially handed over to Universiti Kebangsaan Malaysia on 30 December 2020.

The 25.5 years concession period started from 1 January 2021 and ends in 2046. ZMSB, the concessionaire provides the core competencies for the five facility management and asset management services (FM Services) during this period, namely: Cleansing Services, Biomedical Engineering Management Services, Facility Engineering Management Services, Linen and Laundry Services, and Clinical Waste Management Services.

In April 2021, HPKK was converted into Ministry of Health's Covid Hospital until October 2021. The FM Services only started in January 2022. The performance of this service is determined by the Technical Requirement Performance Indicator (TRPI) as per the concession agreement. For the year under review, HPKK's FM Services achieved remarkable record under the TRPI with minimum or no deduction across all five services.

ZMSB teams are constantly working to improve all aspects of the FM Services in compliance with the requirements. In addition, HPKK's energy management which is led by certified energy manager is aiming to attain Energy Management Gold Standard under ASEAN Energy Management Scheme within five years of operation.

LEGAL PROCEEDING

We take this opportunity to update our shareholders on the two major legal cases which are still progressing since 2018. All these cases are related to the termination of the Hospital Petrajaya Project in August 2018. Zecon made a claim against Federal Jabatan Kerja Malaysia (JKR) by serving the notice of arbitration on 17 August 2018. After the termination, Affin Hwang Investment Bank Berhad (AHIB), Bank Pembangunan Malaysia Berhad and Affin Bank Berhad (Syndicated Lenders) who part financed the project filed a high court writ of summon for default payment against Zecon Berhad and one of these Syndicated Lenders, AHIB also filed an originating summon for foreclosure against Huang Hong Sdn Bhd (HHSB) (51% subsidiary of Zecon Berhad) against a piece of land charged as additional collateral to the loan facility. Since then, we have been aggressively disputing and defending both cases at arbitration and courts.

LEGAL PROCEEDING (Cont'd)

Here are the latest developments of these two cases:

Wrongful Termination And Claim For Unpaid Workdone And Losses

Zecon's RM193.5 million arbitration claim against JKR is still going on at the Asian International Arbitration Centre. Our solicitor has expressed positive opinion that there are merits to Zecon's case. The remaining of the witness hearings have been scheduled until August 2023.

Our team together with our solicitors have been spending countless hours preparing for the case to ensure that our case remains strong and we believe we have a good chance to receive a favourable decision.

Default In Payment And Foreclosure of Land

The Syndicated Lenders had obtained a Summary Judgement from the High Court on 15 July 2020 for the writ of summon for default payment. Zecon had filed the Notice of Appeal against the High Court decision on 11 August 2020.

In the foreclosure case, HHSB had successfully set aside the Order of Sale granted by the High Court to AHIB on 26 August 2021, the originating summon before the High Court was disposed off in HHSB favour. AHIB filed the application for leave to appeal at the Federal Court on 22 September 2021.

All parties to the above cases had signed a Standstill Agreement in September 2021 and the extension of the same on 17 October 2022 while continuing to finalise a corporate fund-raising exercise to settle the dispute. We are confident that the proposed fund-raising exercise will be completed latest by the 3rd quarter of this year and part of the proceeds will be utilised to settle these cases amicably without further legal proceedings.

CORPORATE EXERCISE

The Proposed RM800 Million Islamic Bond (Sukuk)

Although the proposed Sukuk has obtained a AA2 from Rating Agency of Malaysia in April 2022, AHIB has proposed to engage a trust fund from ASEAN region to provide guarantee that will certainly enhance the bond's rating. The exercise is expected to be fully completed latest by the 3rd quarter of this year.

We recognise that the successful issuance of the proposed Sukuk will mitigate the major risks that Zecon Group is currently facing including the financial and cashflow risks, legal, statutory, and regulatory risks. The Board of Directors of Zecon together with the Risk Management Committee and the Audit Committee have been actively involved in monitoring all the identified and potential risks to ensure that the approved mitigation plans are being implemented timely and effectively.

We are confident, based on the latest updates from the lead advisor to the exercise coupled with the continuous efforts from the management team that we are progressing on the right direction towards the targeted issuance of funds.

HEALTHY & SAFETY

Working safely every day at our workplace is our ultimate priority, I am pleased to share that 2022 was another year that we recorded zero fatality at all work sites. There has been no incident of major injuries reported. We have had some Covid-19 related cases but all recovered well, Covid-19 measurements have since eased in line with the advice and guideline announced by the Health Minister. However, we will continue to be vigilant in case of any potential outbreak of new variants.

REVIEW ON SUSTAINABILITY

Zecon recognises that sustainability or environmental, social and governance (ESG) is more important than ever before, the rising awareness on sustainable investing and the impact on global environment. Hence, we are putting more emphasis on developing and improving the group's sustainability framework to ensure that our strategies and practices are aligned with our values. We are also committed to report accurately and completely all our sustainability activities including some non-financial data analysis.

REVIEW ON SUSTAINABILITY (Cont'd)

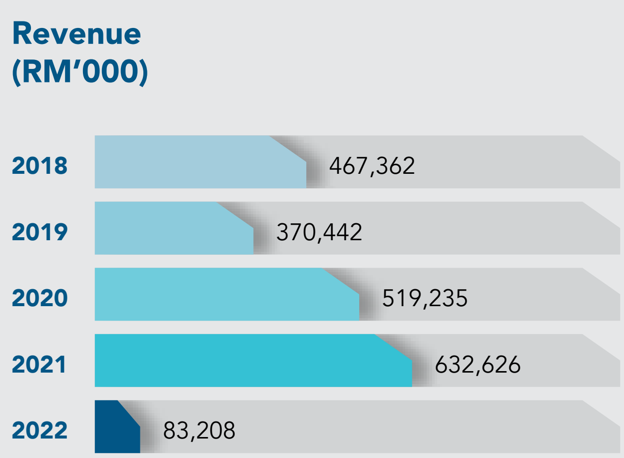
Zecon has recently engaged an independent sustainability advisor to review and enhance the current sustainability structure particularly focusing in our readiness to comply with Bursa Malaysia's upcoming Enhance Sustainability Disclosures which will take effect in Financial Years Ending 31 December 2023, 2024 and 2025 respectively. Our effort in taking sustainability further, was evident.

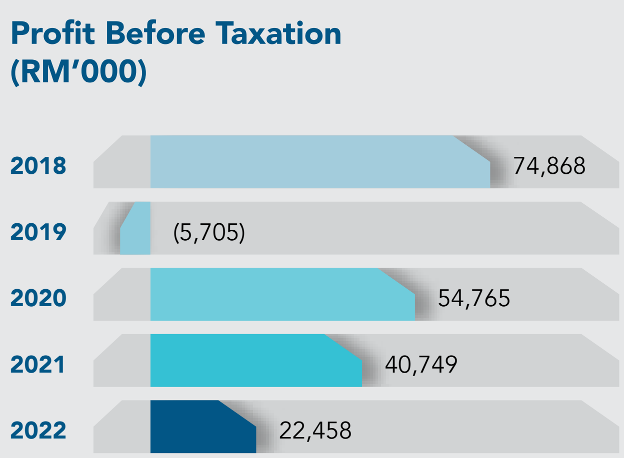
In view of that, we are reporting more quantitative information in measuring our sustainability initiatives and activities which includes total energy usage for the Group, analysis on employee diversity, environmental management performance measurement and assessment on stakeholder engagement. I encourage you to read the Sustainability Report within this Annual Report to see how we embed sustainability into our operations and strategic planning.

FINANCIAL HIGHLIGHTS

5-Year Financial Highlights:

	2018	2019	2020	2021	2022
Revenue (RM'000)	467,362	370,442	519,235	632,626	**83,208**
Profit Before Taxation (RM'000)	74,868	(5,705)	54,765	40,749	**22,458**
Profit After Taxation (RM'000)	30,973	(23,305)	44,730	17,173	**22,096**
(Loss)/Profit for the Year Attributable to Owners of the Parent (RM'000)	13,232	(20,974)	35,935	(17,507)	**(4,150)**
Total Equity Attributable to Owners of the Parent (RM'000)	274,201	216,881	256,121	233,323	**229,689**
Earnings per Share (Sen)	10.33	(16.01)	25.03	(12.13)	**(2.86)**
Total Assets (RM'000)	1,206,578	1,374,353	1,602,059	1,705,604	**1,584,761**
Net Assets per Share (RM)	2.14	1.66	1.78	1.59	**1.56**
Current ratio (times)	0.31	0.24	0.23	0.25	**0.19**
Gearing ratio (times)	1.71	2.83	3.08	3.32	**3.24**

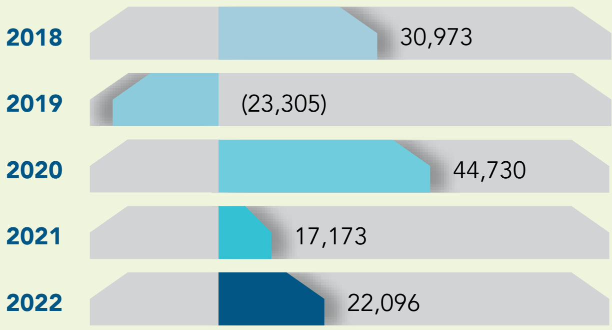




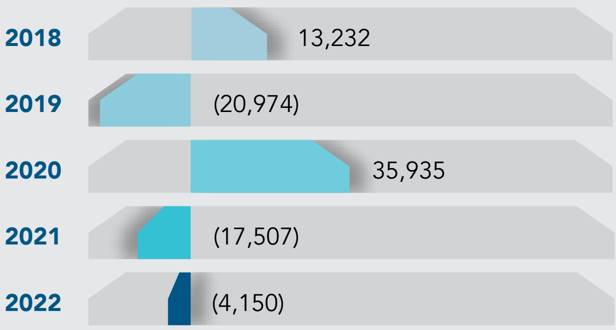
FINANCIAL HIGHLIGHTS (Cont'd)

5-Year Financial Highlights: (Cont'd)

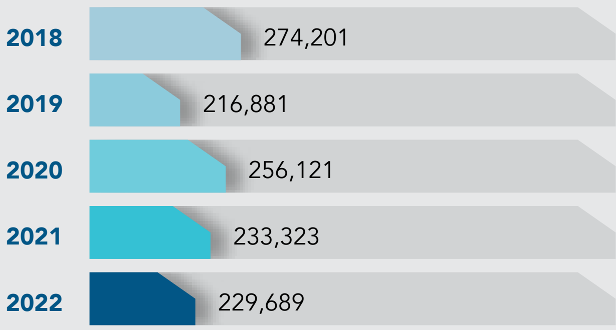
Profit After Taxation (RM'000)



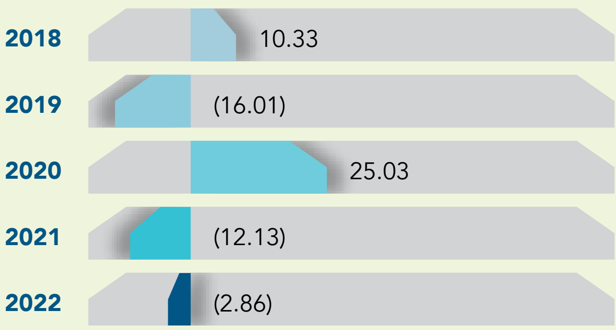
Profit For The Year Attributable To Owners Of The Parent (RM'000)



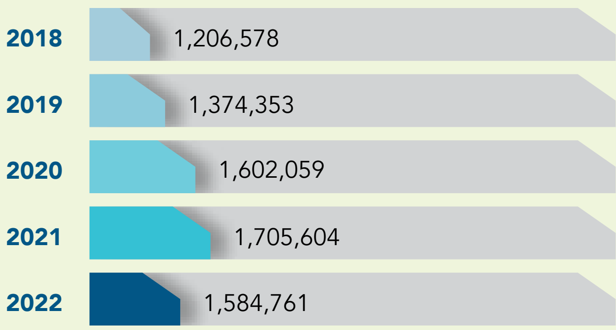
Total Equity Attributable To Owners Of The Parent (RM'000)



Earnings Per Share (Sen)

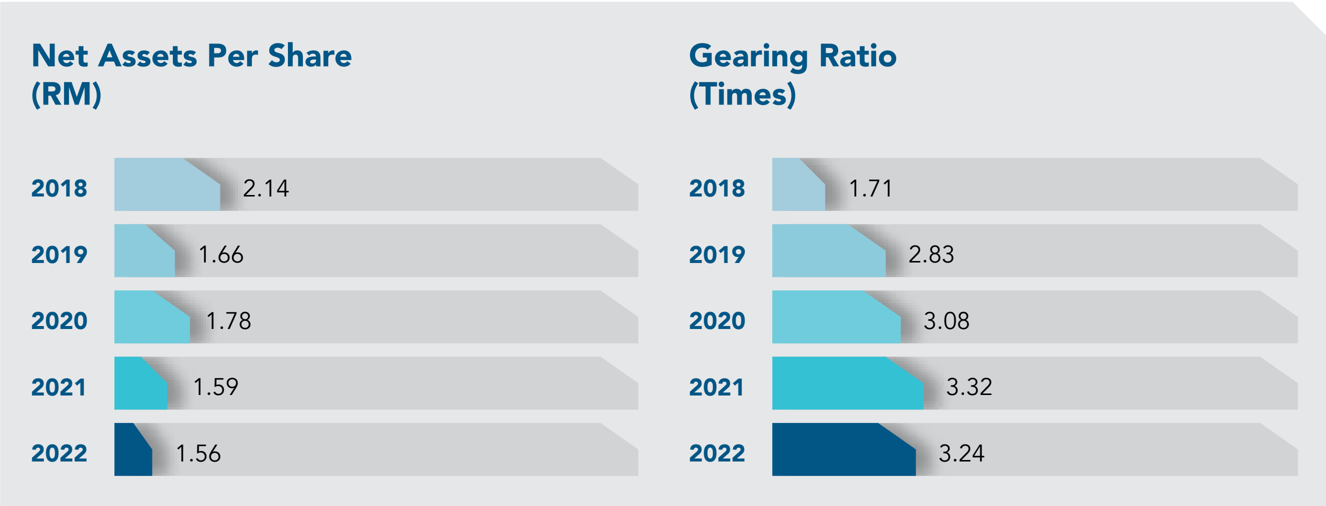


Total Assets (RM'000)



FINANCIAL HIGHLIGHTS (Cont'd)

5-Year Financial Highlights: (Cont'd)



For the financial year 2022, the Group achieved profit after tax of RM22.1 million, an increase of RM4.9 million from the previous 18 months period of RM17.2 million. The improvement was attributed by the lower administration and finance cost expenses of RM27.4 million. The positive impact on the financial performance was also contributed by the adjustment involving the Group's deferred taxation arising from the recognition of the Industrial Building Allowance on HPKK project which was recognized earlier.

The Group recorded revenue of RM83.2 million for the 12 months period compared to 18 months to the preceding year of RM632.6 million. The lower revenue for the financial year under review was due to the completion of HPKK project coupled with the lower progress billing recognized from our Pan Borneo Project with its near completion.

HPKK being the main revenue stream will consistently contribute at least RM4 million per month from its Assets Management Services. Financial costs continue to be the significant factor slowing down the Group's overall profitability growth. However, the group has registered a reduction from 3.32 to 3.24 times in its gearing with the consistent track record on the repayment of HPKK borrowings to-date.

PROSPECTS

HPKK Rooftop 2.0MWac Solar Project

This concept of utilizing the rooftop of HPKK and its elevated multi-level carpark was first planned in 2020 before the completion of the HPKK project in December of the same year. Since then, we have had discussions with Universiti Kebangsaan Malaysia (UKM), Tenaga Nasional Berhad (TNB) and Solar Photovoltaic (PV) groups who are interested to participate in this potential project.

A steering technical committee consists of members from UKM, HPKK and Zecon has been established to monitor the project and to ensure that implementation is complied with requirements from all relevant authorities. The committee is currently drafting a Power Purchase Agreement which will be finalised between UKM, ZMSB and TNB.

Zecon is also looking into collaboration with internationally renowned Solar PV and renewable energy technology companies for technology exchange and technical support. Zecon RE Sdn Bhd is taking the lead and has initiated discussions and site visits with these companies. Part of the collaboration includes the latest design of larger PV modules for lower investment costs, higher efficiency and optimal output.

Zecon has been invited by SEDA (Sustainable Energy Development Authority Malaysia) to fully utilise the maximum quota of 2.0MWac (megawatts of AC power) under SEDA's NEM GoMEn (New Energy Metering - Government Ministries And Entities) concept. At the time of this reporting Zecon is in the process of submitting the application.

Renewable Energy & Green Economy

Moving forward, more emphasis will be placed on projects and developments involving renewable energy (RE) including large scale solar farm projects. Zecon Group holds approximately 3,000 acres of land banks of which a sizeable portion has been earmarked for these projects. With Malaysia set to reach the target of generating at least 20% of its energy through the use of renewables by 2025, this could potentially be the next revenue contributor to the Group in a near future.

Zecon's Board of Directors strongly envisage the Group to deliver projects with environmental benefit and anticipate to generate significant revenue from projects directly aligned with one or more of our Group's Sustainable Development Goals.

Discussions are on-going with several renewable energy groups to form strategic alliance and collaboration for development of large-scale solar PV projects and be a major RE player in Malaysia.

The potential does not stop there, we will also be tapping into carbon credit trading. Sarawak's Premier Tan Sri Abang Johari Tun Openg said recently that Sarawak is working on putting in place a regulatory framework for carbon trading that will comply with international protocol in efforts to bring in a new revenue stream as Sarawak takes steps in transitioning to the green economy.

The Premier shared that a well-designed and well-connected carbon market can prove that Sarawak can grow its economy and protect the environment at the same time. With the passing of the Land Code (Amendment) Bill, 2022, Sarawak is in a better position to actively explore activities in carbon capture, utilisation and storage.

With the Group's large land banks and being a certified Registered Solar Photovoltaic Investor with Sustainable Energy Development Authority Malaysia, as well as being a Sarawak-based bumiputera public listed company, Zecon is well positioned to take advantage of the State Governments' emphasis on green energy including the potential in carbon credit market.

This is Zecon's effort in contributing to the national agenda to lower carbon footprint and as part of the Public and Private Joint Initiative supporting the Sarawak Carbon Economy Initiative and Malaysia's pledge to the Paris Agreement.

The Proposed Bridge Projects

Zecon have been in discussion to collaborate with a construction group from China to construct two bridges, tentatively named Sungai Santubong Bridge and Sungai Serai Bridge to provide strategic connections to the Group's 2,000 acres Kota Petra land situated approximately 7 km from Kuching City Center. The proposed Sungai Santubong Bridge has a length of 150 meters whereas Sungai Serai Bridge is 100 meters long. The proposed designs have been submitted for approval. The construction period for both bridges is expected to be fully completed within 3 years, once completed they will enhance the values of Kota Petra land and lift/elevate the economic activities on the surrounding areas.

This connectivity has become increasing important in providing access for potential major infrastructure projects which will be developed on these lands. The proposed projects are in the planning stage and will be announced accordingly.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

OUR FUTURE

2022 saw our effort and focus on strategic planning for new projects, internal restructuring for effective management, development on sustainability and renewable energy. With the 3,000 acres of strategic land banks, the Group is in a good position to kickstart some of these planned projects.

2023 will be a very exciting year! We expect some success in our tender bids and hopefully commencing works on our development projects. We are also anticipating the completion of our fund-raising exercise which will certainly improve our cashflow position and overall gearing.

In closing, I would like to thank our teams for their contribution during 2022 and their effort in resolving disputes, policies making for a better internal control, bidding for new jobs, training for improved efficiency and productivity, and simply caring for one another. I am confident that Zecon will see success in a very near future.

I take this opportunity to express my sincere appreciation to the Chairman, members of our Board of Directors, shareholders, suppliers and clients for your trust and unwavering support. I cannot wait for the right time to come when we are able to announce and share with you all, our next major projects.

Datuk Haji Zainal Abidin Bin Haji Ahmad
Group Managing Director

INTRODUCTION

The Board of Directors ("BOD") and Management of Zecon Group (i.e. Zecon Berhad and its subsidiaries) understands the importance of sustaining our businesses in the long run, where we carry out our businesses in a sustainable and responsible manner, managing our economic, environmental and social impacts to enhance business resilience and performance.

We embedded sustainability opportunities and risks into business strategic direction, and through processes and measures based on global best practices and strategic collaborations, the Group's Sustainability aims to increase competitiveness and cultivate a sustainability lifestyle for its people and stakeholders.

ABOUT THIS STATEMENT

This Sustainability Statement has been prepared in accordance with Paragraph 29, Part A of Appendix 9C and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa")'s Main Market Listing Requirements ("Listing Requirements"), and has also considered the Sustainability Reporting Guide 3rd Edition and its accompanying Toolkits published by Bursa.

This Statement provides an overview of our approach, targets, and performance on the Group's economic, environmental and social impacts ("EES" or collectively known as "Material Sustainability Matters" or "MSM"), and how they are managed to strive towards achieving our business objectives sustainably and responsibly.

SCOPE

The Statement covers our core business operations across all entities in all locations, which accounts to 99.8% of the Group's total revenue and has the biggest overall EES impact, details of which are as follows:

Business operations	Details of business operations	Name of company/ subsidiaries	Operating locations	No. of employees
Construction	Constructing buildings and infrastructures	• Zecon Berhad • Zecon Construction Services Sdn Bhd • Zecon Construction (Sarawak) Sdn Bhd	• Kuching • Kuala Lumpur	88
Property development	Development of residential housing and mixed development	• Zecon Land Sdn Bhd	• Kuching	2
Healthcare concession	Facilities management services	• Zecon Medicare Sdn Bhd • ServeCo Sdn Bhd	• Kuala Lumpur	90

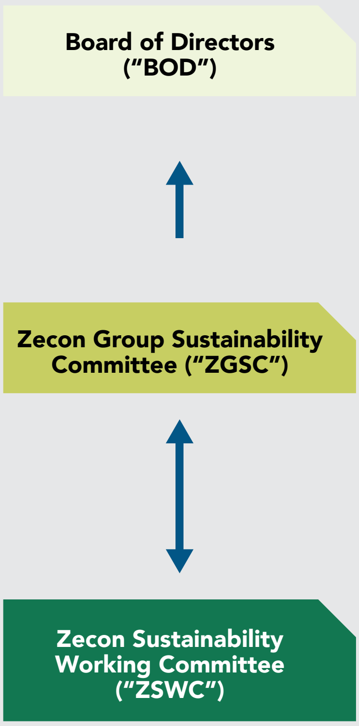
The years referred to in this Statement are as follows:

Year	Coverage/ information
2020	Calendar year 2020 (i.e. 1 January 2020 to 31 December 2020) ("CY2020" or "year 2020")
2021	Calendar year 2021 (i.e. 1 January 2021 to 31 December 2021) ("CY2021" or "year 2021")
2022	Financial year 2022 (i.e. 1 January 2022 to 31 December 2022) ("FY2022" or "year 2022")

Note: the years 2020 and 2021 used were calendar years instead of financial years for a more accurate representation and comparison against year 2022, due to the change of financial year for year 2021.

GOVERNANCE STRUCTURE

To effectively practice, manage and oversee sustainability efforts and impacts within the Group, we have established a governance structure and reporting line which involves the cooperation of the BOD and Management Team as follows:



Scope & responsibility

The BOD, consisting of three (3) Executive Directors, six (6) Independent Directors and two (2) Non-Independent Non-Executive Directors, is ultimately responsible for embedding sustainability into the Group's business strategy and business direction, creating long-term value for business continuity and competitiveness, and optimise stakeholders' values.

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

ZGSC, a Board Committee consisting of four (4) members, one (1) Independent Director who is also the Chair of the Committee, one (1) Non-Independent Non-Executive Director, one (1) Executive Director and one (1) Management representative, is responsible for the overall group level sustainability policy, framework, initiatives and materiality assessment. 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 meets twice a year and prepares SR to advise and recommend to the BOD the business strategies and activities carried out in the area of sustainability, every quarterly, prior to the BOD meeting.

ZSWC, a Management Committee (for each project[1]) consisting of Heads of Departments and Management representatives and headed by a Project Director, is responsible to carry out the sustainability initiatives outlined by the ZGSC, and to apply them diligently in their everyday activities at work.

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

Note[1]: The ZSWC is established for each project, active when the project is ongoing and will be dissolved upon conclusion of the project.

STAKEHOLDER ENGAGEMENT

In order to effectively understand sustainability matters concerning the Group, we have engaged with our stakeholders, to understand matters concerning them, as well as communicating relevant information to the stakeholders for informed decision making.

During the financial year under review, we have performed stakeholder assessment and engaged with the identified key stakeholders through and on the following:

Stakeholders	Areas of concern/ key discussion topics	Method of engagement	Frequency of engagement
Employee	• Occupational safety and health • Talent management and labour practices • Business ethics	• Induction training • Learning and development programmes • Performance appraisal	• As needed • Throughout the year • Annual
Regulators and authorities	• Business ethics • Occupational safety and health • Environmental management • Labour practices	• Certificate renewal process • Audits and joint-inspection	• As needed/ annually • As needed
Sub-contractors	• Occupational safety and health • Building technology • Social impact of products and services • Environmental management • Quality, timeliness and pricing of products and services	• Site meeting • Performance evaluation • Face-to-face discussion/ briefing • Training	• Monthly & weekly • Annually • Daily • Periodic
Hospital owners – HPKK UKM	• Environmental management • Occupational safety and health • Emission management • Preservation of water	• Performance appraisal • Joint-inspection	• Monthly • Monthly
Bankers	• Business ethics • Environmental management	• Meeting and discussion • Site visits	• As needed • Periodic

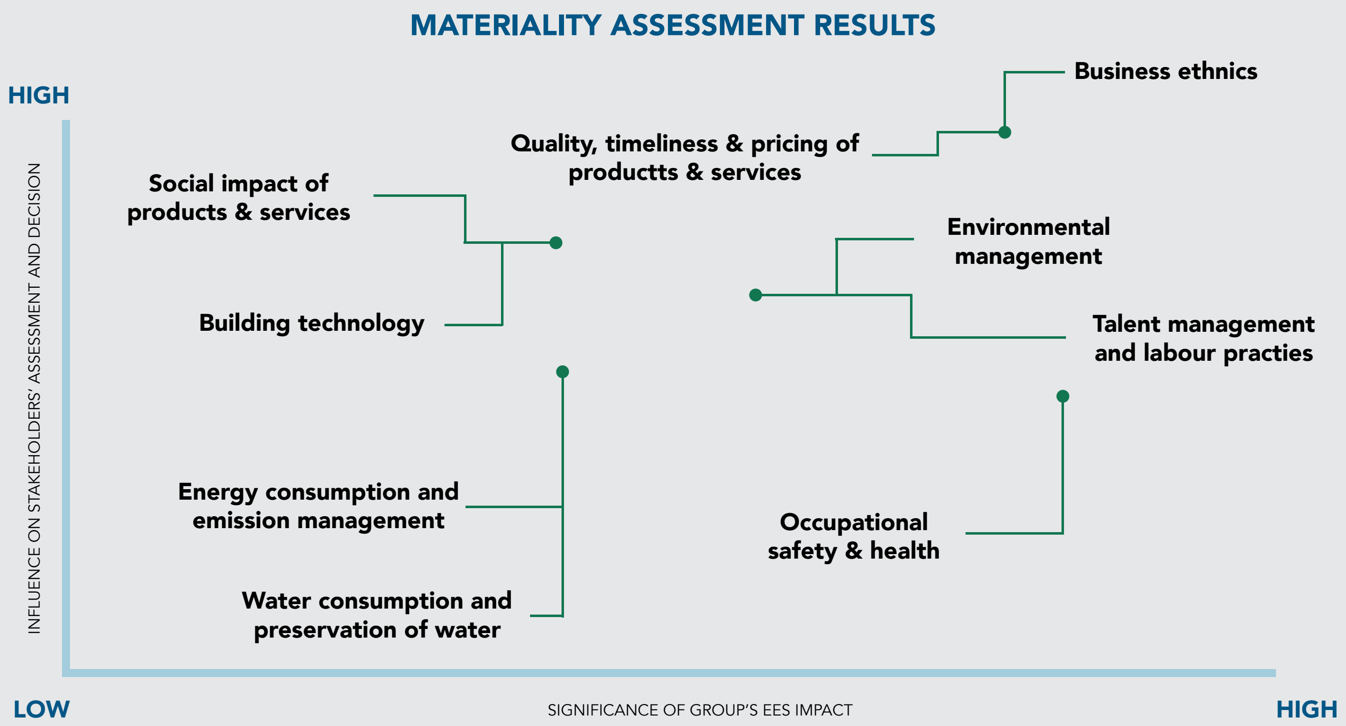
MATERIALITY ASSESSMENT

The Group has previously performed the materiality assessment by identifying, assessing and prioritising sustainability matters considered material with the objective of understanding and managing these MSM.

The assessment is guided by the materiality process consistent with Bursa's Sustainability Reporting Guide, and taken into consideration the views and concerns of the Group's key stakeholders identified. The materiality assessment process is summarised as follows:

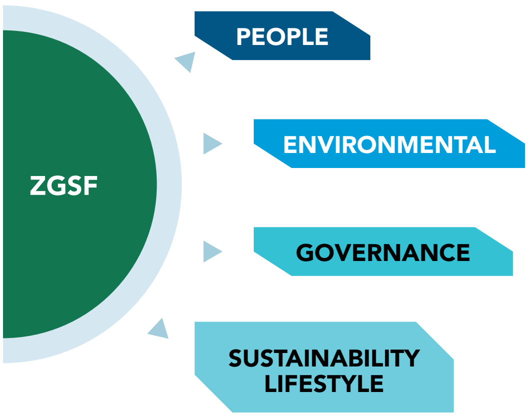
MATERIALITY ASSESSMENT (Cont'd)

During the financial year under review, the Group has undertaken a limited review of MSM identified, where the MSM remained unchanged as depicted below:



MATERIALITY ASSESSMENT (Cont'd)

The MSM identified above were also in line with our Group's Sustainability Framework ("ZGSF") as follows:



Category	Description	Relevant MSM
People	Focusing on employee's welfare, safety and health and practice inclusivity	• Social impact of products & services • Occupational safety and health • Talent management and labour practices
Environmental	Enhance climate awareness & management to minimise negative impact	• Environmental management • Energy consumption and emission management • Water consumption and preservation of water
Governance	Establish governance and policies in managing the Group's EES opportunities and risks through best practices	• Business ethics
Sustainability lifestyle	Advocating sustainability culture for our people and stakeholders	• Quality, timeliness & pricing of products & services • Building technology • Social impact of products & services • Occupational safety and health • Talent management and labour practices • Environmental management • Energy consumption and emission management • Water consumption and preservation of water • Business ethics

MATERIAL SUSTAINABILITY MATTERS

Occupational safety and health

Property and construction division

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, in order to achieve the Group's aim of zero accident cases at our worksites.

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.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Occupational safety and health (Cont'd)

Property and construction division (Cont'd)

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.

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.

For the past three (3) years, 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.

Healthcare concession division

Zecon Group has in May 2015, commenced the project of developing the Hospital Pakar Kanak–Kanak Universiti Kebangsaan Malaysia ("HPKK UKM"), on a Build, Lease, Maintain and Transfer ("BLMT") concept. This project, a Green Building Index ("GBI") certified Non-Residential New Construction ("NRNC") building, was completed and handed over in December 2020. Through the BLMT arrangement, Zecon Group, through its subsidiary in Zecon Medicare Sdn Bhd ("ZMSB") is currently responsible in maintaining the facilities of HPKK UKM.

To ensure the safety and health of users and general public in HPKK UKM, ZMSB is responsible for the following:

Category	Summary of tasks
Complying with statutory requirements and standards	• To obtain and ensure validity of the fire certificates, license for lifts, machines, boilers, pressurised equipment, diesel for genset, and chemicals used; and • To ensure air quality within safe limits, which will be inspected by a Certified DOSH Assessor on a yearly basis.
Patient's safety	• To perform routine inspection on cooling tower on water hardness, algae, and legionella; • To perform frequent inspection on operation theatre ventilation requirements, covering air change per hour, pressure and humidity; • To ensure all rooms meet minimum air change per hour; • To perform surveillance on indoor air quality at critical areas; • To store a predetermined amount of water supply, perform routine inspection on algae and drinking water test according to Ministry of Health ("MOH")'s requirements; • To store a predetermined amount of diesel for genset; • Ensure genset is connected to essential systems; • Ensure uninterrupted power supply is connected to life support machines; and • Systematically manage energy usage, to attain the Energy Management Gold Standard ("EMGS") [a recognition given under the ASEAN Energy Management Scheme ("AEMAS")] within five (5) years of operation and appoint a Certified Energy Manager to lead our energy management initiatives.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Occupational safety and health (Cont'd)

Healthcare concession division (Cont'd)

The abovementioned scope of work will be measured and inspected by the hospital owners, and failure to achieve the performance indicators will result in a deduction of fee paid to Zecon. The practice commenced effective January 2022 and throughout the year 2022, there were little to no deductions imposed to Zecon.

Further to the health and safety of the users and general public mentioned above, Zecon Group has also placed high importance to the health and safety of our employees. ZMSB has established a Safety and Health Committee, led by the Head of Asset and Facilities Management, where the Secretary and Safety Officer of the Committee is a Green Book holder. The Committee conducts quarterly meeting to discuss on health and safety of our staff, and establishes action plans to address any gaps, where relevant.

In the day-to-day operations at HPKK, our healthcare workers may handle biological samples and/or potentially hazardous micro-organisms. To protect our workers and/ or prevent contamination, we have a number of Biohazard Safety Cabinets and Laminar Flow Cabinet, in which all were calibrated timely and certified with the relevant standards in NSF 49:2019 Standard, IEST-RP-CC002.3 by the Institute of Environmental Sciences and Technology and ISO 14644-1 on Cleanrooms and associated controlled environments.

To adequately record incidence occurred and the formulation of action plans to address the incident and prevent from future occurrence, the Group has established an Incident Investigation and Reporting Procedure, consisting amongst others, the following key information:

- definition and classification of incident and accident;
- persons involved, the reporting structure and responsibilities of these personnel;
- reporting and incident/accident management procedures (including data gathering, root cause analysis, establishment of corrective and preventive actions, monitoring and reviewing actions for effectiveness, and accident reporting); and
- template/documentation to be used for recording/reporting.

To effectively address emergency situations if it arises, ZMSB, together with HPKK UKM, have jointly developed and established an Emergency Response Plan ("ERP"), to provide a systematic and holistic approach towards managing emergency situations, including safeguarding of all personnel and assets of HPKK UKM, and reducing the psychological impact on victims, relatives, staff, and patients. The ERP consists amongst others, the following key information:

- definition and classification of emergency;
- the ERT Team (currently consisting of both personnel of ZMSB and HPKK and led by the Head of Asset and Facilities Management), reporting structure and responsibilities of the team;
- ERP process implementation procedures;
- mitigation and preparedness procedures;
- emergency response mechanism;
- recovery procedures; and
- template/documentation to be used for recording/reporting.

For the financial year under review, there were no serious injury cases or fatalities (excluding patients of HPKK), nor fines by authorities, reported for the Group's operations and activities within the scope of this Statement.

Group

The Health, Safety and Environment related training attended by our staff by employee categories are as follows:

	CY2020		CY2021		FY2022	
Employee category	**Hours**	**Person**	**Hours**	**Person**	**Hours**	**Person**
General Manager	0	0	0	0	79	10
Manager	0	0	0	0	65	8
Executive and supporting	0	0	42	3	714	60
Total hours	0	0	42	3	858	78

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Occupational safety and health (Cont'd)

Healthcare concession division (Cont'd)

As the country and economy is in the process of recovery from the COVID-19 pandemic, loosening the Standard Operating Procedures gradually from CY2020 to FY2022, which includes easing the movement restrictions, the Group has also gradually increased the training for staff in relation to Health, Safety and Environment, as evident by the data above.

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.

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.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Business Ethics

The Group

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 and has a zero-tolerance approach towards unethical business practices and integrity lapses.

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 Act 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.

Further to the above, in line with Principle II of the adequate procedures introduced following the amendments to the MACC Act 2009, the Group has performed the corruption risk assessment to identify, analyse, assess and prioritise the internal and external corruption risks of the Group, which also forms the basis of the Group's anti-corruption efforts. All of the Group's business covered in the scope of this Statement has been assessed for corruption-related risks.

Furthermore, 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 past three (3) years, the Group is not aware of any incidence of corruption and did not receive any whistleblowing case where unethical business practices are concerned.

Environmental Management

Property and construction division

The Group has obtained ISO 14001:2015 certification for its project management of construction services. This provides 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 in the past three (3) years.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Environmental Management (Cont'd)

Healthcare concession division

At HPKK UKM, Zecon is mandated through the Contract Agreement to ensure that statutory requirements and patient's safety standards are adhered to, failure of which will result in a penalty imposed in the form of fee deduction by the hospital owner. The requirements, amongst others, which is in relation to environment, includes the following:

- all chemicals used are registered and controlled under DOSH;
- water hardness level;
- algae level;
- legionella level; and
- air change per hour.

Throughout the year 2022, there were little to no deductions imposed to Zecon.

In the operations of HPKK UKM, there will invariably be usage of chemicals. These chemicals were stored in a safe and secured location, and usage of the chemicals were closely monitored and disposed in a responsible manner, according to the guidelines. The chemical disposal from the HPKK UKM site were carried out by an outsource third party vendor endorsed by the Department Of Environment ("DOE").

There were no fines imposed by authorities, neither have there been complaints received from those residing in the vicinity of HPKK UKM site, relating to environmental matters during the year under review.

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.

Zecon Berhad and Zecon Medicare Sdn Bhd are registered with Sustainable Energy Development Authority (SEDA) Malaysia as Solar Photovoltaic Investor 2021 (RPVI) under The Net-Energy Metering (NEM) Programme. The RPVI certificates were renewed in January 2023.

Energy Consumption and Emission Management

The Group views the consumption of energy and the emission of greenhouse gases, especially carbon dioxide (CO2) as one of the key sustainability impacts to manage. The Group has through its Global Sustainability guidelines, committed to the global target of achieving net zero emissions by year 2050, with the objective of reducing the chances and limiting the global warming to 1.5°C.

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Energy Consumption and Emission Management (Cont'd)

The total energy consumption of the Group[1] for the past three (3) years are as follows:

	CY2020	CY2021	FY2022
Total consumption	346,793kWh	382,039kWh	434,148kWh
Consumption/no. of staff	7,882kWh/ person	8,305kWh/ person	8,513kWh/ person

The increased in total energy consumption was due to the increased in personnel at the Head Office, arising from the easing of movement restrictions and new projects has yet to commence. Further, the increased in energy consumption per staff has also increased, due to longer operating hours as a result of personnel physically present at the office (hence usage of lights and air-conditioning system) and increased usage of conference for discussion and meeting, including virtual meetings.

The Group has begun its initiative towards net zero emissions, beginning with the healthcare concession division, by retrofitting equipment and system to improve the performance which in return reduces the demand for electricity from the grid, and initiating the capturing of light and heat from the sun and converting it to produce electricity in Solar Photovoltaic ("PV") Project and prevent pollution up front, which in turns also tackles energy consumption.

There is a potential area of 13,172m^2 at our HPKK UKM site (i.e. 6,786m^2 at HPKK UKM's Main Building and 6,386m^2 at the elevated carpark) which can be used to capture sun energy, in which the expected energy generation is approximately 3 million kWh per year or 250,000kWh per month, which accounts to approximately 55.61% of the total electricity consumed. With this project, the reduction of CO2 produced is expected to be up to 154 tonnes per month. This project installation is expected to commence by 2nd half of year 2023.

Water Consumption and Preservation of Water

Apart from energy consumed, the Group also places attention to water usage and conservation of natural resources, in particular water.

The Group has begun its initiative towards reducing water consumption and preserving water, through the harvesting and storing of rainwater for the purpose of usage in its landscaping at HPKK UKM, which also in turns reduces the chances of flood.

The basis of the drainage system design in HPKK UKM is derived from the new "Urban Stormwater Management Manual For Malaysia 2nd Edition". The drainage system and features are designed with "control at source" concept, economic efficiency and for easy maintenance. On-site detention facility is used to reduce the volume of runoff from the project site during storm. Runoff from project site will be channelled into the Onsite Stormwater Detention ("OSD") storage. The rainwater harvested will be used for landscaping purposes, and the excess will be discharged gradually into the municipal drainage system over a period of time. The OSD storage tanks with a capacity of 1,034m^3, were completed during the construction of HPKK and has been operational since.

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's 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.

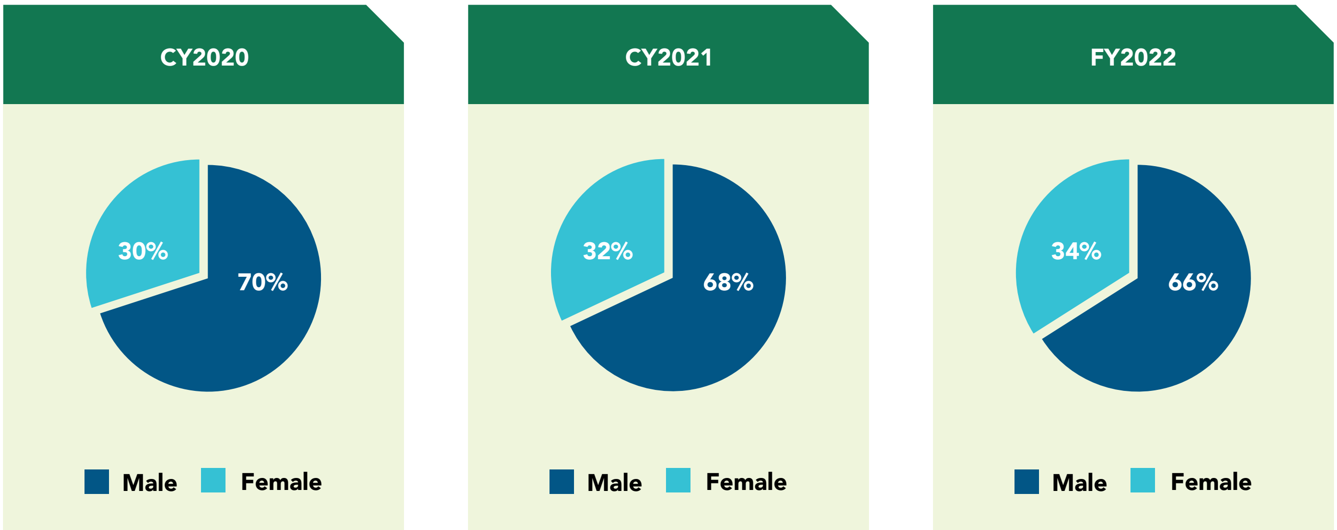
[1] The energy consumption only covers the Head Quarters and will not include our property and construction division (as the projects are in its final phase, with little consumption of energy) and healthcare concession division [as the management and administration of the building and healthcare operations are controlled and handled by HPKK UKM's Management. ZMSB's role in facilities management consumes a negligeable amount of energy for its operations)].

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

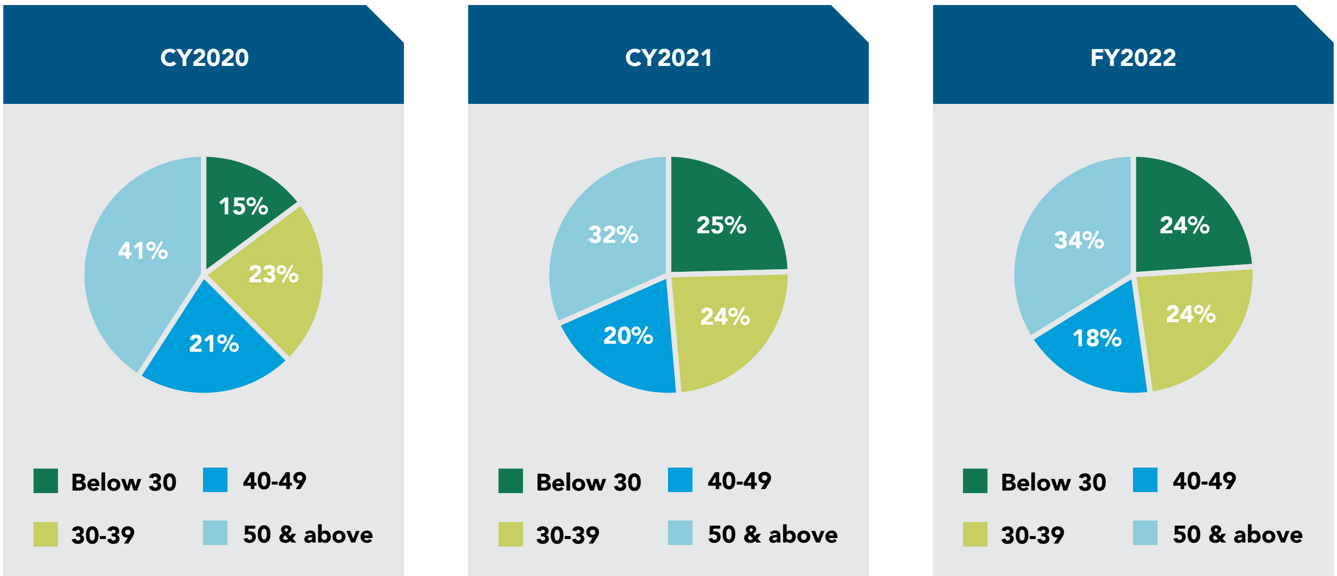
Talent Management and Labour Practices

Zecon Group recognises the significance of our employees' contribution towards the successful running of our business operations and regards them as a vital asset of the company. Our talent pool consists of nearly 170 personnel, of which the demographic by gender and age group for the past three (3) years are as follows:

By gender



By age group



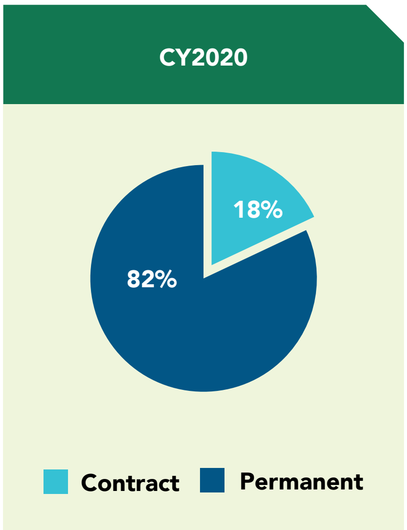
At Zecon, we promote good labour practices, guided by international labour standards and practices. Over the past three (3) years, the Group is not aware and did not receive any substantiated complaints concerning human rights violations.

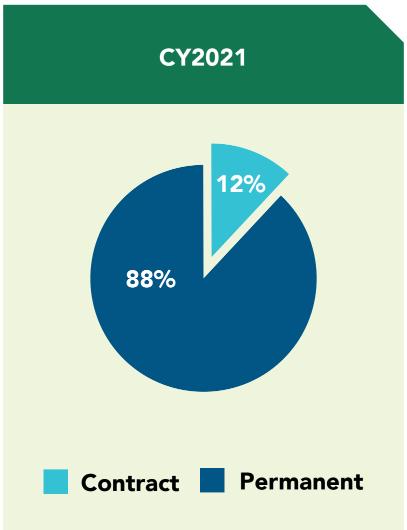
Furthermore, we practice meritocracy in our hiring and retention of employees, and do not discriminate any persons in any form, regardless of gender, age, ethnicity, religious beliefs, etc. Despite operating in a male dominant industry, we are trying to continuously improve gender diversity by increasing female representation in our workforce, as evident by the year-on-year increase, from year 2020 to 2022.

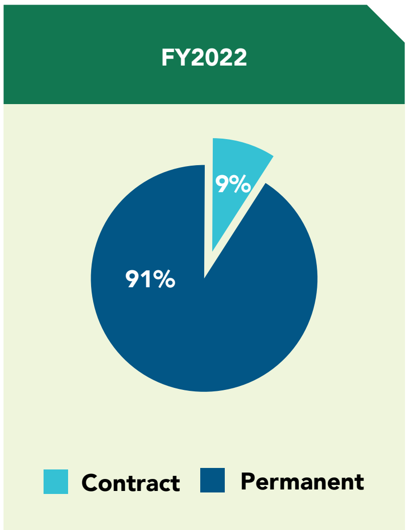
MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Talent Management and Labour Practices (Cont'd)

Our business operations do rely on contract workers, but the number and ratio of contract workers are in the decrease as our property and construction division's new projects has yet to commence, summary of which is as follows:







Similar to every business, employees inevitably will leave the company to further pursue their interest. At Zecon, we will perform every endeavour to retain our employees, especially personnel at key and critical positions. The employee turnover rate at our Group (by business segment) in the past three (3) years are as follows:

Business segment	CY2020	CY2021	FY2022
Construction	22%	8%	9%
Property	-	-	-
Healthcare concessionaire	7%	18%	19%

The turnover for the construction segment is almost similar with CY2021, which represents a huge reduction as compared to CY2020, as staff are anticipating the future prospect and potential activities in the near future. As for the Healthcare concessionaire, the turnover of 18% and 19% respectively for CY2021 and FY2022 was mainly due to completion of the HPKK UKM construction project and thereafter conversion into a facility management project in December 2020, where the skillsets required has changed.

To reward employees and also at the same time to retain them, the Group has offered Employees Share Option Scheme to eligible employees, where the exercise period is on a 5-year basis, with the option for a further 5 years period immediately after the expiry of the first 5 years, at the discretion of the ESOS Committee. The ESOS was offered to eligible employees on 16 August 2021.

To consistently upskill our workforce, we provide training and learnings to our employees, covering both in-house and by external parties. Types of training attended by our employees during the year include those related to safety, construction, laws and regulations, job-function, etc. The number of employees attended training over the past three (3) years are as follows:

Employee category	CY2020	CY2021	FY2022
General Manager	1	0	5
Manager	2	0	11
Executive and Supporting Staff	5	5	159
Total	**8**	**5**	**175**

MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Talent Management and Labour Practices (Cont'd)

As the country and economy is in the process of recovery from the COVID-19 pandemic, loosening the Standard Operating Procedures gradually from CY2020 to FY2022, which includes easing the movement restrictions, the Group has also gradually increased the training for staff, as evident by the data above.

To foster a cohesive working environment and strengthen bonds within employees of the Group, we undertake to conduct periodic staff activities, which include festive celebrations, sporting activities, religious activities, etc. throughout the year. Staff activities carried out in year 2022 are as follows:

Period	Activity
Quarter 1	• Cancer & Mental Health Awareness Program
Quarter 2	• Tazkirah Ramadhan: Ikhlas Menjamin Keberkatan Hidup • Tazkirah Ramadhan: Matlamat Penurunan Al-Quran • ZMSB Picnic Day • Speaker's Corner Session 1 - Topic: Stress Management
Quarter 3	• Hari Raya Aidiladha Celebration • ZMSB Bowling Game • Hari Raya Haji Celebration • Speaker's Corner Session 2 - Topic: Improve yourself by Understanding the 4 Human Personalities • Hiking • International Friendship Day • Speaker's Corner Session 3: When life gives you lemon, make lemonade. (Changing Adversity into Positivity) • Friendly Match Bowling
Quarter 4	• EPF Briefing • Tazkirah Maulidur Rasul • Paintball • Christmas Exchange Gift

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, are adhered to. Scheduled 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.

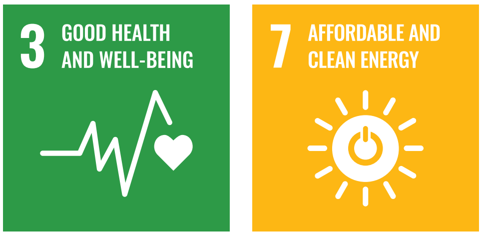
MATERIAL SUSTAINABILITY MATTERS (Cont'd)

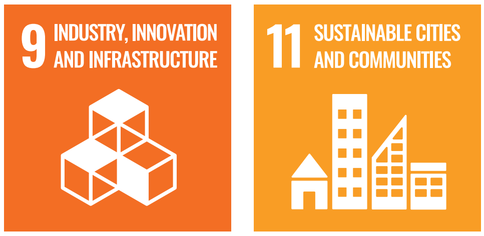
CONCLUSION AND FUTURE PLANS

Notwithstanding the Material Sustainability Matters disclosed in this Statement, the Group has also established and embarked on a sustainability road map, where we have identified four (4) United Nation's Sustainable Development Goals ("SDG") to focus on in the medium and medium-to-long term.

We strive to continue our sustainability journey towards achieving these four (4) SDG as follows:

Medium Term Goals (1-5 Years)	Medium to Long Term Goals (5-10 Years)





The focus, method and indicators for our medium and medium-to-long term goals are:

Medium Term (1-5 years)

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

Medium-to-Long Term (5-10 years)

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

These four (4) goals are best related and 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. We will report in future statements the achievement of our goals above as and when it becomes apparent.

PROFILE OF DIRECTORS

DATU HAJI HAMZAH BIN HAJI DRAHMAN

Age: 76
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 Palms 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 year
None

No. of board meetings attended in the financial year
4/4

DATUK HAJI ZAINAL ABIDIN BIN HAJI AHMAD

Age: 65
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.

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 from 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 year
None

No. of board meetings attended in the financial year
4/4

ZAINURIN BIN AHMAD

Age: 62
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
Mr. 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 from 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 year
None

No. of board meetings attended in the financial year
4/4

DATO' ABDUL MAJIT BIN AHMAD KHAN

Age: 77
Nationality: Malaysian
Gender: Male

Qualification
- BSc of Economics (Hons) from University of Malaya.

Postion 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 as in several missions abroad and senior positions in the Ministry of Foreign Affairs.

He had served as the Undersecretary of South East Asia, Undersecretary of West Asia and Organization of 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

Securities holdings in the Company and its subsidiaries
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 year
None

No. of board meetings attended in the financial year
3/4

PROFILE OF DIRECTORS (Cont'd)

RICHARD KIEW JIAT FONG

Age: 69
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; 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
- Chairman of the Sustainability 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 year
None

No. of board meetings attended in the financial year
3/4

DATUK HAJI BOLHASSAN BIN HAJI DI @ AHMAD BIN DI

Age: 70
Nationality: Malaysian
Gender: Male

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

Postion 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 year
None

No. of board meetings attended in the financial year
2/4

HUI KOK YUAN

Age: 73
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
- Member of the Sustainability 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 year
None

No. of board meetings attended in the financial year
4/4

HAJI SAZALI BIN MD SALLEH

Age: 50
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.

Postion 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 Yayasan Sabah Group of Companies. Apart from the above, he also have 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 year
None

No. of board meetings attended in the financial year
4/4

PROFILE OF DIRECTORS (Cont'd)

HAJI JAMIL BIN HAJI JAMALUDIN

Age: 62
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 Palms 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
Member of the Sustainability 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 year
None

No. of board meetings attended in the financial year
4/4

MOHAMMED NOOR BIN AHMAD

Age: 63
Nationality: Malaysian
Gender: Male

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

Postion held
Independent Non-Executive Director

Date first appointed to the board
03 January 2022

Working experience & occupation
Mr. 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/Deputy 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/Deputy 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 year
None

No. of board meetings attended in the financial year
4/4

DATO SIM KHENG BOON

Age: 68
Nationality: Malaysian
Gender: Male

Qualification
- Bachelor of Commerce (Honours) from University of Windsor, Ontario Canada.

Position held
Independent Non-Executive Director

Date first appointed to the board
01 March 2023

Working experience & occupation
Dato Sim was the first Chief Executive Officer of Development Bank Of Sarawak during its formative years from 2017 to 2022 responsible for its business dynamics & corporate governance.

Prior to this, he was attached with Kenanga Investment Bank as Head, East Malaysia and with AmInvestment Bank as Director, Sarawak Region. He has more than 30 years of experience in investment banking activities.

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 year
None

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

PROFILE OF KEY SENIOR MANAGEMENT

HAJI SAINI BIN HAJI ALI

Age: 62
Nationality: Malaysian
Gender: Male

Qualification

- Master in Business Administration (with distinction) from the Warwick University, England in 1998.
- Bachelor of Science in Civil Engineering, Loughborough University of Technology, England in 1984. 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.

HAJI MOHD ROSLAN BIN HABIBULLAH

Age: 64
Nationality: Malaysian
Gender: Male

Qualification

- Bachelor of Law (Honours) from University of Malaya in 1983.

Postion held

Senior General Manager, Legal

Date first appointed to the board

03 October 2005

Working experience & occupation

Haji Roslan was appointed General Manager, Legal of the Company on 3 October 2005. He was promoted to Senior General Manager on 1 May 2008.

On the corporate side, Haji Roslan started his career with Malayan Banking Berhad for a few months before working for Petronas from 16 August 1983 to 15 December 1993. His last post there was as a Legal Manager cum Company Secretary for Petronas MTBE and Petronas Polypropylene. Haji Roslan then joined Malaysian Resources Corporation Berhad (MRCB) from 20 December 1993 to 30 April 1994 and again from 2 January 2000 to 31 December 2000 as its Legal General Manager.

As an Advocate & Solicitor after he was called to the Malaysian Bar in April 1995, Haji Roslan worked with Messrs Lee Hishammuddin from April 1995 to end April 1996, Messrs Othman Hashim & Co from 1 May 1996 to 31 December 1999 and lastly Messrs Azmi & Associates as a Senior Legal Assistant and after a couple of years was made a partner of the firm.

Haji Roslan left Messrs Azmi & Associates on 30 September 2005 to join the Company.

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 ended 31 December 2022 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**
- **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**
- **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**
- **Approval of annual budgets and major capital commitments**
- **Approval of interim dividend and recommendation of final dividend and Directors' fees for shareholders' approval**
- **Approval of Executive Directors' remuneration**

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.

Board's Committees

Certain specific responsibilities are delegated to the Board Committees, namely the Audit Committee ("AC"), Remuneration & Nomination Committee ("RNC"), Risk Management Committee ("RMC") and the Sustainability Committee ("SC"), 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 Group Managing Director ("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	Sustainability 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	Identifies and manages the material sustainability matters, monitors and oversees all sustainability strategies of the Group operations which are in line with the Group's business strategies

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

I. Board Responsibilities (Cont'd)

Audit Committee

While 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 internal control system.

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.

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.

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 Committee

The SC is chaired by an ID, Mr. Richard Kiew Jiat Fong. The main functions of the SC are amongst others, responsible for developing, implementing, reporting and monitoring the Group's sustainability policies, processes/procedures and strategy. It assists the Board in enhancing its environment, social & governance ("ESG") practices, regulatory and statutory compliance and, environmental, social and responsibilities.

The Board acknowledge the importance of sustainability relating to 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.

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.

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

I. Board Responsibilities (Cont'd)

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.

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 year under review are as follows:

		Meeting Attendance				
Directors	**Designation**	**Board**	**AC**	**RNC**	**RMC**	**SC**
Datu Haji Hamzah bin Haji Drahman	Independent Chairman	4/4	N/A	N/A	N/A	N/A
Datuk Haji Zainal Abidin bin Haji Ahmad	GMD	4/4	N/A	N/A	N/A	N/A
Zainurin bin Ahmad	DMD	4/4	N/A	N/A	4/4	N/A
Haji Jamil bin Haji Jamaludin	Executive Director	4/4	N/A	N/A	N/A	1/1
Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	ID	2/4	4/5	N/A	N/A	N/A
Dato' Abdul Majit bin Ahmad Khan	ID	3/4	5/5	1/1	4/4	N/A
Richard Kiew Jiat Fong	ID	3/4	5/5	1/1	N/A	1/1
Hui Kok Yuan	Non-Independent Non-Executive Director	4/4	N/A	1/1	4/4	1/1
Haji Sazali bin Md Salleh	Non-Independent Non-Executive Director	4/4	5/5	N/A	N/A	N/A
Mohammed Noor bin Ahmad *(Appointed as member of RMC on 23 February 2022)*	ID	4/4	N/A	N/A	3/3	N/A
Dato Sim Kheng Boon *(Appointed as ID on 01 March 2023)*	ID	N/A	N/A	N/A	N/A	N/A

Note: N/A denotes "Not Applicable"

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 the 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 Malaysia"). 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 year under review, trainings attended by the Directors included seminars, workshops, conferences and briefings conducted by the relevant regulatory authorities and professional bodies are as follows:

	Directors	Training programmes attended	Date	Organiser
1.	Datu Haji Hamzah bin Haji Drahman	• MCCG 2021 Training Workshop titled "The Malaysian Code on Corporate Governance ("MCCG 2021 Workshop")	14.06.2022	• Federation of Public Listed Companies Bhd ("FPLC") and Accountants & business advisers ("PKF")
2.	Datuk Haji Zainal Abidin bin Haji Ahmad	• Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	09.08.2022	• Bursa Malaysia Securities Berhad ("Bursa Malaysia")
3.	Zainurin bin Ahmad	• Malaysia's Corporate Taxes and Incentives Updates	09.03.2022	• Boardroom Corporate Services Sdn Bhd ("BOARDROOM")
		• MCCG 2021 Workshop	14.06.2022	• FPLC and PKF
		• Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	09.08.2022	• Bursa Malaysia
4.	Haji Jamil bin Haji Jamaludin	• Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	09.08.2022	• Bursa Malaysia
		• Financing Sarawak's sustainable development through the Malaysian Capital Market	19.09.2022	• Economic Planning Unit Sarawak
5.	Dato' Abdul Majit bin Ahmad Khan	• Sustainability Management and Reporting Programme	09.08.2022	• Compass Mind Asia Sdn Bhd ("CMASB")
		• Cybersecurity: Approach of Risk Mitigation Programme	10.11.2022	• CMASB
		• Key Amendments to Listing Requirements 2022 and Various Corporate Proposals	07.11.2022	• CKM Advisory Sdn Bhd
6.	Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	• ESG And Sustainability Reporting	28.10.2022	• Malaysian Institute of Chartered Secretaries & Administrators ("MAICSA")
		• Conversation with Audit Committee	17.11.2022	• Securities Commission Malaysia ("SC")
7.	Richard Kiew Jiat Fong	• Tax Forum 2022	24.03.2022	• Lembaga Hasil Dalam Negeri Malaysia & Chartered Tax Institute of Malaysia ("CTIM")
		• Workshop on Tax Agents	06.04.2022	• CTIM
		• Building Business Resilience Through Prioritized Sustainable Development Goals	28.04.2022	• Suruhanjaya Syarikat Malaysia ("SSM")
		• MCCG 2021 Workshop	14.06.2022	• FPLC and PKF
		• Company Secretaries Training Programme Significant 2.0 (Parts A, B and C)	16-18.08.2022	• SSM

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

I. Board Responsibilities (Cont'd)

Directors' Training (Cont'd)

	Directors	Training programmes attended	Date	Organiser
8.	Hui Kok Yuan	• MCCG 2021 Workshop	14.06.2022	• FPLC and PKF
		• Seminar on Assessment of the Board, Board Committees & Individual Directors	20.07.2022	• Malaysian Institute of Corporate Governance
9.	Haji Sazali bin Md Salleh	• ESG And Sustainability Reporting	28.10.2022	• MAICSA
		• Conversation with Audit Committee	17.11.2022	• SC
10.	Mohammed Noor bin Ahmad	• Mandatory Accreditation Programme ("MAP")	15-17.03.2022	• Institute of Corporate Directors Malaysia ("ICDM")
		• Governance, Risk And Compliance Framework	08.11.2022	• MAICSA

II. Board Composition

For the financial year under review, there were ten (10) members on the Board, of whom five (5) are IDs. The Company had on 01 March 2023, appointed an additional ID to the Board. 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 Malaysia.

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 shall ensure compliance with the revised MCCG 2021 and the Listing Requirements with regards to appointment of at least one woman director to the Board by 01 June 2023.

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 Malaysia, 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 year shall hold office only until the next AGM and shall be eligible for re-election.

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.

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

II. Board Composition (Cont'd)

The Company had put in place "Directors' Fit And Proper Policy" which served as a guide for the Remuneration & Nomination Committee and the Board in their review and assessment of candidates who will be appointed as director of the Company as well as directors who are seeking for re-election. This Policy was approved by the Board for implementation on 26 May 2022.

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) key management personnel and recommended the renewal of their employment contract to the Board for approval; 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.

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2022 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	30,000	-	-	111,600	-	**141,600**
Dato' Abdul Majit bin Ahmad Khan	14,400	-	-	58,600	-	**73,000**
Richard Kiew Jiat Fong	14,400	-	-	65,600	-	**80,000**
Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	14,400	-	-	42,600	-	**57,000**
Hui Kok Yuan	14,400	203,424	-	53,600	-	**271,424**
Haji Sazali bin Md Salleh	14,400	-	-	47,100	-	**61,500**
Mohammed Noor bin Ahmad	14,400	-	-	44,100	-	**58,500**

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

III. Remuneration (Cont'd)

Directors	Fees	Salaries and EPF	Bonuses	Other allowances/ emoluments	Benefits in-kind	Total
Group			(in RM)			
Executive Director						
Datuk Haji Zainal Abidin bin Haji Ahmad	14,400	1,392,480	-	61,800	-	**1,468,680**
Zainurin bin Ahmad	14,400	575,904	-	61,800	-	**652,104**
Haji Jamil bin Haji Jamaludin	14,400	422,400	-	1,800	-	**438,600**
Company			(in RM)			
Non-Executive Director						
Datu Haji Hamzah bin Haji Drahman	30,000	-	-	111,600	-	**141,600**
Dato' Abdul Majit bin Ahmad Khan	14,400	-	-	58,600	-	**73,000**
Richard Kiew Jiat Fong	14,400	-	-	65,600	-	**80,000**
Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	14,400	-	-	42,600	-	**57,000**
Hui Kok Yuan	14,400	-	-	53,600	-	**68,000**
Haji Sazali bin Md Salleh	14,400	-	-	47,100	-	**61,500**
Mohammed Noor bin Ahmad	14,400	-	-	44,100	-	**58,500**
Executive Director						
Datuk Haji Zainal Abidin bin Haji Ahmad	14,400	792,480	-	1,800	-	**808,680**
Zainurin bin Ahmad	14,400	335,904	-	1,800	-	**352,104**
Haji Jamil bin Haji Jamaludin	14,400	242,400	-	1,800	-	**258,600**

As for the other non-Board Senior Management positions, the Board is of the view that disclosing the detailed remuneration packages of its top 2 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.

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

III. Remuneration (Cont'd)

As an Alternative Practice, the Board believes that disclosure of its top 2 Senior Management's compensation and benefits packages received from the Group for the financial year under review in bands of RM50,000 on an unnamed basis would provide pertinent insights to shareholders on whether such personnel, being the top 2 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 2 Senior Management in bands of RM50,000 received from the Group for the financial year under review on an unnamed basis, is set out below:

Range of Remuneration	No. of Senior Management of the Group
Less than RM250,000	1
RM250,001 to RM350,000	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 Group'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 year ended 31 December 2022, 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.

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 Group. 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 year 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 Meeting ("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.

The Company's 2022 AGM was held on 26 May 2022 and the notice for the AGM was issued on 29 April 2022 which was 27 days prior to the date of the AGM and in advance of the 21-day requirement of the Companies Act 2016. The additional time given to the shareholders would allow them to have sufficient time to scrutinise the Annual Report and to consider the proposed resolutions tabled at the AGM. It also allowed the Shareholders to make the necessary arrangements to attend and participate in the AGM, either in person or through proxies.

Majority of the Non-Executive Directors, together with the GMD, DMD, Senior Management team and External Auditors, were present at the Company's 36th AGM held on 26 May 2022.

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 year ended 31 December 2022.

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 of accounting.

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 the resolution of the Board of Directors dated 10 April 2023.

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 year ended 31 December 2022 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 year:-

- The risk management committee met every quarter during the year under review.
- Reviewing all existing major risk factors and identifying new and potential risk exposures.
- Evaluating profiles of all identified risks.
- 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 monetization 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. • Works on Zecon's 3,000 acres of land are on-going. • Plans of venturing into new businesses are in place including renewable energy.
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. • Anti-Bribery And Anti-Corruption Policies, Whistleblowing Policies, Sustainability Policies are in place, reviewed timely and remain enforceable.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

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 year was designated to 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 responses 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 year ended 31 December 2022 (12 months) is RM189,905.29 as compared in 2021 (18 months) amounting to RM161,548.87.

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 Group 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 Securities Berhad 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 Systems (IMS) 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 year (FY) ended 31 December 2022 (12 months), the Audit Committee (AC) had carried out its duties and responsibilities and had 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 arisen 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 FY 2022, the AC had held five (5) 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. Haji Sazali Bin Md Salleh is also a member of The Malaysian Institute of Accountants. The following are the AC members, designation, status of directorship and attendances at the AC meetings held during the FY 2022:

Committee Members	Status of Directorship	Attendance
Richard Kiew Jiat Fong **Chairman**	Independent Non-Executive Director	**5/5**
Dato' Abdul Majit Bin Ahmad Khan **Member**	Independent Non-Executive Director	**5/5**
Datuk Haji Bolhassan Bin Di @ Ahmad Bin Di **Member**	Independent Non-Executive Director	**4/5**
Haji Sazali Bin Md Salleh **Member**	Non-Independent Non-Executive Director	**5/5**

2. Summary of Activities of AC for the Financial Year Ended 31 December 2022

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 observations 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 year was RM384,200.00 whereas non-audit fee charged to review Statement on Risk Management and Internal Control was RM8,000.00.
- Reviewed the assistance given by the internal auditors to the external auditors.

2. Summary of Activities of AC for the Financial Year Ended 31 December 2022 (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 the financial, operational and compliance process. It has been a permanent agenda in the AC meeting to discuss internal audit reports and highlighted issues. Significant issues are brought up by the AC Chairman to the attention of the Board for further deliberation and actions.
- 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 the Group. It has been a permanent agenda in the AC meeting where members deliberated on the quarterly and year-end financial results and thereafter bringing up the same agenda 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 policies, 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 not detrimental to the minority shareholders.
- Ensure that the Management includes in the agenda of the Annual General Meeting (AGM) the proposed renewal of shareholders' mandate and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading in nature for shareholders' approval.

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

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 The 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 activities, risk management and past audit findings. It evaluates 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 financial year ended 31 December 2022, the activities of the internal audit 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 and do follow-up on matters arising;

(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 Systems (ISO 14001:2015); and

(v) Preparation of AC Report and Statement on Risk Management and Internal Controls for the Company's Annual Report 2022.

The total cost for maintaining the IAD for the financial year 2022 under review amounted to RM189,905.29 (2021: RM161,548.87).

The Board has approved this Report via circular resolution dated 10 April 2023.

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 year ended 31 December 2022 are as follows:-

Audit Fees

Category	Amount (RM)
Company	**200,000**
Group	**384,200**

Non-Audit Fees

Category	Amount (RM)
Company	**150,800**
Group	**250,800**

2. Material Contracts

The Company and its subsidiaries does not have any material contract involving the interests of the directors and chief executive who is not a director or major shareholders either still subsisting at the end of the financial year ended 31 December 2022 or entered into since the end of the previous financial period.

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

The Group has one (1) ESOS in existence during the financial year ended 31 December 2022 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	3,285,000	2,345,000

The total options outstanding as at 31 December 2022 stood at 14,240,000.

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 year ended 31 December 2022 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 year ended 31 December 2022.

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 10 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after taxation for the financial year	22,095,855	(30,151,794)
Attributable to:-		
Owners of the Company	(4,150,188)	(30,151,794)
Non-controlling interests	26,246,043	-
	22,095,855	(30,151,794)

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 year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM133,435,095 to RM133,594,220 by way of issuance of 200,000 new ordinary shares pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM0.385 per option.

    The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employee Share Option Scheme below.

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 17 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.

BAD AND DOUBTFUL DEBTS (Cont'd)

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 4 'Going Concern'.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 37 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 year 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 year.

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 year 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 year 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 year 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 year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year 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)
Dato Sim Kheng Boon (Appointed on 1.3.2023)

The names of directors of the Company's subsidiaries who served during the financial year 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 and Appointed on 1.5.2022)
Leong Choon Thye
Firdaus Bin Saif
Datu Dr. Zulkifli Bin Jantan
Dollah Chek @ Abdullah Chek Bin Sahamat
Jamel Bin Matin @ Ibrahim (Resigned on 12.8.2022)
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
Ahmad Shahzalli Bin Abd Majid (Appointed on 1.11.2022)
Saifbudin Bin Hannif Baba (Appointed on 1.10.2022)
Faizarul Izuan Bin Madznan (Appointed on 1.10.2022)

DIRECTORS' INTERESTS

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

	<--------------------------Number Of Ordinary Shares			------------------------>
	At 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
Direct Interests In The Company				
Datu Haji Hamzah Bin Haji Drahman	153,500	-	-	**153,500**
Datuk Haji Zainal Abidin Bin Haji Ahmad	12,338,150	1,088,700	-	**13,426,850**
Zainurin Bin Ahmad	1,000,000	-	-	**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	90,000	-	**240,000**
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**

	<----------------------Number Of Options Under ESOS			-------------------->
	At 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
The Company				
Direct Interests				
Datu Haji Hamzah Bin Haji Drahman	20,000	-	-	**20,000**
Datuk Haji Zainal Abidin Bin Haji Ahmad	1,200,000	-	-	**1,200,000**
Zainurin Bin Ahmad	475,000	-	-	**475,000**
Datuk Haji Bolhassan Bin Haji Di @ Ahmad Bin Di	500,000	-	-	**500,000**
Haji Jamil Bin Haji Jamaludin	150,000	-	-	**150,000**

[#] Deemed interested by virtue of his direct substantial shareholdings in Dawla Capital Sdn. Bhd.

There were no other movements in shares of the Company or its related corporations during the financial year 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.

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

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) 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 34(b) to the financial statements.

Neither during nor at the end of the financial year 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 year are as follows:-

	The Group RM	The Company RM
Fees	159,600	159,600
Salaries, bonuses and allowances	3,389,597	1,570,530
Defined contribution benefits	253,716	229,680
	3,802,913	1,959,810

INDEMNITY AND INSURANCE COST

During the financial year, 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 RM30,220 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 year and up to the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 10 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 40 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period is disclosed in Note 41 to the financial statements.

AUDITORS

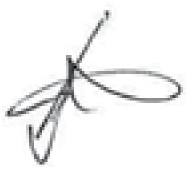
The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM	The Company RM
Audit fees	384,200	200,000
Non-audit fees	250,800	150,800
	635,000	350,800

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2023.

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 63 to 161 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 2022 and of their financial performance and cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2023.

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 63 to 161 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 10 April 2023.

Haji Jamil Bin Haji Jamaludin

Before me

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

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

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 2022 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 161.

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 2022, and of their financial performance and their cash flows for the financial year 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 4 to the financial statements, which indicated that as at 31 December 2022, the Group's current liabilities exceeded its current assets by RM860,041,163. 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 has considered the Groups' cash flows forecast for the financial year ending 31 December 2023 as well as other factors enumerated in Note 4 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 year. 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)

<table>
<tr><td colspan="2">Fair value of investment properties
Refer to Note 8 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>As at 31 December 2022, 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.</td><td>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.

• Assess the adequacy of the disclosures of the Group accounting policies, significant judgement and estimates, including the basis and assumption used in determining the fair values of the investment properties.</td></tr>
</table>

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 scepticism 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.

- 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 year 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.

INDEPENDENT AUDITORS' REPORT (Cont'd)

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

Chai Tze Chek
02699/06/2023 J
Chartered Accountant

Kuching

Date: 10 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		The Group		The Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	**3,124,470**	2,973,228	**1,667,151**	1,695,666
Inventories	7	**10,668,535**	10,668,535	**-**	-
Investment properties	8	**600,163,628**	600,163,628	**-**	-
Right-of-use assets	9	**3,952,215**	4,708,064	**3,811,705**	4,512,760
Investment in subsidiaries	10	**-**	-	**15,343,287**	15,343,287
Other investments	11	**435,260**	434,418	**396,508**	396,508
Trade and other receivables	12	**770,486,393**	789,846,837	**-**	-
		1,388,830,501	1,408,794,710	**21,218,651**	21,948,221
CURRENT ASSETS					
Inventories	7	**7,342,842**	7,342,842	**-**	-
Trade and other receivables	12	**153,008,176**	254,004,568	**247,909,138**	279,531,895
Contract assets	13	**935,850**	1,106,795	**15,733**	15,733
Fixed deposits with licensed banks	14	**7,893,816**	6,892,467	**7,730,816**	6,730,816
Cash and bank balances	15	**26,750,049**	27,462,771	**5,584,938**	5,049,220
		195,930,733	296,809,443	**261,240,625**	291,327,664
TOTAL ASSETS		**1,584,761,234**	1,705,604,153	**282,459,276**	313,275,885

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

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2022

	Note	The Group 2022 RM	The Group 2021 RM	The Company 2022 RM	The Company 2021 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	**133,594,220**	133,435,095	**133,594,220**	133,435,095
Non-distributable reserves		**358,393**	1,551	**356,000**	-
Retained profits/(Accumulated losses)		**95,736,083**	99,886,271	**(97,076,222)**	(66,924,428)
Equity attributable to owners of the Company		**229,688,696**	233,322,917	**36,873,998**	66,510,667
Non-controlling interests		**178,718,861**	152,472,818	**-**	-
TOTAL EQUITY		**408,407,557**	385,795,735	**36,873,998**	66,510,667
NON-CURRENT LIABILITIES					
Lease liabilities	18	**3,139,356**	3,831,228	**3,035,831**	3,703,006
Long-term borrowings	19	**735,107**	875,357	**-**	-
Trade and other payables	21	**40,666,889**	47,906,418	**-**	-
Deferred tax liabilities	22	**75,840,429**	75,828,744	**-**	-
		120,381,781	128,441,747	**3,035,831**	3,703,006
CURRENT LIABILITIES					
Lease liabilities	18	**710,864**	699,320	**667,175**	622,196
Short-term borrowings	19	**742,415,577**	774,632,936	**179,184,023**	167,897,684
Trade and other payables	21	**278,623,299**	379,922,159	**62,696,601**	74,540,684
Contract liabilities	13	**541,196**	1,648	**1,648**	1,648
Current tax liabilities		**33,680,960**	36,110,608	**-**	-
		1,055,971,896	1,191,366,671	**242,549,447**	243,062,212
TOTAL LIABILITIES		**1,176,353,677**	1,319,808,418	**245,585,278**	246,765,218
TOTAL EQUITY AND LIABILITIES		**1,584,761,234**	1,705,604,153	**282,459,276**	313,275,885

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		The Group		The Company	
	Note	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
REVENUE	23	**83,207,940**	632,625,717	**-**	11,206,681
COST OF SALES	24	**(56,790,856)**	(600,062,456)	**(9,520,502)**	(747,007)
GROSS PROFIT/(LOSS)		**26,417,084**	32,563,261	**(9,520,502)**	10,459,674
OTHER INCOME	25	**71,974,276**	138,873,624	**2,584,561**	11,752,788
		98,391,360	171,436,885	**(6,935,941)**	22,212,462
ADMINISTRATIVE EXPENSES		**(27,386,529)**	(26,297,501)	**(9,036,295)**	(14,455,444)
OTHER EXPENSES		**(5,558)**	(324,578)	**(2,358)**	(983,521)
PROFIT/(LOSS) FROM OPERATIONS		**70,999,273**	144,814,806	**(15,974,594)**	6,773,497
FINANCE COSTS	26	**(48,687,187)**	(77,164,595)	**(12,348,117)**	(16,538,654)
NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL ASSETS AND CONTRACT ASSETS	27	**145,813**	(26,901,081)	**(1,829,083)**	(32,861,537)
PROFIT/(LOSS) BEFORE TAXATION	28	**22,457,899**	40,749,130	**(30,151,794)**	(42,626,694)
INCOME TAX EXPENSE	29	**(362,044)**	(23,575,740)	**-**	(10,460)
PROFIT/(LOSS) AFTER TAXATION		**22,095,855**	17,173,390	**(30,151,794)**	(42,637,154)
Items that will not be reclassified subsequently to profit or loss					
Fair value changes of equity instruments		**842**	221,449	**-**	261,583
TOTAL OTHER COMPREHENSIVE INCOME		**842**	221,449	**-**	261,583
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR/PERIOD		**22,096,697**	17,394,839	**(30,151,794)**	(42,375,571)

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 YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RM	The Group Period from 1.7.2020 to 31.12.2021 RM	The Company 2022 RM	The Company Period from 1.7.2020 to 31.12.2021 RM
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**(4,150,188)**	(17,507,148)	**(30,151,794)**	(42,637,154)
Non-controlling interests		**26,246,043**	34,680,538	**-**	-
		22,095,855	17,173,390	**(30,151,794)**	(42,637,154)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		**(4,149,346)**	(17,285,699)	**(30,151,794)**	(42,375,571)
Non-controlling interests		**26,246,043**	34,680,538	**-**	-
		22,096,697	17,394,839	**(30,151,794)**	(42,375,571)
EARNINGS PER ORDINARY SHARE (SEN)					
Basic	30(a)	**(2.86)**	(12.13)		
Diluted	30(b)	**(2.61)**	(10.95)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	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 owners of the Group							
- Employees' share options exercised	16	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

	Note	Share Capital RM	Fair Value Adjustment Reserve RM	Employee Share Option Reserve RM	Retained profits RM	Attributable To Owners Of The Company RM	Non-Controlling Interests RM	Total Equity RM
The Group								
Balance as at 1.1.2022		**133,435,095**	**1,551**	**-**	**99,886,271**	**233,322,917**	**152,472,818**	**385,795,735**
(Loss)/Profit after taxation for the financial year		**-**	**-**	**-**	**(4,150,188)**	**(4,150,188)**	**26,246,043**	**22,095,855**
Other comprehensive income for the financial year		**-**	**842**	**-**	**-**	**842**	**-**	**842**
Total comprehensive income/(expenses) for the financial year		**-**	**842**	**-**	**(4,150,188)**	**(4,149,346)**	**26,246,043**	**22,096,697**
Contributions by owners of the Group								
- ESOS granted		**-**	**-**	**438,125**	**-**	**438,125**	**-**	**438,125**
- ESOS exercised		**159,125**	**-**	**(82,125)**	**-**	**77,000**	**-**	**77,000**
Total transactions with owners	16	**159,125**	**-**	**356,000**	**-**	**515,125**	**-**	**515,125**
Balance as at 31.12.2022		**133,594,220**	**2,393**	**356,000**	**95,736,083**	**229,688,696**	**178,718,861**	**408,407,557**

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

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share Capital RM	Fair Value Adjustment Reserve RM	Employee Share Option Reserve RM	Accumulated Losses RM	Total Equity RM
The Company						
Balance as at 1.7.2020		132,247,370	(261,583)	-	(24,287,274)	107,698,513
Loss after taxation for the financial period		-	-	-	(42,637,154)	(42,637,154)
Other comprehensive income for the financial period		-	261,583	-	-	261,583
Total comprehensive expenses for the financial period		-	261,583	-	(42,637,154)	(42,375,571)
Contributions by owners of the Company:						
- Employees' share options exercised	16	1,187,725	-	-	-	1,187,725
Balance as at 31.12.2021/1.1.2022		133,435,095	-	-	(66,924,428)	66,510,667
Total comprehensive expenses for the financial year		**-**	**-**	**-**	**(30,151,794)**	**(30,151,794)**
Contributions by owners of the Company						
- ESOS granted		**-**	**-**	**438,125**	**-**	**438,125**
- ESOS exercised		**159,125**	**-**	**(82,125)**	**-**	**77,000**
Total transactions with owners	16	**159,125**	**-**	**356,000**	**-**	**515,125**
Balance at 31.12.2022		**133,594,220**	**-**	**356,000**	**(97,076,222)**	**36,873,998**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group		The Company	
		2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		**22,457,899**	40,749,130	**(30,151,794)**	(42,626,694)
Adjustments for:-					
Accretion of fair value on non-current trade receivables		**(67,513,733)**	(98,172,269)	**-**	-
Allowance for impairment losses on:					
- trade receivables		**5,503**	26,458,141	**-**	25,383,077
- other receivables		**-**	5,425	**-**	-
- amount owing by subsidiaries		**-**	-	**1,829,083**	7,136,895
- contract assets		**-**	525,329	**-**	425,329
- investment in subsidiaries		**-**	-	**-**	500,000
Bad debts on:					
- trade receivables		**15,956**	16,019	**-**	-
- other receivables		**5,558**	10,220	**2,358**	4,826
- amount owing by subsidiaries		**-**	-	**-**	7,437
Depreciation of:					
- property, plant and equipment		**668,536**	2,139,156	**133,463**	261,828
- right-of-use assets		**736,512**	1,158,292	**701,055**	1,051,583
Dividend income		**(3,350)**	(870)	**-**	(9,000,000)
Fair value gain on investment properties		**-**	(4,075,240)	**-**	-
Fair value loss on other investment		**-**	220,213	**-**	220,213
Inventories written down		**-**	2,878,287	**-**	-
Interest expense		**48,687,187**	77,164,595	**12,348,117**	16,538,654
Loss on disposal of other investment		**-**	171,225	**-**	251,045
Preliminary expenses		**-**	6,058	**-**	-
Interest income		**(6,209)**	(657,002)	**(2,786)**	(651,154)
Gain on disposal of property, plant and equipment		**(419,273)**	(669,722)	**(305,993)**	(346,193)
Gain on modification of leases		**(6,903)**	-	**-**	-
BALANCE CARRIED FORWARD		**4,627,683**	47,926,987	**(15,446,497)**	843,154

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

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RM	The Group Period from 1.7.2020 to 31.12.2021 RM	The Company 2022 RM	The Company Period from 1.7.2020 to 31.12.2021 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES (CONT'D)					
BALANCE BROUGHT FORWARD		**4,627,683**	47,926,987	**(15,446,497)**	843,154
Reversal of impairment losses:					
- trade receivables		**(151,316)**	(4,050)	**-**	-
- other receivables		**-**	(83,764)	**-**	(83,764)
Share option to employees		**438,125**	-	**438,125**	-
Share of profit from project		**-**	-	**(1,728,395)**	-
Unrealised losses/(gain) on foreign currency translation		**2,599**	(1,345)	**-**	-
Waiver of trade and other payables		**(2,770,842)**	(206,474)	**-**	(39,605)
Operating profit/(loss) before working capital changes		**2,146,249**	47,631,354	**(16,736,767)**	(966,523)
BALANCE CARRIED FORWARD		**2,146,249**	47,631,354	**(16,736,767)**	(966,523)

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

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		The Group		The Company	
	Note	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
BALANCE BROUGHT FORWARD		**2,146,249**	47,631,354	**(16,736,767)**	(966,523)
Decrease/(Increase) in trade and other receivables		**187,994,868**	(27,023,145)	**6,623,849**	18,411,280
Decrease in contract assets		**170,945**	590,304	**-**	-
Decrease/(Increase) in amount owing by subsidiaries		**-**	-	**24,895,862**	(18,585,139)
Increase in inventories		**-**	(1,478,064)	**-**	-
(Decrease)/Increase in trade and other payables		**(103,783,028)**	82,566,332	**5,225,004**	(13,824,762)
(Decrease)/Increase in amount owing to subsidiaries		**-**	-	**(17,970,995)**	6,716,774
(Decrease)/Increase in amount owing to directors		**(1,924,047)**	(1,446,431)	**1,024,745**	2,146,227
Decrease in amount owing to directors of subsidiaries		**(63,071)**	(3,313)	**(122,837)**	(3,313)
Increase/(Decrease) in contract liabilities		**539,548**	(59,485)	**-**	(56,681)
CASH FROM/(FOR) OPERATIONS		**85,081,464**	100,777,552	**2,938,861**	(6,162,137)
Interest paid		**(38,092,614)**	(63,564,583)	**(1,061,778)**	(3,378,101)
Interest received		**6,209**	657,002	**2,786**	651,154
Preliminary expenses paid		**-**	(6,058)	**-**	-
Income tax paid, net of refund		**(2,780,007)**	(2,869,921)	**-**	(22,010)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		**44,215,052**	34,993,992	**1,879,869**	(8,911,094)

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

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RM	The Group Period from 1.7.2020 to 31.12.2021 RM	The Company 2022 RM	The Company Period from 1.7.2020 to 31.12.2021 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in existing subsidiaries	32.3	**-**	(110)	**-**	(110)
Incorporations of subsidiaries, net of cash	32.1	**-**	-	**-**	(1,500)
Dividend received		**3,350**	870	**-**	9,000,000
Placement of fixed deposits with licensed banks		**(1,000,000)**	-	**(1,000,000)**	-
Purchase of property, plant and equipment		**(820,704)**	(1,027,566)	**(104,955)**	(95,884)
Proceeds from disposal of other investment		**-**	931,291	**-**	836,756
Proceeds from disposal of property, plant and equipment		**420,199**	808,213	**306,000**	346,200
Increase in pledged fixed deposits with licensed banks		**-**	(1,808)	**-**	(1,808)
Net cash outflow on acquisition of subsidiary	32.2	**-**	(2)	**-**	(2)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(1,397,155)**	710,888	**(798,955)**	10,083,652
CASH FLOWS FOR FINANCING ACTIVITIES					
Drawdown of term loans	31(b)	**-**	3,970,352	**-**	-
Increase in reserve accounts		**(6,416,672)**	(10,083,346)	**-**	-
Proceeds from issuance of employee share options scheme	16	**77,000**	1,187,725	**77,000**	1,187,725
Repayment of hire purchase liabilities	31(b)	**(153,038)**	(637,989)	**-**	(11,022)
Repayment of lease liabilities	31(b)	**(654,088)**	(958,443)	**(622,196)**	(855,537)
Repayment of term loans and ijarah facilities	31(b)	**(43,034,265)**	(42,337,385)	**-**	(2,000,000)
NET CASH FOR FINANCING ACTIVITIES		**(50,181,063)**	(48,859,086)	**(545,196)**	(1,678,834)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,363,166)**	(13,154,206)	**535,718**	(506,276)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		**7,789,418**	20,943,624	**5,049,220**	5,555,496
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	31(d)	**426,252**	7,789,418	**5,584,938**	5,049,220

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

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 10 April 2023.

2. 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 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. 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.

3.1 During the current financial year, 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)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

The adoption of 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.

3.2 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 year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
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 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
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

3. BASIS OF PREPARATION (Cont'd)

3.2 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 year:- (Cont'd)

The adoption of the above accounting standards and/or 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.

4. 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.

4.1 As at 31 December 2022, the current liabilities of the Group had exceeded the current assets by RM860,041,163 indicating the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

4.2 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 RM115.02 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 year which is supported by the Group's cash flow forecast for year ending 31 December 2023. 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:

(a) The Group is actively participating in the proposed exercise of subscribing/purchase of Islamic medium term note of up to RM800,000,000 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 bank borrowings;

(b) The Group had signed a standstill agreement with the banks whereby, the Group had been granted one year from the commencement of the Agreement dated 24 September 2021 to settle the remaining Revolving credits. The standstill agreement was extended for another 6 month up until 24 March 2023. Due to the Sukuk Wakalah is still in the midst of finalisation, the Bank had agreed to extend the standstill agreement up until 23 March 2024;

(c) Under the service concession agreement between the Group and Universiti Kebangsaan Malaysia ("UKM"), the Group see a positive impact on the Group's cashflow through the realisation of the Availability Charges ("AC") and Asset Management Services Charges ("AMSC"). The Group will receive a fixed payment of approximately RM87 million for AC and a variable payment of approximately RM49 million per annum for AMSC from UKM;

(d) The Group was able to generate net cash from operating activities of RM44.2 million and positive Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of RM5.03 million for the financial year ended 31 December 2022;

(e) The Group has finance service reserve account and sinking fund amounting to RM16.5 million which are placed with a licensed bank in lien to the bank borrowings. Furthermore, the Group also had RM7.83 million of fixed deposits pledged to bank for the current financial year ended 31 December 2022;

4. GOING CONCERN (Cont'd)

(f) The bank continues to provide loans and support to the Group. There are no banks 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 year 31 December 2022 except for those mention in Note 4.2(i);

(g) Included in the net current liabilities are the followings:

- Amount owing to Group's directors amounted to approximately to RM9.5 million, which no payments will be demanded in the next 12 months from the financial year ended; and

- The amount owing to one of the major creditors amounted to RM22.17 million had stated that no payment shall be demanded by them to Zecon Group within the next 12 months.

(h) The Group has unencumbered land and properties with carrying amount of approximately RM18.9 million that can be pledged to licensed banks to raise new fundings (if required); and

(i) 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 realisation of the Sukuk wakalah amounted to RM800 million; and
(ii) the ability of the Group to achieve sustainable and viable operations with adequate cash flows generated from their operating activities.

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.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 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 year other than as disclosed below:-

(a) 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.

(b) 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 7 to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(c) 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 12 and 13 to the financial statements.

(d) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). 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 as at the reporting date are disclosed in Notes 12 to the financial statements respectively.

(e) 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 13 to the financial statements.

(f) 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).

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

(b) Contingent Liabilities

The recognition and measurement for contingent liabilities are based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

5.2 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.2 BASIS OF CONSOLIDATION (Cont'd)

(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.

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.

5.3 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.3 FUNCTIONAL AND FOREIGN CURRENCIES (Cont'd)

(c) Foreign Operations (Cont'd)

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.

5.4 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 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).

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.4 FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(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.

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).

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.4 FINANCIAL INSTRUMENTS (Cont'd)

(c) Equity Instruments

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

Ordinary Shares

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.

(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.

(e) 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.

5.5 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.

5.6 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.6 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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%
Car park system	10%
Motor vehicles	20%
Office furniture, fittings, equipment and renovation	10% - 25%
Plant, machinery and equipment	15%
Vessels and dredgers	15%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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.

5.7 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.8 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.

5.9 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.9 INVENTORIES (Cont'd)

(b) Property Development Costs

The costs comprises costs 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.

5.10 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.

5.11 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.

5.12 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.12 IMPAIRMENT (Cont'd)

(a) Impairment of Financial Assets (Cont'd)

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.

5.13 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.

5.14 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.14 EMPLOYEE BENEFITS (Cont'd)

(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.

5.15 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.15 INCOME TAXES (Cont'd)

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.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.20 FAIR VALUE MEASUREMENTS (Cont'd)

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

5.21 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.

<u>Long-term concession contracts with government or government agencies</u>

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont'd)

(b) Property Development (Cont'd)

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.

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 Hotel and Facility Management Services

Revenue from providing hotel and 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.

(e) Rendering of Parking Services

Revenue is recognised over time in the period in which the services are rendered.

5.22 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. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2022 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 31.12.2022 RM
Carrying Amount					
Buildings	**1,493,878**	**-**	**-**	**(43,854)**	**1,450,024**
Car park system	**-**	**187,206**	**-**	**(9,360)**	**177,846**
Motor vehicles	**318,572**	**-**	**(13)**	**(116,158)**	**202,401**
Office furniture, fittings, equipment and renovation	**818,097**	**455,498**	**(912)**	**(278,902)**	**993,781**
Plant, machinery and equipment	**342,681**	**78,000**	**(1)**	**(220,262)**	**200,418**
Capital work in progress	**-**	**100,000**	**-**	**-**	**100,000**
	2,973,228	**820,704**	**(926)**	**(668,536)**	**3,124,470**

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	519,671	320,000	(138,483)	(382,616)	318,572
Office furniture, fittings, equipment and renovation	524,868	610,166	(6)	(316,931)	818,097
Plant, machinery and equipment	1,619,109	97,400	(2)	(1,373,826)	342,681
	4,223,309	1,027,566	(138,491)	(2,139,156)	2,973,228

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2022			
Buildings	**2,192,718**	**(742,694)**	**1,450,024**
Car park system	**187,206**	**(9,360)**	**177,846**
Motor vehicles	**12,370,106**	**(12,167,705)**	**202,401**
Office furniture, fittings, equipment and renovation	**13,214,101**	**(12,220,320)**	**993,781**
Plant, machinery and equipment	**36,983,982**	**(36,783,564)**	**200,418**
Capital work in progress	**100,000**	**-**	**100,000**
	65,048,113	**(61,923,643)**	**3,124,470**

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

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2021			
Buildings	2,192,718	(698,840)	1,493,878
Motor vehicles	13,461,877	(13,143,305)	318,572
Office furniture, fittings, equipment and renovation	12,759,603	(11,941,506)	818,097
Plant, machinery and equipment	37,050,382	(36,707,701)	342,681
Vessels and dredgers	1,400,000	(1,400,000)	-
	66,864,580	(63,891,352)	2,973,228

The Company	At 1.1.2022 RM	Addition RM	Disposals RM	Depreciation Charges RM	At 31.12.2022 RM
Carrying Amount					
Buildings	**1,493,878**	**-**	**-**	**(43,854)**	**1,450,024**
Motor vehicles	**45**	**-**	**(6)**	**-**	**39**
Office furniture, fittings, equipment and renovation	**171,693**	**104,955**	**-**	**(65,605)**	**211,043**
Plant, machinery and equipment	**30,050**	**-**	**(1)**	**(24,004)**	**6,045**
	1,695,666	**104,955**	**(7)**	**(133,463)**	**1,667,151**

The Company	At 1.7.2020 RM	Addition 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	116,389	-	(2)	(86,337)	30,050
	1,861,617	95,884	(7)	(261,828)	1,695,666

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

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2022			
Buildings	**2,192,718**	**(742,694)**	**1,450,024**
Motor vehicles	**4,428,540**	**(4,428,501)**	**39**
Office furniture, fittings, equipment and renovation	**5,592,033**	**(5,380,990)**	**211,043**
Plant, machinery and equipment	**18,732,205**	**(18,726,160)**	**6,045**
	30,945,496	**(29,278,345)**	**1,667,151**

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
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	19,032,205	(19,002,155)	30,050
Vessels and dredgers	1,400,000	(1,400,000)	-
	33,350,812	(31,655,146)	1,695,666

(a) Included in the property, plant and equipment of the Group is a building with a carrying amount of RM295,500 (2021 – RM304,191) which are pledged to bank for facilities granted.

(b) Included in the property, plant and equipment of the Group were plant, machinery and equipment with a total carrying amount of RM6 (2021 - RM61,930) held under hire purchase arrangements. These assets have been pledged as security for the hire purchase payables of the Group as disclosed in Note 20 to the financial statements.

7. INVENTORIES

	The Group	
	2022 RM	**2021 RM**
Non-current		
At cost:-		
Land held for property development (Note 7(a))	**10,668,535**	10,668,535
Current		
At cost:-		
At net realisable value:-	**7,342,842**	7,342,842
Completed properties held for sale	**18,011,377**	18,011,377
Recognised in profit or loss:-		
Impairment loss on development costs	**-**	2,868,017

(a) Land held for property development

	The Group	
	2022 RM	**2021 RM**
At cost:		
At 1 January/1 July	**10,668,535**	10,668,535
Additions	**-**	-
At 31 December	**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

8. INVESTMENT PROPERTIES

	The Group	
	2022 **RM**	**2021** **RM**
Carrying Amount		
At 1 January/1 July	**600,163,628**	596,088,388
Gain on changes in fair value	**-**	4,075,240
At 31 December	**600,163,628**	600,163,628
Included in the above are:-		
Leasehold lands, at fair value	**600,163,628**	600,163,628

(a) The leasehold lands have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 19 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 changes to the valuation technique during the financial year.

9. RIGHT-OF-USE ASSETS

The Group	At 1.1.2022 RM	Modification of Lease Liabilities RM	Depreciation Charges RM	At 31.12.2022 RM
Carrying Amount				
Leasehold land	**534,306**	**-**	**(18,197)**	**516,109**
Buildings	**4,173,758**	**(19,337)**	**(718,315)**	**3,436,106**
	4,708,064	**(19,337)**	**(736,512)**	**3,952,215**

The Group	At 1.7.2020 RM	Additions RM	Depreciation Charges RM	At 31.12.2021 RM
Carrying Amount				
Leasehold land	439,800	119,454	(24,948)	534,306
Buildings	5,307,102	-	(1,133,344)	4,173,758
	5,746,902	119,454	(1,158,292)	4,708,064

The Company	At 1.1.2022 RM	Depreciation Charges RM	At 31.12.2022 RM
Carrying Amount			
Leasehold land	**419,536**	**(13,513)**	**406,023**
Buildings	**4,093,224**	**(687,542)**	**3,405,682**
	4,512,760	**(701,055)**	**3,811,705**

The Company	At 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	(1,031,319)	4,093,224
	5,564,343	(1,051,583)	4,512,760

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

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

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Leasehold land	**26.5 - 99 years**	26.5 - 99 years	**99 years**	99 years
Buildings	**1 to 9 years**	1 to 9 years	**8 to 9 years**	8 to 9 years

(b) The Group and the Company have leases with lease terms of 12 months or less and leases of buildings 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.

10. INVESTMENT IN SUBSIDIARIES

	The Company	
	2022 RM	**2021 RM**
Unquoted shares, at cost	**67,575,302**	67,573,690
Acquisition during the year/period	**-**	1,502
Acquisition of remaining shares in subsidiaries	**-**	110
	67,575,302	67,575,302
Accumulated impairment losses	**(52,232,015)**	(52,232,015)
	15,343,287	15,343,287
Movement in accumulated impairment losses:-		
At 1 January/1 July	**(52,232,015)**	(51,732,015)
Addition during the financial year/period	**-**	(500,000)
At 31 December	**(52,232,015)**	(52,232,015)

10. 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 2022 %	2021 %	Principal Activities
Subsidiaries of the Company				
Zecon Assets Sdn. Bhd.#	Malaysia	**100**	100	Management, maintenance and rental services in relation to machineries, motor vehicles and hardware of every description
Zecon Capital Sdn. Bhd.#	Malaysia	**100**	100	Investment holdings
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 Geotechnical Services Sdn Bhd.#	Malaysia	**100**	100	Foundation engineering and piling
Zecon Land Sdn. Bhd.#	Malaysia	**100**	100	Investment holding, property development and construction
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 Medicare Sdn. Bhd.#	Malaysia	**51**	51	Hospital concession
Aerotropolis (Kuching) Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Demak Concessionaires Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Excelbuilt Engineering Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Energy Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Engineering (Sabah) Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Fab Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon International Limited#	British Virgin Islands	**100**	100	Dormant
Zecon Medivest Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Mutiara Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Piling Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Space Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Toll Concessionaire Sdn. Bhd.#	Malaysia	**100**	100	Dormant
Zecon Resources Sdn. Bhd.	Malaysia	**96**	96	Dormant
Teknik PS Sdn. Bhd.	Malaysia	**55**	55	Dormant
Saramax Land Sdn. Bhd.#	Malaysia	**51**	51	Dormant

10. 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 2022 %	2021 %	Principal Activities
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	Dormant
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
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	Dormant
Subsidiaries of Zecon Capital Sdn. Bhd.:-				
ServeCo Sdn. Bhd.	Malaysia	**100**	100	Computer, engineering, landscape care and maintenance service
Zecon Hotel Sdn. Bhd.#	Malaysia	**100**	100	Hotel Management, consultancy services and carpark operator
Parkyocar Sdn. Bhd.	Malaysia	**100**	100	Operating of parking facilities
Zecon RE Sdn. Bhd.#	Malaysia	**100**	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's cash flows forecast for the financial year ending 31 December 2023. The ability of the Company to operate as going concern is highly dependable on the factors in Note 4.

10. INVESTMENT IN SUBSIDIARIES (Cont'd)

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

	Effective Equity Interest		The Group	
	2022 %	2021 %	2022 RM	2021 RM
Zecon Medicare Sdn. Bhd.	**49**	49	**99,802,178**	65,964,550
Huang Hong Sdn. Bhd.	**49**	49	**85,300,701**	91,329,713
Zecon Dredging Sdn. Bhd.	**30**	30	**(14,542,119)**	(14,650,240)
Other individually immaterial subsidiaries			**8,158,101**	9,828,795
			178,718,861	152,472,818

(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 Medicare Sdn. Bhd.	
	2022 RM	2021 RM
Non-current assets	**771,498,932**	790,818,796
Current assets	**136,594,448**	120,910,426
Non-current liabilities	**(47,146,837)**	(47,148,852)
Current liabilities	**(657,268,627)**	(729,958,839)
Net assets	**203,677,916**	134,621,531
Financial year/period ended		
Revenue	**50,634,589**	119,991,218
Profit for the financial year/period	**69,056,385**	70,092,080
Total comprehensive income	**69,056,385**	70,092,080
Total comprehensive income attributable to non-controlling interests	**33,837,629**	34,345,119
Net cash flows from operating activities	**41,336,159**	29,527,794
Net cash flows for investing activities	**(264,226)**	(908,774)
Net cash flows for financing activities	**(47,577,816)**	(43,189,452)

10. 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.	
	2022	**2021**
	RM	**RM**
Non-current assets	**384,697,042**	384,696,200
Current assets	**9,445**	5,768
Non-current liabilities	**(68,794,153)**	(76,089,189)
Current liabilities	**(141,829,270)**	(122,225,609)
Net assets	**174,083,064**	186,387,170
<u>Financial year/period ended</u>		
Loss for the financial year/period	**(12,304,948)**	(4,700,758)
Total comprehensive expenses	**(12,304,106)**	(4,740,892)
Total comprehensive expenses attributable to non-controlling interests	**(6,029,012)**	(2,323,037)
Net cash flows from/(for) operating activities	**48,840**	(14,067)
Net cash flows from investing activities	**3,350**	95,405
Net cash flows for financing activity	**(48,513)**	(82,568)

	Zecon Dredging Sdn. Bhd.	
	2022	**2021**
	RM	**RM**
Non-current assets	**-**	6,405
Current assets	**13,890**	12,617
Current liabilities	**(48,487,619)**	(48,853,152)
Net liabilities	**(48,473,729)**	(48,834,130)
<u>Financial year/period ended</u>		
Profit/(Loss) for the financial year/period	**360,401**	(351,386)
Total comprehensive income/(expenses)	**360,401**	(351,386)
Total comprehensive income/(expenses) attributable to non-controlling interests	**108,120**	(105,416)
Net cash flows (for)/from operating activities	**(42,763)**	10,295
Net cash from investing activity	**50,000**	-
Net cash flows for financing activity	**(6,974)**	(9,591)

11. OTHER INVESTMENTS

	The Group		The Company	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Non-current				
Quoted ordinary shares, at fair value	**38,752**	37,910	**-**	**-**
Unquoted ordinary shares, at fair value	**396,508**	396,508	**396,508**	**396,508**
	435,260	434,418	**396,508**	**396,508**

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.

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12. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Trade receivables				
Service concession receivables (Note12(d))	**771,242,752**	790,724,557	**-**	-
Less: Allowance for impairment loss	**(756,359)**	(877,720)	**-**	-
	770,486,393	789,846,837	**-**	-
Current				
Trade receivables				
Third parties	**113,467,813**	216,585,091	**56,609,039**	63,756,104
Service concession receivables (Note12(d))	**94,245,167**	94,262,334	**-**	-
Retention receivables	**1,124,786**	2,199,037	**1,039,900**	2,114,157
Amount owing by subsidiaries	**-**	-	**5,490,395**	5,490,395
	208,837,766	313,046,462	**63,139,334**	71,360,656
Non-trade receivables				
Other receivables	**13,429,328**	9,551,319	**2,972,419**	2,908,926
Prepayments	**588,642**	3,105,113	**8,912**	8,912
Deposits	**1,128,006**	838,314	**394,518**	399,518
Amount owing by subsidiaries	**-**	-	**254,304,221**	277,471,688
	15,145,976	13,494,746	**257,680,070**	280,789,044
Less: Allowance for impairment losses				
- trade receivables	**(65,196,210)**	(66,757,284)	**(29,370,913)**	(30,907,535)
- other receivables	**(5,779,356)**	(5,779,356)	**(2,739,944)**	(2,739,944)
- amount owing by subsidiaries	**-**	-	**(40,799,409)**	(38,970,326)
	(70,975,566)	(72,536,640)	**(72,910,266)**	(72,617,805)
Total current trade and other receivables	**153,008,176**	254,004,568	**247,909,138**	279,531,895
Grand total trade and other receivables	**923,494,569**	1,043,851,405	**247,909,138**	279,531,895

(a) Current trade receivables from third parties' normal trade credit terms range from 30 to 90 days (2021 – 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.

12. TRADE AND OTHER RECEIVABLES (Cont'd)

(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 (2021 – 33) years ("Concession Period") which consists of 7 (2021 - 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	
	2022 **RM**	**2021** **RM**
Non-current		
Service concession receivables	**770,486,393**	789,846,837
Current		
Service concession receivables	**94,245,167**	94,262,334
Total service concession receivables	**864,731,560**	884,109,171

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 19 to the financial statements.

12. 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Trade receivables				
Allowance for impairment losses:-				
At 1 January/1 July	**(877,720)**	-	**-**	-
Addition during the financial year/period (Note 27)	**-**	(877,720)	**-**	-
Reversal of impairment losses (Note 27)	**121,361**	-	**-**	-
At 31 December	**(756,359)**	(877,720)	**-**	-
Current				
Trade receivables				
Allowance for impairment losses:-				
At 1 January/1 July	**(66,757,284)**	(41,180,913)	**(30,907,535)**	(5,524,458)
Addition during the financial year/period (Note 27)	**(5,503)**	(25,580,421)	**-**	(25,383,077)
Bad debts written off	**1,536,622**	-	**1,536,622**	-
Reversal of impairment losses (Note 27)	**29,955**	4,050	**-**	-
At 31 December	**(65,196,210)**	(66,757,284)	**(29,370,913)**	(30,907,535)
Other receivables				
Allowance for impairment losses:-				
At 1 January/1 July	**(5,779,356)**	(5,857,695)	**(2,739,944)**	(2,823,708)
Addition during the financial year/period (Note 27)	**-**	(5,425)	**-**	-
Reversal of impairment losses (Note 27)	**-**	83,764	**-**	83,764
At 31 December	**(5,779,356)**	(5,779,356)	**(2,739,944)**	(2,739,944)
Amount owing by subsidiaries				
Allowance for impairment losses:-				
At 1 January/1 July	**-**	-	**(38,970,326)**	(31,833,431)
Addition during the financial year/period (Note 27)	**-**	-	**(1,829,083)**	(7,136,895)
At 31 December	**-**	-	**(40,799,409)**	(38,970,326)
Total current impairment loss	**(70,975,566)**	(72,536,640)	**(72,910,266)**	(72,617,805)
Grand total non-current and current impairment loss	**(71,731,925)**	(73,414,360)	**(72,910,266)**	(72,617,805)

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Contract Assets				
Contract assets relating to construction contract (Note 13(a))	**34,360**	205,305	**15,733**	15,733
Contract assets relating to property development (Note 13(b))	**901,490**	901,490	**-**	-
	935,850	1,106,795	**15,733**	15,733
Current				
Due not later than 1 year	**935,850**	1,106,795	**15,733**	15,733
Contract Liabilities				
Contract liabilities relating to construction contracts (Note 13(a))	**(541,196)**	(1,648)	**(1,648)**	(1,648)
Current				
Due not later than 1 year	**(541,196)**	(1,648)	**(1,648)**	(1,648)

(a) Construction contract

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January/1 July	**205,305**	1,318,134	**15,733**	441,062
Performance obligations performed	**-**	508,508,691	**-**	-
Transfer to trade receivables	**-**	(509,096,191)	**-**	-
Allowance for impairment loss	**-**	(525,329)	**-**	(425,329)
Transfer to the contract liabilities	**(170,945)**	-	**-**	-
	34,360	205,305	**15,733**	15,733
Allowance for impairment loss:-				
At 1 January/1 July	**525,329**	-	**425,329**	-
Additions during the financial year/period	**-**	525,329	**-**	425,329
Contract asset written off during the financial year/period	**(425,329)**	-	**(425,329)**	-
At 31 December	**100,000**	525,329	**-**	425,329

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

(a) Construction contract (Cont'd)

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.

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Contract Liabilities				
At 1 January/1 July	**(1,648)**	(58,329)	**(1,648)**	(58,329)
Transfer from the contract assets	**170,945**	-	**-**	-
Performance obligations performed	**32,129,719**	2,206,681	**-**	2,206,681
Amounts billed for unfulfilled performance obligations	**(32,840,212)**	(2,150,000)	**-**	(2,150,000)
	(541,196)	(1,648)	**(1,648)**	(1,648)

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	
	2022 RM	2021 RM
At 1 January/1 July	**901,490**	901,490
Allowance for impairment loss	**-**	-
At 31 December	**901,490**	901,490
Represented by:-		
Contract assets	**901,490**	901,490

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

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks amounting to RM7,830,816 (2021 – RM6,830,816) and RM7,730,816 (2021 – RM6,730,816) 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% (2021 – 2.00% to 3.38%) per annum. The fixed deposits have maturity periods ranging from 1 to 90 (2021 – 1 to 90) days for the Group.

15. CASH AND BANK BALANCES

Included in the cash and bank balances are finance service reserve account and sinking fund account, amounting to RM16,500,018 (2021 – RM10,083,346) of the Group placed with a licensed bank on lien as disclosed in Note 19 to the financial statements.

16. SHARE CAPITAL

	The Group/The Company			
	2022	**2021**	**2022**	**2021**
	Number Of Shares		**RM**	**RM**
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January/1 July	**147,203,425**	144,118,425	**133,435,095**	132,247,370
New shares issued under the employee share option scheme	**200,000**	3,085,000	**159,125**	1,187,725
At 31 December	**147,403,425**	147,203,425	**133,594,220**	133,435,095

(a) 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.

(b) During the current financial year, the Company had issued 200,000 (2021 - 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 RM77,000 (2021 - RM1,187,725).

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Company.

17. NON-DISTRIBUTABLE RESERVES

Fair Value Adjustment Reserve

	Fair value adjustment reserve RM	Total reserves RM
The Group		
At 1 January 2022	**1,551**	**1,551**
Net fair value change on investments designated at fair value through other comprehensive income	**842**	**842**
At 31 December 2022	**2,393**	**2,393**

	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

17. NON-DISTRIBUTABLE RESERVES (Cont'd)

Fair Value Adjustment Reserve (Cont'd)

	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	-

The nature of other reserves are as follows:-

17.1 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.

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 year 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%.

(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.

17. NON-DISTRIBUTABLE RESERVES (Cont'd)

Employee Share Option Reserve (Cont'd)

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 Jan 2022 '000***	***Granted '000***	***Exercised '000***	***Lapsed '000***	***Forfeited '000***	**At 31 December 2022 '000**
16 August 2021	0.385	4 Years	***15,490***	**-**	***(200)***	***(1,050)***	**-**	***14,240***

The options which lapsed during the financial year were due to the resignations of employees.

			<------------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***	***Lapsed '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 2022 was 14,240,000 (2021 - 15,490,000) and have an exercise price of RM0.385 and a weighted average contractual life of 4 (2021 - 5) years.

In the last 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 year 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:-

Fair value of share options at the grant date (RM)	0.025
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

18. LEASE LIABILITIES

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January/1 July	**4,530,548**	5,369,537	**4,325,202**	5,180,739
Addition	**-**	119,454	**-**	-
Interest expense recognised in profit or loss	**289,132**	516,518	**277,804**	494,463
Changes due to lease modifications	**(26,240)**	-	**-**	-
Repayment of principal	**(654,088)**	(958,443)	**(622,196)**	(855,537)
Repayment of interest expense	**(289,132)**	(516,518)	**(277,804)**	(494,463)
At 31 December	**3,850,220**	4,530,548	**3,703,006**	4,325,202
Analysed by:-				
Current liabilities	**710,864**	699,320	**667,175**	622,196
Non-current liabilities	**3,139,356**	3,831,228	**3,035,831**	3,703,006
	3,850,220	4,530,548	**3,703,006**	4,325,202

19. BORROWINGS

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Hire purchase liabilities (Note 20)	**735,107**	875,357	**-**	-
Current				
Term loan (i)	**20,503,250**	20,060,547	**20,503,250**	20,060,547
Term loan (ii)	**43,663,544**	41,105,400	**43,663,544**	41,105,400
Term loan (iii)	**523,901,553**	565,060,818	**-**	-
Bank overdrafts	**9,886,779**	9,651,658	**-**	-
Hire purchase liabilities (Note 20)	**191,404**	204,192	**-**	-
Ijarah facility	**29,251,818**	31,818,584	**-**	-
Revolving credit	**115,017,229**	106,731,737	**115,017,229**	106,731,737
	742,415,577	774,632,936	**179,184,023**	167,897,684
Total borrowings:-				
Term loans	**588,068,347**	626,226,765	**64,166,794**	61,165,947
Bank overdrafts	**9,886,779**	9,651,658	**-**	-
Hire purchase liabilities (Note 20)	**926,511**	1,079,549	**-**	-
Ijarah facility	**29,251,818**	31,818,584	**-**	-
Revolving credit	**115,017,229**	106,731,737	**115,017,229**	106,731,737
	743,150,684	775,508,293	**179,184,023**	167,897,684

19. BORROWINGS (Cont'd)

(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 (2021 – 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..

(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.

19. BORROWINGS (Cont'd)

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

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 2022.

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. However, the standstill agreement had been further extended up until 23 March 2024.

(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 third party second legal charge under Sarawak Land Code over a leasehold mixed development vacant land located at Lot 462, Block 15, Salak Land District, Kuching, Sarawak ("Land 1"), pending consent from caveator; and
(vi) a third party first legal charge under Sarawak Land Code over a leasehold mixed development 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	
	2022 %	**2021 %**	**2022 %**	**2021 %**
Term loans	**6.29 - 7.00**	5.54 - 7.00	**6.50 - 7.00**	5.55 - 7.00
Bank overdrafts	**7.50**	6.50	**-**	-
Ijarah facility	**7.14**	7.14	**-**	-
Revolving credit	**6.65 - 7.25**	6.65 - 7.25	**6.65 - 7.25**	6.65 - 7.25

20. HIRE PURCHASE LIABILITIES

	The Group	
	2022 RM	2021 RM
Minimum hire purchase payments:		
- not later than 1 year	**296,434**	315,705
- later than 1 year and not later than 5 years	**876,377**	1,085,634
	1,172,811	1,401,339
Less: Future finance charges	**(246,300)**	(321,790)
Present value of hire purchase liabilities	**926,511**	1,079,549
Analysed by:-		
Current liabilities	**191,404**	204,192
Non-current liabilities	**735,107**	875,357
	926,511	1,079,549

(a) The hire purchase liabilities of the Group are secured by the specific debenture over five units of tower cranes and 1st party first legal charge over an apartment owned by Zecon Berhad.

(b) The hire purchase liabilities of the Group at the end of the reporting period bore effective interest at rate of 2.30% to 8.70% (2021 - 2.30% to 8.70%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Other payables				
Third parties	**40,666,889**	47,906,418	**-**	-
Current				
Trade payables				
Third parties	**87,927,103**	212,305,920	**12,355,364**	13,676,648
Retention payables	**11,502,830**	10,491,981	**1,869,296**	2,596,223
Amount owing to subsidiaries	**-**	-	**13,104,913**	16,869,796
	99,429,933	222,797,901	**27,329,573**	33,142,667
Other payables				
Deposits	**143,122**	155,159	**47,082**	124,082
Third parties and accruals	**164,632,338**	140,564,075	**21,410,904**	14,060,689
Amount owing to subsidiaries	**-**	-	**1,116,891**	15,323,003
Amount owing to directors	**13,720,333**	15,644,380	**12,154,344**	11,129,599
Amount owing to directors of subsidiaries	**697,573**	760,644	**637,807**	760,644
	179,193,366	157,124,258	**35,367,028**	41,398,017
Total current trade and other payables	**278,623,299**	379,922,159	**62,696,601**	74,540,684
Grand total trade and other payables	**319,290,188**	427,828,577	**62,696,601**	74,540,684

(a) Current trade payables from third parties normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2021 – 30 to 90 days).

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

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

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

(e) Included in non-current and current other payables was an amount owing to third parties amounting to RM166,797,061 (2021 – RM154,630,179) which is charged interest at 8% (2021 – 8%) per annum.

22. DEFERRED TAX LIABILITIES

	The Group	
	2022 RM	**2021 RM**
At 1 January/1 July	**75,828,744**	52,835,217
Recognised in profit or loss (Note 29)	**11,685**	22,993,527
At 31 December	**75,840,429**	75,828,744

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 RM62,955 (2021 – RM51,270), fair value gain on investment properties of RM28,795,716 (2021 – RM28,795,716), revenue from concession not subject to tax of RM50,518,134 (2021 – RM50,518,134) and unused tax losses recognised amounted to RM3,536,376 (2021 - RM3,536,376).

At the end of the reporting period, the other deferred tax assets are not recognised due to uncertainty of their realisation.

23. REVENUE

	The Group		The Company	
	2022 RM	**Period from 1.7.2020 to 31.12.2021 RM**	**2022 RM**	**Period from 1.7.2020 to 31.12.2021 RM**
Revenue from Contracts with Customers				
Revenue recognised over time				
Construction contracts	**32,129,716**	510,715,372	**-**	2,206,681
Hotel management services	**230,158**	-	**-**	-
Service concession construction contracts	**-**	69,397,352	**-**	-
Rendering of assets management services	**49,694,238**	49,425,428	**-**	-
Rendering of construction and utility services	**940,351**	3,019,950	**-**	-
Rendering of parking services	**134,866**	-	**-**	-
	83,129,329	632,558,102	**-**	2,206,681
Revenue from Other Sources				
Dividend income	**-**	-	**-**	9,000,000
Others	**78,611**	67,615	**-**	-
	78,611	67,615	**-**	9,000,000
	83,207,940	632,625,717	**-**	11,206,681

24. COST OF SALES

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Asset management services cost	**10,781,262**	9,303,116	**-**	-
Construction costs	**45,455,673**	512,375,381	**9,520,502**	747,007
Hotel management cost	**276,947**	-	**-**	-
Parking services cost	**32,633**	-	**-**	-
Service concession cost	**-**	76,744,624	**-**	-
Others	**244,341**	1,639,335	**-**	-
	56,790,856	600,062,456	**9,520,502**	747,007

25. OTHER INCOME

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Accretion of fair value on non-current trade receivables	**67,513,733**	98,172,269	**-**	-
Discount received	**37,065**	15,229	**190**	5,368
Dividend received	**3,350**	870	**-**	-
Fair value gain on investment properties	**-**	4,075,240	**-**	-
Unrealised gain on foreign currency translation	**-**	1,345	**-**	-
Gain on disposal of construction materials	**143,467**	-	**143,467**	-
Gain on disposal of property, plant and equipment	**419,273**	669,722	**305,993**	346,193
Gain on modification of leases	**6,903**	-	**-**	-
Interest income:				
- fixed deposits with licensed banks	**1,349**	178,753	**-**	174,343
- others	**4,860**	478,249	**2,786**	476,811
Lease income	**212,100**	428,803	**203,700**	393,703
Others	**861,334**	556,718	**200,030**	304,672
Surcharge on penalty	**-**	4,351,995	**-**	-
Reimbursement of expenses written off in prior years	**-**	18,180,000	**-**	-
Overprovision of contract and development cost	**-**	11,244,157	**-**	9,766,093
Share of profit from project	**-**	-	**1,728,395**	-
Wage subsidy income	**-**	313,800	**-**	246,000
Waiver of trade and other payables	**2,770,842**	206,474	**-**	39,605
	71,974,276	138,873,624	**2,584,561**	11,752,788

26. FINANCE COSTS

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Interest expenses on:-				
Bank borrowings	**43,960,933**	68,682,864	**12,029,038**	15,900,151
Bank interest	**43,782**	146,518	**41,275**	143,958
Bank overdraft interest	**608,245**	602,521	**-**	-
Hire purchase interest	**68,083**	86,533	**-**	82
Lease liabilities interest	**289,132**	516,518	**277,804**	494,463
Trade and other payables	**3,717,012**	7,129,641	**-**	-
	48,687,187	77,164,595	**12,348,117**	16,538,654

27. NET IMPAIRMENT (GAINS)/LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Allowance for impairment losses:				
- trade receivables (Note 12(e))	**5,503**	26,458,141	**-**	25,383,077
- other receivables (Note 12(e))	**-**	5,425	**-**	-
- amount owing by subsidiaries (Note 12(e))	**-**	-	**1,829,083**	7,136,895
- contract assets (Note 13(a))	**-**	525,329	**-**	425,329
Reversal of impairment losses:				
- trade receivables (Note 12(e))	**(151,316)**	(4,050)	**-**	-
- other receivables (Note 12(e))	**-**	(83,764)	**-**	(83,764)
	(145,813)	26,901,081	**1,829,083**	32,861,537

28. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Profit/(Loss) before taxation is arrived at after charging:-				
Allowance for impairment losses on:				
- investment in subsidiaries	**-**	-	**-**	500,000
Auditors' remuneration:				
- current financial year/period	**384,200**	430,700	**200,000**	250,000
- underprovision in the previous financial period/year	**-**	47,500	**-**	55,000
Bad debts written off:				
- trade receivables	**15,956**	16,019	**-**	-
- other receivables	**5,558**	10,220	**2,358**	4,826
- amount owing by subsidiaries	**-**	-	**-**	7,437
Depreciation:				
- property, plant and equipment	**668,536**	2,139,156	**133,463**	261,828
- right-of-use assets	**736,512**	1,158,292	**701,055**	1,051,583
Directors' fee (Note 33)	**159,600**	217,800	**159,600**	217,800
Directors' non-fee emoluments (Note 33)	**3,643,313**	6,272,925	**1,800,210**	2,602,853
Inventories written down	**-**	2,878,287	**-**	-
Fair value loss on other investment	**-**	220,213	**-**	220,213
Loss on disposal of other investment	**-**	171,225	**-**	251,045
Loss on unrealised foreign exchange	**2,599**	-	**-**	-
Management fees	**600**	2,060	**600**	2,060
Lease expenses:				
- short-term leases	**33,308**	71,765	**27,308**	28,105
- low-value assets	**91,150**	102,857	**32,660**	67,490
Preliminary expenses	**-**	6,058	**-**	-
Staff costs:				
- salaries, bonuses and allowances	**10,016,736**	13,885,734	**3,255,432**	5,108,562
- E.P.F. contribution	**1,159,464**	1,515,927	**436,943**	610,405
- SOCSO contribution	**96,572**	97,723	**30,030**	36,813
- Staff Employment Insurance Scheme	**7,667**	4,781	**953**	4,963
- Human resources development fund	**39,665**	-	**39,665**	-
- Share options to employees	**438,125**	-	**-**	-

29. INCOME TAX EXPENSE

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Income tax:				
- Malaysian tax	**319,180**	552,578	**-**	-
- Underprovision in the previous financial period/year	**31,179**	19,175	**-**	-
- Real property gains tax	**-**	10,460	**-**	10,460
	350,359	582,213	**-**	10,460
Deferred taxation (Note 22):				
- Relating to origination and reversal of temporary differences	**11,685**	22,993,527	**-**	-
	362,044	23,575,740	**-**	10,460

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	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Profit/(Loss) before taxation	**22,457,899**	40,749,130	**(30,151,794)**	(42,626,694)
Tax at the statutory tax rate of 24% (2021 - 24%)	**5,389,896**	9,779,791	**(7,236,431)**	(10,230,407)
Tax effects of:-				
Non-deductible expenses	**3,363,574**	4,323,699	**168,253**	89,564
Income not subject to tax	**(16,220,240)**	(1,224,743)	**-**	-
Deferred tax liability related to fair value gain on investment properties	**-**	407,522	**-**	-
Utilisation of previously unutilised business losses and unabsorbed capital allowances	**(190,600)**	(6,397)	**-**	-
Deferred tax assets not recognised on unabsorbed capital allowances and business losses	**7,988,235**	10,266,233	**7,068,178**	10,140,843
Real Property Gains Tax	**-**	10,460	**-**	10,460
Underprovision of income tax in the previous financial period/year	**31,179**	19,175	**-**	-
Income tax expense for the financial year/period	**362,044**	23,575,740	**-**	10,460

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021 – 24%) of the estimated assessable profit for the period.

30. EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2022	**2021**
Loss attributable to owners of the Company (RM)	**(4,150,188)**	(17,507,148)
Weighted average number of ordinary shares in issue	**145,060,624**	144,340,115
Basic earnings per share (Sen)	**(2.86)**	(12.13)

(b) Diluted earnings per share

For the diluted earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group at reporting date is ESOS.

For the ESOS granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit for the financial year for the ESOS calculation.

	The Group	
	2022	**2021**
Loss attributable to owners of the Company (RM)	**(4,150,188)**	(17,507,148)
Weighted average number of ordinary shares in issue	**145,060,624**	144,340,115
Assumed shares issued from the exercise of ESOS	**14,240,000**	15,490,000
Weighted average number of ordinary shares in issue	**159,300,624**	159,830,115
Diluted earnings per share (Sen)	**(2.61)**	(10.95)

31. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 6)	**820,704**	1,027,566	**104,955**	95,884
Right-of-use assets				
Cost of right-of-use				
asset acquired (Note 9)	**-**	119,454	**-**	-
Less: Additions of new lease liabilities (Note 31(b))	**-**	(119,454)	**-**	-
	-	-	**-**	-

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31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Term loans RM	Hire purchase liabilities RM	Ijarah facility RM	Revolving credit RM	Lease liabilities RM	Total RM
The Group						
2022						
At 1 January	626,226,765	1,079,549	31,818,584	106,731,737	4,530,548	770,387,183
Change in Financing Cash Flows						
Modification of leases (Note 18)	-	-	-	-	(26,240)	(26,240)
Repayment of borrowing principal	(41,159,265)	(153,038)	(1,875,000)	-	(654,088)	(43,841,391)
Repayment of borrowing interest	(31,581,360)	(68,083)	(1,785,000)	-	(289,132)	(33,723,575)
	(72,740,625)	(221,121)	(3,660,000)	-	(969,460)	(77,591,206)
Non-Cash Changes						
Interest expense recognised in profit or loss	34,582,207	68,083	1,093,234	8,285,492	289,132	44,318,148
At 31 December	588,068,347	926,511	29,251,818	115,017,229	3,850,220	737,114,125

31. **CASH FLOW INFORMATION (Cont'd)**

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Term loans RM	Hire purchase liabilities RM	Ijarah facility RM	Revolving credit RM	Lease liabilities RM	Total RM
The Group						
2021						
At 1 July	658,792,364	1,717,538	34,880,125	95,871,618	5,369,537	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)	(637,989)	(3,501,000)	-	(958,443)	(43,933,817)
Repayment of borrowing interest	(52,753,737)	(86,533)	(2,329,115)	-	(516,518)	(55,685,903)
	(87,619,770)	(724,522)	(5,830,115)	-	(1,355,507)	(95,529,914)
Non-Cash Changes						
Interest expense recognised in profit or loss	55,054,171	86,533	2,768,574	10,860,119	516,518	69,285,915
At 31 December	626,226,765	1,079,549	31,818,584	106,731,737	4,530,548	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	Lease liabilities RM	Total RM
The Company				
2022				
At 1 January	61,165,947	106,731,737	4,325,202	172,222,886
Change in Financing Cash Flows				
Repayment of borrowing principal	-	-	(622,196)	(622,196)
Repayment of borrowing interest	(742,699)	-	(277,804)	(1,020,503)
	(742,699)	-	(900,000)	(1,642,699)
Non-Cash Changes				
Interest expense recognised in profit or loss	3,743,546	8,285,492	277,804	12,306,842
At 31 December	64,166,794	115,017,229	3,703,006	182,887,029

31. CASH FLOW INFORMATION (Cont'd)

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Term loans RM	Hire purchase liabilities RM	Revolving credit RM	Lease liabilities RM	Total RM
The Company					
2021					
At 1 July	60,865,513	11,022	95,871,618	5,180,739	161,928,892
Change in Financing Cash Flows					
Repayment of borrowing principal	(2,000,000)	(11,022)	-	(855,537)	(2,866,559)
Repayment of borrowing interest	(2,739,598)	(82)	-	(494,463)	(3,234,143)
	(4,739,598)	(11,104)	-	(1,350,000)	(6,100,702)
Non-Cash Changes					
Interest expense recognised in profit or loss	5,040,032	82	10,860,119	494,463	16,394,696
At 31 December	61,165,947	-	106,731,737	4,325,202	172,222,886

31. CASH FLOW INFORMATION (Cont'd)

(c) The total cash outflows for leases as a lessee are as follows:-

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Payment of short-term leases	**33,308**	71,765	**27,308**	28,105
Payment of low-value assets	**91,150**	102,857	**32,660**	67,490
Interest paid on lease liabilities	**289,132**	516,518	**277,804**	494,463
Payment of lease liabilities	**654,088**	958,443	**622,196**	855,537
	1,067,678	1,649,583	**959,968**	1,445,595

(d) The cash and cash equivalents comprise the followings:-

	The Group		The Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Fixed deposits with licensed banks	**7,893,816**	6,892,467	**7,730,816**	6,730,816
Cash and bank balances	**26,750,049**	27,462,771	**5,584,938**	5,049,220
Bank overdrafts	**(9,886,779)**	(9,651,658)	**-**	-
	24,757,086	24,703,580	**13,315,754**	11,780,036
Less: Fixed deposits pledged to licensed banks	**(7,830,816)**	(6,830,816)	**(7,730,816)**	(6,730,816)
Less: Reserve accounts	**(16,500,018)**	(10,083,346)	**-**	-
Total cash and cash equivalents	**426,252**	7,789,418	**5,584,938**	5,049,220

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.

32. INCORPORATION AND ACQUISITION OF SUBSIDIARIES (Cont'd)

32.1 INCORPORATION OF SUBSIDIARIES (Cont'd)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired at the date of incorporation:-

	The Group 2021 RM	The Company 2021 RM
Cash balance representing net identifiable assets upon incorporated	5,500	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	5,500	1,500
Less: Cash balance of newly incorporated subsidiaries	(5,500)	-
Net cash outflow upon incorporation of subsidiaries	-	(1,500)
Total purchase consideration, to be settled by cash representing net cash outflow upon incorporation of subsidiaries	-	1,500

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 Group/ The Company 2021 RM
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 increase 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 year/period are as follows:-

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
(a) Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	**159,600**	217,800	**159,600**	217,800
- salaries, bonuses and other benefits	**1,570,530**	2,256,156	**1,570,530**	2,256,156
	1,730,130	2,473,956	**1,730,130**	2,473,956
Defined contribution benefits	**229,680**	346,697	**229,680**	346,697
	1,959,810	2,820,653	**1,959,810**	2,820,653
Directors of the Subsidiaries				
Short-term employee benefits:				
- salaries, bonuses and other benefits	**1,819,067**	3,604,150	**-**	-
Defined contribution benefits	**24,036**	65,922	**-**	-
	1,843,103	3,670,072	**-**	-
Total directors' remuneration (Note 28)	**3,802,913**	6,490,725	**1,959,810**	2,820,653
(b) Other Key Management Personnel				
Short-term employee benefits	**1,235,897**	2,153,607	**606,320**	1,501,357
Defined contribution benefits	**137,148**	283,839	**111,204**	238,534
Total compensation for other key management personnel	**1,373,045**	2,437,446	**717,524**	1,739,891

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 year/period:-

	The Group		The Company	
	2022 RM	Period from 1.7.2020 to 31.12.2021 RM	2022 RM	Period from 1.7.2020 to 31.12.2021 RM
Dividend received:				
- Zecon Construction Services Sdn. Bhd.	**-**	-	**-**	(9,000,000)
Lease payment made to a director:				
- Datuk Haji Zainal Abidin Bin Haji Ahmad	**900,000**	1,350,000	**900,000**	1,350,000

35. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the key management personnel as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their services provided.

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 key management personnel assess the performance of the reportable segments based on their operating profit or loss which is measured differently from those disclosed in the consolidated financial statements. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings, cash and bank balances and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than tax-related assets.

Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

35. OPERATING SEGMENTS (Cont'd)

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets, liabilities and expenses. Income taxes are managed on a group basis and are not allocated to reportable segments.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effect of such inter-segment transactions are eliminated on consolidation.

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35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS

2022	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group RM
Revenue							
External revenue	32,129,716	78,611	-	50,634,589	365,024	-	83,207,940
Inter-segment revenue	-	-	-	3,573,235	34,171	(3,607,406)	-
Total revenue	32,129,716	78,611	-	54,207,824	399,195	(3,607,406)	83,207,940
Results							
Segment (loss)/profit	(22,758,969)	(282,545)	(8,961,945)	101,164,769	84,027	1,899,749	71,145,086
Finance costs	(12,351,550)	-	(3,721,249)	(31,457,534)	(1,157,080)	226	(48,687,187)
(Loss)/Profit before taxation	(35,110,519)	(282,545)	(12,683,194)	69,707,235	(1,073,053)	1,899,975	22,457,899

35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS (Cont'd)

2022	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group RM
Other Information							
Accretion of fair value on non-current trade receivables	-	-	-	(67,513,733)	-	-	(67,513,733)
Allowance for impairment losses on:							
- trade receivables	-	-	-	5,503	-	-	5,503
- amount owing by subsidiaries	1,829,083	-	-	-	71,460	(1,900,543)	-
Depreciation:							
- property, plant and equipment	291,708	2,860	293	220,596	153,079	-	668,536
- right-of-use assets	738,233	-	-	4,684	-	(6,405)	736,512
Gain on disposal of property, plant and equipment	(401,491)	-	-	(87)	(17,695)	-	(419,273)
Loss on unrealised foreign exhange	-	-	2,599	-	-	-	2,599
Reversal of impairment losses:							
- trade receivables	-	-	-	-	(151,316)	-	(151,316)
Interest expenses	12,351,550	-	3,721,249	31,457,534	1,157,080	(226)	48,687,187
Interest income	(2,848)	-	-	(2,878)	(483)	-	(6,209)

35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS (Cont'd)

2022	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group RM
Assets							
Segment assets	**313,495,373**	**50,795,351**	**592,215,311**	**909,620,009**	**24,554,447**	**(305,919,257)**	**1,584,761,234**
Consolidated total assets							**1,584,761,234**
Addition to non-current assets other than financial instruments:-							
Property, plant and equipment	**104,955**	**100,000**	**-**	**310,511**	**305,238**	**-**	**820,704**
Liabilities							
Segment liabilities	**454,391,170**	**60,445,808**	**390,155,659**	**705,441,682**	**75,312,833**	**(509,393,475)**	**1,176,353,677**
Consolidated total liabilities							**1,176,353,677**

35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS (Cont'd)

2021	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group 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	(16,559,164)	-	(7,142,572)	(50,630,947)	(2,836,427)	4,515	(77,164,595)
(Loss)/Profit before taxation	(52,946,870)	(239,820)	(5,286,152)	89,794,108	7,462,384	1,965,480	40,749,130

35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS (Cont'd)

2021	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group RM
Other Information							
Accretion of fair value on non-current trade receivables	-	-	-	(98,172,269)	-	-	(98,172,269)
Depreciation:							
- property, plant and equipment	505,803	7,902	117,437	191,628	1,316,386	-	2,139,156
- right-of-use assets	1,151,794	-	-	234,925	-	(228,427)	1,158,292
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)	(256,503)	-	(669,722)
Impairment losses on:							
- contract assets	425,329	100,000	-	-	-	-	525,329
- other receivables	5,425	-	-	-	-	-	5,425
- trade receivables	25,372,753	187,268	-	882,166	15,954	-	26,458,141
Interest expenses	16,559,164	-	7,142,572	50,630,947	2,836,427	(4,515)	77,164,595
Interest income	(651,157)	-	-	(5,808)	(37)	-	(657,002)
Unrealised gain on foreign currency translation	-	-	(1,345)	-	-	-	(1,345)

35. OPERATING SEGMENTS (Cont'd)

35.1 BUSINESS SEGMENTS (Cont'd)

2021	Construction RM	Property Development RM	Property Holding RM	Service Concession RM	Others RM	Consolidation Adjustments RM	The Group 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
Consolidated total assets							1,705,604,153
Additions to non-current assets other than financial instruments:-							
Property, plant and equipment	95,884	-	-	931,682	-	-	1,027,566
Right-of-use assets	-	-	-	119,454	-	-	119,454
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
Consolidated total liabilities							1,319,808,418

35. OPERATING SEGMENTS (Cont'd)

35.2 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	Revenue		Segment
	2022 RM	**2021 RM**	
Customer #1	32,129,716	508,505,886	Construction
Customer #2	50,634,589	119,991,218	Service concession

36. CAPITAL COMMITMENTS

	The Group	
	2022 RM	**2021 RM**
Construction of property, plant and equipment	**1,330,000**	-

37. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Group		The Company	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Secured				
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries, utilised	**-**	-	**563,897,847**	607,629,391
Legal claims against the subsidiaries and the company	**10,902,536**	3,738,359	**8,987,380**	-

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS

There are five 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.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (Cont'd)

(i) Posco Engineering Co. Ltd. (Cont'd)

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, Defendant's 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.

By a letter dated 20 January 2022, the Plaintiff's solicitors wrote to Defendant's solicitors, counter proposing full and final settlement by requesting Zecon Berhad to pay RM8.22 million, among other things. The proposal was not accepted by the Defendant.

The Defendant's Legal in-house department has on January 2023 emailed to their solicitors seeking their advice on the claims by Plaintiff should the case be time barred since October 2022 has passed.

On 9 January 2023, the Defendant's solicitor has replied that Plaintiff's claims are timed barred if they filed fresh claims. The Defendant's solicitors gave few options to pursue to officially close the case. The Defendant's solicitors advised that Defendant do nothing for the moment and just wait for Plaintiff's to make its move.

(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.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (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 of 5% per annum from 31 October 2016.

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, PT Wijaya Karya (PERSERO) TBK and Wijaya Karya Persero Sdn. Bhd.'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 Zecon Berhad 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, then 13 June 2022, 5 August 2022 and 5 October 2022. The grounds of decision dated 1 October 2021 was released on 6 September 2022.

PT Wijaya Karya (PERSERO) TBK and Wijaya Karya Persero Sdn. Bhd.'s solicitors informed the Court of the winding up proceedings against them and the Court of Appeal fixed case management on 10 November 2022 whereon on that date PT Wijaya Karya (PERSERO) TBK and Wijaya Karya Persero Sdn. Bhd.'s solicitors acting for them had informed the Court that Wijaya Karya Persero Sdn. Bhd. had been wound up and is negotiating for settlement with creditors. The Court of Appeal fixed next hearing date on 19 January 2023. On 19 January 2023, the Court fixed management date on 1 March 2023 after all parties informed the Court that they are applying for sanction for the Official Receiver to continue with the appeal.

(iii) Affin Hwang Investment Bank Berhad with Zecon Berhad and Huang Hong Sdn. Bhd.

(a) Affin Hwang Investment Bank Berhad vs Huang Hong 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.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (Cont'd)

(iii) Affin Hwang Investment Bank Berhad with Zecon Berhad and Huang Hong Sdn. Bhd. (Cont'd)

(a) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd. (Cont'd)

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.

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.

On 18 May 2022, the Federal Court granted the order for Stay of Proceedings for one year from the date of the Standstill Agreement dated 24 September 2021 until 23 September 2023 or full settlement of the outstanding amount due and owing under the Syndicated Facilities (whichever is earlier), with no order as to costs.

On 30 June 2022, the Federal Court fixed case management for e-review on 26 September 2022.

On 26 September 2022, at the Federal Court which hears the application for leave to appeal filed by Affin Hwang Investment Bank Berhad against the Court of Appeal decision to set aside the order of sale of Lot 14 Block 16 Salak Land District in Huang Hong Sdn Bhd's favour, the Federal Court fixed the Plaintiff's application for leave to appeal for hearing tentatively in November 2022.

On 29 September 2022, the Federal Court fixed hearing for the Plaintiff's application for leave to appeal on 14 November 2022 and fixed case management on 31 October 2022.

On 21 October 2022, Huang Hong Sdn Bhd filed Notice of Motion for Stay upon the completion of the Standstill Agreement Extension.

On 31 October 2022, the Federal Court adjourned the Plaintiff's Notice for Leave to Appeal and fixed hearing for the Defendant's Notice of Motion for Stay on 14 November 2022.

On 1 November 2022, the Federal Court via notice fixed the Plaintiff's Notice of Motion for Leave to Appeal for case management on 16 November 2022.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (Cont'd)

(iii) Affin Hwang Investment Bank Berhad with Zecon Berhad and Huang Hong Sdn. Bhd. (Cont'd)

(a) Affin Hwang Investment Bank Berhad vs Huang Hong Sdn. Bhd. (Cont'd)

On 16 November 2022, the Federal Court fixed Plaintiff's and Defendant's Notice of Motion for case management on 6 December 2022 and pending a new hearing date for the Defendant's Notice of Motion.

On 6 December 2022, the Federal Court set Huang Hong's Notice of Motion for Stay for hearing and set the next Court sitting tentatively in March 2023. Court notice will be issued in due course.

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

On 28 March 2023, both parties informed the Appeal Court that there was no objection to the extension of the Standstill Agreement for another year. The Appeal Court maintained the next hearing on 11 April 2023 to be conducted virtually before the full panel of Appeal Court judges.

(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.

On 29 September 2022, at the Court of Appeal which hears the appeal filed by Zecon Berhad against the Summary Judgement granted by the High Court in favour of the Financiers, the Court of Appeal allowed the parties' application for a further date and fixed case management on 16 November 2022 to monitor the status of the case.

On 16 November 2022, both parties informed the Court of Appeal on the 6 months extension of the Standstill Agreement. The Court of Appeal set further case management via e-review on 9 December 2022 to fix hearing dates pending the status of the Standstill Agreement.

On 7 December 2022, the Court of Appeal notified parties that the case management on 9 December 2022 had been vacated and rescheduled to 30 January 2023.

On 30 January 2023, parties requested a further case management date. The Court of Appeal, in view of no formal application of Stay, fixed mention before full panel of Appeal Judges on April 2023 to fix a hearing date and directions. The Court of Appeal also fixed the matter for e-review on 28 March 2023.

On 28 March 2023, the case was fixed for mention on 11 April 2023 by the Deputy Registrar.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (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.

Cross examination of Mr Anthony Kong concluded on 24 May 2022. The 25 May 2022 date was vacated.

On 7 June 2022, the Plaintiff's solicitors informed JKR had sent Zecon Berhad ("ZB") a letter of demand dated 30 May 2022 demanding ZB pays RM87,096,296.12 being Tuntutan Perakuan Kos Penamatan under Clause 65 of the Conditions of Contract. The Plaintiff's solicitors wrote to the AGC by a letter dated 23 June 2022 requesting particulars and supporting documents to support the demand by JKR for the Certificate of Termination Cost.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (Cont'd)

(iv) Zecon Berhad vs Government of Malaysia ("GOM") (Cont'd)

With this new development, the June 2022 and July 2022 hearing dates have been vacated and a case management was held with the Arbitrator on 25 July 2022. Arbitrator issued Order for Directions No. 29 following the case management. Hearing continues on 15 to 17 August 2022, 24 August 2022, 29 August 2022, 30 August 2022 and 8 to 10 November 2022.

Hj. Jamil Jamaludin stood as ZB's second witness on the hearing dates of 15 and 16 August 2022. The 17 August 2022 date was vacated due to the Plaintiff's solicitors wishing to tidy up on certain items and figures in Hj. Jamil's witness statement.

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

Hearing continued on 20 March 2023. Next hearing dates have been fixed on 18 and 19 April 2023.

On 5 April 2023, JKR had withdrawn their claims against Zecon Berhad being the Tuntutan Perakuan Kos Penamatan amounting to RM87,096,296.12.

(v) EKL Metal Sdn Bhd vs. Zecon Berhad

On 3 September 2020, EKL ("Plaintiff's") served Zecon Berhad ("Defendants") a Writ of Summon & Statement of Claim dated 2 September 2020, claiming up to RM11,724,123.68 comprising; RM1,018,248.31 for certified outstanding sum, RM1,159,176 (PC 8 to 10), 2.5% Retention sum of RM281,000.00, RM10,800.00 for unpaid GST, RM2,454,899.37 for special damages and RM6.8 million for breach of the purported Novated Subcontract in undercertifying PC 1- 7 as well as interest and costs.

On 15 September 2020, the Defendant's solicitors filed Memorandum Kehadiran and on 2 October 2020, filed the Defence and Counterclaim.

On 4 November 2020, the Court directed Plaintiff to file Reply to Defense & Counterclaim and parties to complete pre-trial directions by 18 December 2020.

The Plaintiff filed Application to Strike Out Zecon Berhad's counterclaim. Zecon Berhad filed Affidavit In Reply on 14 December 2020 and Court set case management on 5 January 2021.

On 26 January 2021, the Defendant's solicitors filed Defendant's Written Submission and Bundle of Authorities.

The Judge fixed trial on 2 November 2021, 3 November 2021 and 7 January 2022 via Zoom. On 15 October 2021, the Defendant's solicitors submitted the Defendant's Written Submission together with Defendant's Bundle of Authorities. On 20 October 2021, the Defendant's solicitors submitted the Amended List of Witnesses. The Hearing continued on 30 to 31 May 2022 and 1 June 2022.

On 15 July 2022, Zecon Berhad submitted Defendant's Written Submissions (to amend claim due to issuance of Final Account by Sime Darby, with evidence and records), rectification works, Supervision Costs and Liquidated Ascertained Damages with total sum of RM2.145 million.

On 19 July 2022, Zecon Berhad submitted Defendant's Submissions In Reply.

On 26 July 2022, the Court dismissed Zecon Berhad's 2nd Amendment application with cost of RM8,000.

Hearing dates fixed on 19 August 2022, 11 October 2022 and 14 October 2022. On 3 October 2022, the Court vacated hearing on 14 August 2022, the trial for 11 October 2022 will proceed. On 20 October 2022, the Court fixed new trial dates on 25, 29 October 2022 and 2 December 2022.

38. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATIONS (Cont'd)

There are five material litigation cases as follows:- (Cont'd)

(v) EKL Metal Sdn Bhd vs. Zecon Berhad (Cont'd)

The trial has been concluded. Next case management is fixed on 3 January 2023 for parties to prepare the notes of proceedings and agreed facts and issues to be trialled. The judge will then give directions on the filing of submissions.

Written submissions by both parties have been submitted on 13 February 2023 and submissions in reply are to be submitted by both parties on 1 March 2023. Decision yet to finalise as at 10 April 2023.

39. 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.

39.1 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 is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have a material impact on the profit after taxation and equity of the Group and hence, no sensitivity analysis is presented.

(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 in defined 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**	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Effects On Profit/(Loss) After Taxation				
Increase of 100 basis points	**(7,298,750)**	(7,671,432)	**(1,715,621)**	(1,632,766)
Decrease of 100 basis points	**7,298,750**	7,671,432	**1,715,621**	1,632,766

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(a) Market Risk (Cont'd)

(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 a material impact on the profit/(loss) after taxation and equity of the Group and of the Company and hence, no sensitivity analysis is presented.

(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 and derivatives), 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) Maximum 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 addition, 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

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

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.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due.

<u>Trade Receivables and Contract Assets</u>

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.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

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.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial period.

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.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 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)

Allowance for Impairment Losses

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2022				
Not past due	**885,434,915**	**-**	**(765,150)**	**884,669,765**
Past due but less than 1 year	**617,733**	**-**	**(96)**	**617,637**
More than 1 year past due	**53,908,953**	**(1,000,000)**	**(24,068,406)**	**28,840,547**
Credit impaired	**40,118,917**	**(37,006,770)**	**(3,112,147)**	**-**
Trade receivables	**980,080,518**	**(38,006,770)**	**(27,945,799)**	**914,127,949**
Contract assets	**935,850**	**-**	**-**	**935,850**
	981,016,368	**(38,006,770)**	**(27,945,799)**	**915,063,799**
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

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 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)

Allowance for Impairment Losses (Cont'd)

The Company	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2022				
More than 1 year past due	**53,345,376**	**(1,000,000)**	**(24,067,350)**	**28,278,026**
Credit impaired	**4,303,563**	**(4,303,563)**	**-**	**-**
Trade receivables	**57,648,939**	**(5,303,563)**	**(24,067,350)**	**28,278,026**
Contract assets	**15,733**	**-**	**-**	**15,733**
	57,664,672	**(5,303,563)**	**(24,067,350)**	**28,293,759**
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

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 12 and 13 to the financial statements respectively.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Group assesses whether there is a significant increase in credit risk for receivables by comparing the risk of a default as at the reporting date with the risk of default as at the date of initial recognition. The Group considers there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 90 days past due in making a contractual payment.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

The Group uses 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

Category	Definition of Category	Loss Allowance
Performing:	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12-months expected credit losses
Underperforming:	Receivables for which there is a significant increase in credit risk	Lifetime expected credit losses
Not performing:	There is evidence indicating the receivable is credit impaired or more than 90 days past due	Lifetime expected credit losses

The Group measures the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

Loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial period.

Allowance for Impairment Losses

The Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
2022			
Low credit risk	**7,649,972**	**-**	**7,649,972**
Credit impaired	**5,779,356**	**(5,779,356)**	**-**
	13,429,328	**(5,779,356)**	**7,649,972**

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

Allowance for Impairment Losses (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
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

The Company	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
2022			
Low credit risk	**232,475**	**-**	**232,475**
Credit impaired	**2,739,944**	**(2,739,944)**	**-**
	2,972,419	**(2,739,944)**	**232,475**
2021			
Low credit risk	168,982	-	168,982
Credit impaired	2,739,944	(2,739,944)	-
	2,908,926	(2,739,944)	168,982

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing by Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing by Subsidiaries (Non-trade Balances) (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

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.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial period.

Allowance for Impairment Losses

The Company	Gross Amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying Amount RM
2022				
Low credit risk	**169,428,135**	**-**	**-**	**169,428,135**
Significant increase in credit risk	**50,481,315**	**-**	**(914,243)**	**49,567,072**
Credit impaired	**39,885,166**	**-**	**(39,885,166)**	**-**
	259,794,616	**-**	**(40,799,409)**	**218,995,207**
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

The movements in the loss allowances are disclosed in Note 12 to the financial statements.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(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.

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	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2022						
Non-derivative Financial Liabilities						
Trade payables	-	99,429,933	99,429,933	99,429,933	-	-
Other payables and accruals	8.00%	205,299,227	209,964,102	166,259,013	43,705,089	-
Amount owing to directors	-	13,720,333	13,720,333	13,720,333	-	-
Amount owing to directors of subsidiaries	-	697,573	697,573	697,573	-	-
Bank overdrafts	7.50%	9,886,779	10,628,287	10,628,287	-	-
Hire purchase liabilities	2.30% - 8.70%	926,511	1,172,811	296,434	876,377	-
Ijarah facility	7.14%	29,251,818	31,340,398	31,340,398	-	-
Lease liabilities	2.30% - 8.20%	3,850,220	4,617,500	940,000	3,502,500	175,000
Revolving credits	6.65% - 7.25%	115,017,229	123,146,582	123,146,582	-	-
Term loans	6.29% - 7.00%	588,068,347	743,438,501	743,438,501	-	-
		1,066,147,970	1,238,156,020	1,189,897,054	48,083,966	175,000

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 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	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2021						
Non-derivative Financial Liabilities						
Trade payables	-	222,797,901	222,797,901	222,797,901	-	-
Other payables and accruals	8.00%	188,470,493	219,719,738	140,830,987	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	-	-
Bank overdrafts	6.50%	9,651,658	10,279,016	10,279,016	-	-
Lease liabilities	5.54% - 7.00%	4,530,548	5,177,068	1,029,907	3,397,161	750,000
Ijarah facility	7.14%	31,818,584	34,090,431	34,090,431	-	-
Hire purchase liabilities	2.30% - 8.70%	1,079,549	1,401,339	315,705	1,085,634	-
Revolving credits	6.65% - 7.25%	106,731,737	114,176,207	114,176,207	-	-
Term loans	5.54% - 7.00%	626,226,765	821,918,410	821,918,410	-	-
		1,207,712,259	1,445,965,134	1,361,843,588	83,343,770	777,776

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 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	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2022						
Non-derivative Financial Liabilities						
Trade payables	-	14,224,660	14,224,660	14,224,660	-	-
Other payables and accruals	-	21,410,904	21,410,904	21,410,904	-	-
Amount owing to subsidiaries	-	14,221,804	14,221,804	14,221,804	-	-
Amount owing to directors	-	12,154,344	12,154,344	12,154,344	-	-
Amount owing to directors of subsidiaries	-	637,807	637,807	637,807	-	-
Lease liabilities	7.00%	3,703,006	4,350,000	900,000	3,450,000	-
Term loans	6.50% - 7.00%	64,166,794	83,337,509	83,337,509	-	-
Revolving credits	6.65% - 7.25%	115,017,229	122,618,986	122,618,986	-	-
		245,536,548	272,956,014	269,506,014	3,450,000	-

39. FINANCIAL INSTRUMENTS (Cont'd)

39.1 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	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2021						
Non-derivative Financial Liabilities						
Trade payables	-	16,272,871	16,272,871	16,272,871	-	-
Other payables and accruals	-	14,060,689	14,060,689	14,060,689	-	-
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	-	-
Lease liabilities	7.00%	4,325,202	5,250,000	900,000	3,600,000	750,000
Term loans	5.55% - 7.00%	61,165,947	79,505,662	79,505,662	-	-
Revolving credits	6.65% - 7.25%	106,731,737	114,176,207	114,176,207	-	-
		246,639,488	273,348,471	268,998,471	3,600,000	750,000

39. FINANCIAL INSTRUMENTS (Cont'd)

39.2 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 fixed deposits with licensed banks and cash and bank balances. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group and of the Company at the end of the reporting period were as follows:-

	The Group		The Company	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Bank overdrafts	**9,886,779**	9,651,658	**-**	-
Hire purchase liabilities	**926,511**	1,079,549	**-**	-
Ijarah facility	**29,251,818**	31,818,584	**-**	-
Lease liabilities	**3,850,220**	4,530,548	**3,703,006**	4,325,202
Revolving credits	**115,017,229**	106,731,737	**115,017,229**	106,731,737
Term loans	**588,068,347**	626,226,765	**64,166,794**	61,165,947
	747,000,904	780,038,841	**182,887,029**	172,222,886
Less: Fixed deposits with licensed banks	**(7,893,816)**	(6,892,467)	**(7,730,816)**	(6,730,816)
Less: Cash and bank balances	**(26,750,049)**	(27,462,771)	**(5,584,938)**	(5,049,220)
Net debt	**712,357,039**	745,683,603	**169,571,275**	160,442,850
Total equity	**408,407,557**	385,795,735	**36,873,998**	66,510,667
Debt-to-equity ratio	**1.74**	1.93	**4.60**	2.41

There was no change in the Group's approach to capital management during the financial year.

39. FINANCIAL INSTRUMENTS (Cont'd)

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2022		2021	
	The Group RM	The Company RM	The Group RM	The Company RM
Financial Assets				
Designated at Fair Value Through Other Comprehensive Income				
Other investments	**435,260**	**396,508**	434,418	396,508
Amortised Cost				
Trade receivables	**914,127,949**	**28,278,026**	1,036,136,015	34,962,726
Other receivables	**7,649,972**	**232,475**	3,771,963	168,982
Amount owing by subsidiaries	**-**	**218,995,207**	-	243,991,757
Fixed deposits with licensed banks	**7,893,816**	**7,730,816**	6,892,467	6,730,816
Cash and bank balances	**26,750,049**	**5,584,938**	27,462,771	5,049,220
	956,421,786	**260,821,462**	1,074,263,216	290,903,501
Financial Liabilities				
Amortised Cost				
Trade payables	**99,429,933**	**14,224,660**	222,797,901	16,272,871
Other payables and accruals	**205,299,227**	**21,410,904**	188,470,493	14,060,689
Amount owing to subsidiaries	**-**	**14,221,804**	-	32,192,799
Amount owing to directors	**13,720,333**	**12,154,344**	15,644,380	11,129,599
Amount owing to directors of subsidiaries	**697,573**	**637,807**	760,644	760,644
Bank overdrafts	**9,886,779**	**-**	9,651,658	-
Lease liabilities	**3,850,220**	**3,703,006**	4,530,548	4,325,202
Ijarah facility	**29,251,818**	**-**	31,818,584	-
Hire purchase liabilities	**926,511**	**-**	1,079,549	-
Revolving credit	**115,017,229**	**115,017,229**	106,731,737	106,731,737
Term loans	**588,068,347**	**64,166,794**	626,226,765	61,165,947
	1,066,147,970	**245,536,548**	1,207,712,259	246,639,488

39. FINANCIAL INSTRUMENTS (Cont'd)

39.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2022		2021	
	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 recognised in other comprehensive income	**842**	**-**	221,449	261,583
Amortised Cost				
Net gains/(losses) recognised in profit or loss	**67,641,642**	**(1,828,655)**	69,035,279	(32,722,646)
Financial Liabilities				
Amortised Cost				
Net losses recognised in profit or loss	**(45,916,345)**	**(12,348,117)**	(76,958,121)	(16,499,049)

39.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value				
The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total Fair Value RM	Carrying Amount RM
2022					
Financial Asset					
Other investments:					
- quoted shares	**38,752**	**-**	**-**	**38,752**	**38,752**
2021					
Financial Asset					
Other investments:					
- quoted shares	37,910	-	-	37,910	37,910

39. FINANCIAL INSTRUMENTS (Cont'd)

39.5 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.

(ii) There were no transfers between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values above have been determined using the following basis:-

(i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amount as they are repriced to market interest rates on or near the reporting date.

(ii) The fair value of hire purchase liabilities that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments and the fair value is within level 2 of the fair value hierarchy.

40. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

40.1 CESSATION OF SUBSTANTIAL SHAREHOLDER

On 17 May 2022, the second largest shareholders of Zecon Berhad, which is Digital Network Sdn. Bhd. had ceased to be one of the shareholders in the Company by fully disposing its 14,192,975 shares via direct business transaction and open market disposal.

41. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

41.1 TERMINATION OF AGREEMENTS

Zecon Petra Jaya Sdn. Bhd. ("ZPJSB") had entered into a Sales and Purchase Agreement dated 31 October 2013 and Deed of Assignment ("DOA") dated 1 April 2014 with PR1MA Corporation Malaysia ("PR1MA"), ZPJSB had agreed to sell and PR1MA had agreed to purchase a portion of the Parent Land measuring approximately 54.157 acres at the purchase price of RM46,002,038.94 and subject to the terms and conditions therein.

PR1MA and Zecon Land Sdn. Bhd ("ZLSB") had also entered into a Joint Development Agreement ("JDA") dated 1 April 2015 as ZLSB had agreed to be the design and build contractor to carry out and complete the Project.

PR1MA Development Sdn. Bhd. ("PDSB") and ZLSB had executed the Heads of Agreement ("HOA") dated 15.8.2016 to jointly developed the Projects.

ZPJSB and ZLSB had entered into a Mutual Termination Agreement to terminate the Sales and Purchase agreement, DOA, JDA, and HOA with PRIMA and PDSB on 26 January 2023. Under the Mutual Termination Agreement, ZLSB will purchase the Project including the land costs from PRIMA and/or PDSB for a sum of RM53,624,562 (after deducting reimbursement of work done and the remaining sum of the land outstanding sum).

ZLSB will undertakes to pay PDSB the Buyback Sum of RM53,624,562 by paying initial sum of RM2,681,232 upon the execution of the Mutual Termination Agreement and thereafter by making 18 monthly equal installments of RM2,830,185 each.

41. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (Cont'd)

41.1 TERMINATION OF AGREEMENTS (Cont'd)

Upon the execution of the Mutual Termination Agreement, the Sale Agreement, JDA and HOA shall be terminated simultaneously except for the rights or claims expressly preserved under the Mutual Termination Agreement, no party shall have any claims against each other under the Sales and Purchase Agreement, JDA and HOA as the parties agree to mutually release and discharge each other and waive all actions, claims and demands under the Sales Agreement, JDA and HOA.

Further to Zecon Berhad's announcement to Bursa Malaysia dated 30 January 2023 and 3 February 2023, the Mutual Termination Agreement is subject to the shareholders' approval.

41.2 EXTENSION OF THE STANDSTILL AGREEMENT

Zecon Berhad had on 6 April 2023 received a letter from the Facility Agent informing that the Financiers have no objection to the Zecon Berhad's request for the extension of the Standstill Period for another 12 months ending 23 March 2024.

42. COMPARATIVE FIGURES

The Group and the Company had changed its financial year end from 30 June to 31 December effective from the previous reporting period. Consequently, the comparative figures are for the previous 18 months period from 1 July 2020 to 31 December 2021. The current financial statements are for a period of 12 months from 1 January 2022. Due to the change in the financial year end, the amounts presented in the financial statements are not entirely comparable.

ANALYSIS OF SHAREHOLDINGS
AS AT 28 MARCH 2023

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	67	2,666	0.00
100 to 1,000	194	104,285	0.07
1,001 - 10,000	706	3,384,149	2.30
10,001 - 100,000	294	9,231,925	6.26
100,001 to less than 5%	64	63,005,350	42.74
5% and above	3	71,675,050	48.63
TOTAL	**1,328**	**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.	Tan Sri Tommy Bin Bugo @ Hamid Bin Bugo	19,855,275	13.47	1,000,000	0.68
3.	Mentari Hijau Sdn Bhd	12,520,600	8.49	-	-
4.	Datuk Haji Zainal Abidin bin Haji Ahmad	13,426,850	9.11	50,189,475*	34.05
5.	Haji Sazali bin Md Salleh	240,000	0.16	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 (Cont'd)

AS AT 28 MARCH 2023

DIRECTORS' INTERESTS AS AT 28 MARCH 2023

	No. of Shares Held			
	Direct	%	Indirect	%
THE COMPANY				
Datu Haji Hamzah bin Haji Drahman	153,500	0.11	-	-
Datuk Haji Zainal Abidin bin Haji Ahmad	13,426,850	9.11	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	240,000	0.16	12,520,600#	8.49
Haji Jamil bin Haji Jamaludin	150,000	0.10	-	-
Mohammed Noor bin Ahmad	-	-	-	-
Dato Sim Kheng Boon	190,000	0.12	-	-
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	-	-
Sarmax Sdn Bhd Datuk Haji Zainal Abidin bin Haji Ahmad	30,000	30.00	-	-
Saramax Land Sdn Bhd Datuk Haji Zainal Abidin bin Haji Ahmad	49	49.00	-	-

THIRTY (30) LARGEST SHAREHOLDERS AS AT 28 MARCH 2023

	Name of Shareholders	No. of Shares	%
1.	Dawla Capital Sdn Bhd	50,189,475	34.05
2.	Maybank Nominees (Tempatan) Sdn Bhd Tommy bin Bugo @ Hamid bin Bugo	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.	Pui Boon Hean	6,860,000	4.65
5.	Chua Sim Neo @ Diana Chua	6,658,900	4.52
6.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tommy bin Bugo @ Hamid bin Bugo	5,762,300	3.91
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zainal Abidin bin Ahmad	4,960,675	3.37
8.	Mentari Hijau Sdn Bhd	4,428,000	3.00
9.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Pui Cheng Wui	4,240,800	2.88

ANALYSIS OF SHAREHOLDINGS (Cont'd)

AS AT 28 MARCH 2023

THIRTY (30) LARGEST SHAREHOLDERS AS AT 28 MARCH 2023 (Cont'd)

	Name of Shareholders	No. of Shares	%
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zainal Abidin bin Ahmad	3,791,450	2.57
11.	Zainal Abidin Bin Ahmad	3,093,400	2.10
12.	Zainal Abidin Bin Ahmad	1,491,700	1.01
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wong Su Kong	1,328,400	0.90
14.	Maybank Nominees (Tempatan) Sdn Bhd Wee Song Ching	1,207,400	0.82
15.	Lim Li Hui	1,106,400	0.75
16.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rewi Hamid Bugo	1,000,000	0.68
17.	Zainurin Bin Ahmad	1,000,000	0.68
18.	Wong Yoke Fong @ Wong Nyok Fing	832,700	0.56
19.	Mohd Shokri Bin Abd Rahman	830,200	0.56
20.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Foong Lai Khuan	714,000	0.48
21.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Secutities Account for Tommy Bin Bugo @ Hamid Bin Bugo	700,000	0.47
22.	Ng Chee Kok	690,800	0.47
23.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Secutities Account for Hamni Bin Juni	627,800	0.43
24.	Wong Yoke Fong @ Wong Nyok Fing	615,000	0.42
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Sie Tong @ Lee Ah Tong	600,000	0.41
26.	Ker Ken Wa	564,000	0.38
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Cher Keam	525,000	0.36
28.	Maimunah Binti Zailani	523,900	0.36
29.	Rashidah Binti Abd Karim	502,100	0.34
30.	Bolhassan Bin Di @ Ahmad Bin Di	500,000	0.34
	TOTAL	**126,829,975**	**86.05**

LIST OF PROPERTIES

	Location	Area (approximately more or less)	Tenure	Description	Year of Acquisition	Existing Use	Net Book Value/ Fair Value 31 Dec 2022 (RM)
1.	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
2.	Lot 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
3.	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 & Residental Development	10,668,535
4.	Lot 2260 & 2003, Block 233 Kuching North Land District Kuching, Sarawak	3.21 acre	Leasehold (60 years), Mixed Zone Land, Expiring in Year 2048 & 2057	Leasehold Land	1988 & 1997	Investment property	7,998,000
5.	Crown Land, Lot No. 10049, 16th 3/4 Miles, Simanggang Road, Kuching Town Land District, Kuching, Sarawak	9.57 acre	Leasehold (99 years), Mixed Zone Land, Expiring in Year 2054	Leasehold Land	1991	Vacant Land	406,024
6.	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	97,761
7.	Parcel No. 10A Lot 264 of Block 2, Jalan Salak District Kuching, Sarawak	155.4 sq metre	Strata Title	Apartment	2006	Vacant	295,500
8.	Parcel No.2A-11-2, 11th Floor Plaza Sentral KL Building No.Block 2A, Lot 78, Section 70, Kuala Lumpur	361.7 sq metre	Strata Title	Office Suite	2006	Office Premise	1,154,523
9.	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
10.	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
11.	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
12.	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-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh (37th) Annual General Meeting ("AGM") of Zecon Berhad ("Zecon" or "the Company") will be held at Meeting Room, Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Monday, 29 May 2023 at 12.00 noon for the following purposes:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon.	(See Note 1)
2.	To approve the payment of Directors' fees of RM159,600.00 for the financial year ended 31 December 2022.	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 RM800,000.00 for the period from 30 May 2023 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) Datuk Haji Zainal Abidin bin Haji Ahmad	Resolution 3
	(ii) Haji Jamil bin Haji Jamaludin	Resolution 4
	(iii) Haji Sazali bin Md Salleh	Resolution 5
5.	To re-elect Dato Sim Kheng Boon who retire 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 ensuing 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) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, without first offer to holders of existing issued shares of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% 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. 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: 28 April 2023

Notes:-

Appointment of Proxy

i) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 22 May 2023 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 two (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.

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) 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 thereof.

NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING (Cont'd)

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS

i) Audited Financial Statements for the Financial Year Ended 31 December 2022

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 3-5 Re-election of Retiring Directors

For the purpose of determining the eligibility of the Directors to stand for re-election at the 37th AGM, the Board through its Remuneration & Nomination Committee had evaluated Datuk Haji Zainal Abidin bin Haji Ahmad, Haji Jamil bin Haji Jamaludin and Haji Sazali bin Md Salleh (collectively "the Retiring Directors"), 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 discharging 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.

Please refer to the Directors' Profile section for more details of the Retiring Directors.

iii) Ordinary Resolution 8: Authority to Issue Shares pursuant to Sections 75 and 76 of the Act

The proposed Ordinary Resolution 8, if passed, will empower the Directors to issue shares from time to time provided that the aggregate nominal value of the shares to be issued during the preceding twelve (12) months does not exceed 10% of the total number of issued shares of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This mandate unless revoked or varied at a general meeting will expire at the next AGM.

The 10% 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-Sixth AGM held on 26 May 2022 and which will lapse at the conclusion of the 37th AGM.

In accordance with Article 65 of the Company's Constitution, the passing of the Ordinary Resolution No. 8 shall be taken as the members' agreement for the new shares of the Company to be issued to such persons as the Director may deem fit without first offer to holders of existing shares.

iv) Statement Accompanying Notice of 37th AGM pursuant to Paragraph 8.27(2) of the MMLR

The Director who is standing for election at the 37th AGM is Dato Sim Kheng Boon. His details is set out in the Directors' Biodata on page 32 of this Annual Report and his shareholdings in the Company is set out in the Directors' Shareholdings on page 163 of this Annual Report.

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-Seventh (37th) Annual General Meeting of the Company to be held at the Meeting Room, Ground Floor, Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, 93400 Kuching, Sarawak on Monday, 29 May 2023 at 12.00 noon and any adjournment thereof.

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 Datuk Haji Zainal Abidin bin Haji Ahmad as Director.		
4.	To re-elect Haji Jamil bin Haji Jamaludin as Director.		
5.	To re-elect Haji Sazali bin Md Salleh as Director.		
6.	To re-elect Dato Sim Kheng Boon 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.		

Please indicate with an "X" in the appropriate spaces on 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 or abstain from voting.

Dated this ______________ day of __________ , 2023

____
Signature/Common Seal of Shareholder

Notes:

i) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 22 May 2023 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.

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 thereof.

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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