

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2020**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/6/2020 RM'000	PRECEDING YEAR QUARTER 30/6/2019 RM'000	CURRENT FINANCIAL YEAR 30/6/2020 RM'000	PRECEDING FINANCIAL YEAR 30/6/2019 RM'000
Revenue	44,526	383,193	44,526	383,193
Cost of sales (N1)	(42,858)	(376,089)	(42,858)	(376,089)
Gross profit	1,668	7,104	1,668	7,104
Other income (N2)	1,206	231	1,206	231
Other expenses (N3)	(139)	(31)	(139)	(31)
Administrative expenses (N4)	(515)	(1,154)	(515)	(1,154)
Profit from operations	2,220	6,150	2,220	6,150
Share of results of associates	(306)	7,970	(306)	7,970
Profit before interest and tax	1,914	14,120	1,914	14,120
Finance cost	(41,019)	(3,049)	(41,019)	(3,049)
(Loss)/Profit before tax	(39,105)	11,071	(39,105)	11,071
Taxation	(96)	(1,095)	(96)	(1,095)
(Loss)/Profit for the period	(39,201)	9,976	(39,201)	9,976
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income	(39,201)	9,976	(39,201)	9,976
(Loss)/Profit for the period attributable to:				
Owners of the Company	(30,891)	9,226	(30,891)	9,226
Non-controlling Interests	(8,310)	750	(8,310)	750
	(39,201)	9,976	(39,201)	9,976
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(30,891)	9,226	(30,891)	9,226
Non-controlling Interests	(8,310)	750	(8,310)	750
	(39,201)	9,976	(39,201)	9,976
(Loss)/Earnings per share				
attributable to Owners of the Company :				
- Basic (sen)	(2.37)	0.92	(2.37)	0.92
- Diluted (sen)	(2.37)	0.92	(2.37)	0.92

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(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(cont'd)**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/6/2020 RM'000	PRECEDING YEAR QUARTER 30/6/2019 RM'000	CURRENT FINANCIAL YEAR 30/6/2020 RM'000	PRECEDING FINANCIAL YEAR 30/6/2019 RM'000
Notes: (Refer to B1 "Review of Performance" for more information)				
N1) Included in Cost of Sales				
- Amortisation of infrastructure development expenditure	(635)	-	(635)	-
- Depreciation	(22)	-	(22)	-
N2) Included in Other Income				
- Interest income	255	71	255	71
- Distribution income	375	92	375	92
- Fair value gain on other investments	-	42	-	42
- Others	576	26	576	26
	<u>1,206</u>	<u>231</u>	<u>1,206</u>	<u>231</u>
N3) Included in Other Expenses				
- Depreciation	(75)	(31)	(75)	(31)
- Fair value loss on other investments	(64)	-	(64)	-
	<u>(139)</u>	<u>(31)</u>	<u>(139)</u>	<u>(31)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	AS AT	AS AT
	30/6/2020	31/03/2020
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,112	3,260
Goodwill on consolidation	5,369	5,369
Infrastructure development expenditure	4,648,392	4,547,715
Investment in associates	200,904	201,210
Deferred tax asset	20,310	20,310
Total Non-Current Assets	4,878,087	4,777,864
Current Assets		
Trade and other receivables	27,890	33,319
Tax recoverable	765	604
Other investments	39,729	53,218
Deposits placed with licenced banks	693,020	717,946
Cash and bank balances	27,687	30,752
Total Current Assets	789,091	835,839
TOTAL ASSETS	<u>5,667,178</u>	<u>5,613,703</u>
EQUITY AND LIABILITIES		
Share capital	1,119,011	1,113,583
Redeemable Convertible Preference Shares ("RCPS")	325,829	330,325
Warrant reserve	90,246	90,246
Accumulated losses	(410,637)	(379,746)
Attributable to Owners of the Company	1,124,449	1,154,408
Non-controlling interests	16,326	24,636
Total Equity	1,140,775	1,179,044
Non-current Liabilities		
Loans and borrowings	3,145,099	3,128,508
Deferred income	748,529	748,635
Deferred taxation	24,392	24,296
Other payables	236,372	214,193
Total Non-Current Liabilities	4,154,392	4,115,632
Current Liabilities		
Trade and other payables	371,949	318,962
Loans and borrowings	30	32
Tax payable	32	33
Total Current Liabilities	372,011	319,027
TOTAL LIABILITIES	4,526,403	4,434,659
EQUITY AND LIABILITIES	<u>5,667,178</u>	<u>5,613,703</u>
Net assets per share attributable to Owners of the Company (RM)	<u>0.8518</u>	<u>0.8902</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	RCPS	Warrants Reserve	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000			
Current financial period							
At 1 April 2020	1,113,583	330,325	90,246	(379,746)	1,154,408	24,636	1,179,044
Total comprehensive loss	-	-	-	(30,891)	(30,891)	(8,310)	(39,201)
Transactions with owners:							
Conversion of RCPS	5,428	(4,496)	-	-	932	-	932
At 30 June 2020	<u>1,119,011</u>	<u>325,829</u>	<u>90,246</u>	<u>(410,637)</u>	<u>1,124,449</u>	<u>16,326</u>	<u>1,140,775</u>
Preceding financial year							
At 1 April 2019	1,045,081	-	-	(344,824)	700,257	41,946	742,203
Total comprehensive income	-	-	-	(34,922)	(34,922)	(17,310)	(52,232)
Transactions with owners:							
Rights issue of RCPS with warrants	-	391,067	90,246	-	481,313	-	481,313
Transaction costs of RCPS issuance	-	(4,000)	-	-	(4,000)	-	(4,000)
Conversion of RCPS	68,502	(56,742)	-	-	11,760	-	11,760
Total transactions with owners	<u>68,502</u>	<u>330,325</u>	<u>90,246</u>	<u>-</u>	<u>489,073</u>	<u>-</u>	<u>489,073</u>
At 31 March 2020	<u>1,113,583</u>	<u>330,325</u>	<u>90,246</u>	<u>(379,746)</u>	<u>1,154,408</u>	<u>24,636</u>	<u>1,179,044</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 month ended 30/6/2020 RM'000	3 month ended 30/6/2019 RM'000
OPERATING ACTIVITIES:		
(Loss)/Profit before taxation:	(39,105)	11,071
Adjustments for :		
Share of results of associates	306	(7,970)
Amortisation of infrastructure development expenditure	635	-
Amortisation of deferred income	(106)	-
Depreciation of property, plant and equipment	97	31
Distribution income from other investments	(375)	(92)
Fair value (loss)/gain on other investments	64	(42)
Profit arising from IC Interpretation 12		
Service Concession Arrangements	(399)	(4,687)
Interest income	(255)	(71)
Interest expense	41,019	3,049
Operating cash flows before changes in working capital	1,881	1,289
Changes in Working Capital:		
Receivables	5,170	65,364
Payables	69	(42,822)
Net cash flows from operations	7,120	23,831
Income tax paid	(162)	(48)
Net cash flows from operating activities	6,958	23,783

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(cont'd)

	3 month ended 30/6/2020 RM'000	3 month ended 30/6/2019 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1)	(646)
Infrastructure development expenditure	(68,404)	(352,177)
Proceeds from other investments	13,800	10,924
Changes in associate balances	(1)	(34)
Placement of fixed deposits	35,388	(43,560)
Interest received	255	71
Net cash flows used in investing activities	<u>(18,963)</u>	<u>(385,422)</u>
FINANCING ACTIVITIES		
Drawdown of government support loan	-	219,000
Drawdown of term loan	15,373	41,123
Interest paid	(697)	(3,049)
Proceeds from conversion of RCPS into share capital	932	-
Amount owing to a corporate shareholder	3,794	-
Amount owing to a jointly controlled entity	-	6,980
Net cash flows from financing activities	<u>19,402</u>	<u>264,054</u>
Net change in cash and cash equivalents	7,397	(97,585)
Cash and cash equivalents at beginning of financial period	516,241	745,575
Cash and cash equivalents at end of financial period	<u>523,638</u>	<u>647,990</u>

Note :

Cash and cash equivalents at the end of the financial period comprise of :

Cash and bank balances	27,687	5,345
Fixed deposits with licensed banks	693,020	861,764
Less: Deposits with maturity of more than 3 months	(197,069)	(219,119)
	<u>523,638</u>	<u>647,990</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The unaudited interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the unaudited interim financial statements.

These explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2020.

A2. Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2020, except for the adoption of the following:

Amendments to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments to MFRSs does not have any material impact on the financial statements of the Group upon their initial application.

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items that have material effects on the financial statements in the current quarter.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

A5. Material Changes in Estimates

There were no material changes in estimates that have a material effect in the current year quarter and current financial year.

A6. Debt and Equity Securities

In the quarter under review, the Company increased its:

- (i) share capital from RM1,113,582,629.27 to RM1,119,010,619.53 by way of conversion of 23,295,550 RCPS together with cash payment of RM0.04 each RCPS into 23,295,550 new shares.

There were no other issuances, cancellations, repurchases, resale and repayments of debt or equity securities in the current quarter.

A7. Dividend

No dividend has been paid in the current financial year.

A8. Segmental Results

Segmental results are included in Note B1.

A9. Material Subsequent Events

There were no material events subsequent to the financial period ended 30 June 2020.

A10. Changes in the Composition of the Group

There were no material changes in the composition of the Group in the current year quarter and financial year.

A11. Contingent Liabilities

There were no contingent liabilities at the end of this quarter and as at the date of this report.

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(The figures have not been audited)

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. Review of Performance****(a) Segmental Information**

	Current quarter				Cumulative quarter			
	30/6/2020	30/6/2019	Changes		30/6/2020	30/6/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<u>Segmental Revenue</u>								
Toll concession	44,526	382,368	(337,842)	-88%	44,526	382,368	(337,842)	-88%
Investment holding, management services and others *	-	825	(825)	100%	-	825	(825)	100%
	<u>44,526</u>	<u>383,193</u>	<u>(338,667)</u>	<u>-88%</u>	<u>44,526</u>	<u>383,193</u>	<u>(338,667)</u>	<u>-88%</u>
<u>(Loss)/Profit before tax</u>								
Toll concession	(38,212)	4,834	(43,046)	-890%	(38,212)	4,834	(43,046)	-890%
Investment holding, management services and others *	(893)	6,237	(7,130)	-114%	(893)	6,237	(7,130)	-114%
	<u>(39,105)</u>	<u>11,071</u>	<u>(50,176)</u>	<u>-453%</u>	<u>(39,105)</u>	<u>11,071</u>	<u>(50,176)</u>	<u>-453%</u>

* includes share of results of associates, including results of Radiant Pillar Sdn Bhd, a company involved in property development.

(b) Overall Results Commentary:**For the quarter:**

The Group recorded revenue of RM44.5 million in the current quarter compared to RM383.2 million in the preceding year quarter. The lower IC12 construction revenue recognised for the WCE Project in the current quarter was mainly due to a lower rate of construction activity upon the completion of Sections 5, 8, 9 and 10 (i.e. 4 out of 11 sections) of the Project. In addition, all construction activities were temporarily halted with the implementation of the Movement Control Order (“MCO”) by the Government to curb the COVID-19 pandemic.

The Group recorded a loss before tax of RM39.1 million in the current quarter compared to a profit before tax of RM11.1 million in the preceding year quarter. During the current quarter, the loss before tax mainly arises from the recognition of interest expense of RM40.3 million in respect of the financing cost for sections which are complete and open for traffic. The Group also recorded a share of loss from associates of RM0.3 million in the current quarter as opposed to a share of profit of RM8.0 million in the preceding year quarter. This is mainly due to the temporary halt in construction activities in the Bandar Rimbau development as a result of the implementation of the MCO by the Government.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B2. Comparison with Immediate Preceding Quarter's Results

The Group recorded lower revenue of RM44.5 million in the current quarter compared to RM121.5 million recorded in the immediate preceding quarter due to the implementation of the MCO by the Government on 18 March 2020. Construction activities were temporary stopped during the MCO and the traffic volumes on the opened sections recorded a substantial decrease.

The Group recorded a loss before tax of RM39.1 million in the current quarter compared to RM23.8 million in the immediate preceding quarter. The Group recorded higher loss before tax of RM39.1 million during the current quarter mainly arising from the recognition of interest expense of RM40.3 million in respect of the financing cost for completed sections which are opened for traffic. The Group also recorded a share of loss from associates of RM0.3 million in the current quarter as opposed to a share of profit of RM9.9 million in the preceding year quarter. This is mainly due to the temporary halt in construction activities in the Bandar Rimbayu development as a result of the implementation of the MCO by the Government.

B3. Prospects

Following the COVID-19 pandemic, the Government of Malaysia implemented a nationwide Movement Control Order ("MCO") effective from 18 March 2020. This had a severe impact on most businesses including the WCE Project. Construction activities on the uncompleted sections were temporarily stopped and traffic volumes on the opened sections recorded a substantial decrease.

With the implementation of the Conditional Movement Control Order ("CMCO") on 4 May 2020, the construction works have restarted with strict adherence to COVID-19 Standard Operating Procedures ("SOP") and Protocols. Traffic volume in the opened sections have also returned to the pre-MCO levels.

(a) Toll concession

The WCE Project involves the development of a 233 kilometres tolled highway from Banting, Selangor to Taiping, Perak (including 40 kilometres of highway to be constructed later). The WCE Project is a build-operate-transfer project with a concession period of up to a maximum of 60 years. The WCE Project is divided into 11 sections of which Section 8 (Hutan Melintang - Teluk Intan) opened for traffic on 31 May 2019 followed by Sections 9 (Kampung Lekir - Changkat Cermin) and 10 (Changkat Cermin - Beruas) on 23 September 2019. On 10 December 2019, Section 5 (Bandar Bukit Raja to Kapar) was also opened for traffic. To-date, a total of 4 out of 11 sections have been opened for traffic and commenced tolling.

To ensure the successful completion of the WCE Project, WCESB assembled a project management team to undertake the WCE Project and the appointment of IJMC-KEB Joint Venture as the Turnkey/Engineering and Procurement Contractor for the construction of the WCE Project has allowed our Group to leverage on the manpower, skills and technical resources of IJM, which has a proven track record in undertaking projects of this nature.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B3. Prospects (Cont'd)

(a) Toll concession (Cont'd)

The toll concession segment has reported a loss before tax in the current quarter mainly due to interest expense incurred in relation to the project financing for completed sections of the WCE Project. In accordance with MFRS 123, an entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. The interest expense was capitalised as part of the infrastructure development expenditure prior to the completion of the construction works. Upon the completion of sectional construction, the interest expense for these sections will be charged to statement of profit or loss. Following the gazette for tolling for Section 8, 9 and 10, West Coast Expressway Sdn Bhd has commenced tolling with effect on 30 January 2020 and correspondingly, the amortisation of infrastructure expenditure was charged to statement of profit or loss.

Going forward, the Group is expected to incur losses in the early years of toll operations due to the cessation of capitalisation of interest expenses for completed sections and the non-cash expenditure in respect of the amortisation of infrastructure development expenditure. Nevertheless, the commencement of toll operations of the West Coast Expressway is expected to improve the future financial performance of the Group in terms of cash flows and is expected to provide the Group a stable recurrent income over the concession period.

(b) Property development

The property market is expected to remain challenging despite improving consumer sentiments. The key issues of price affordability, the overhang of high priced properties, rising costs of living, tight financing and economic impact of COVID-19 continues to have a dampening effect.

Nonetheless, Bandar Rimbayu is expected to maintain its performance for the coming financial year on the back of the unbilled sales and satisfactory response from new launches.

B4. Profit Forecast and Guarantee

No profit forecast or guarantee was issued in respect of the current financial year.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B5. Taxation

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Quarter 30/6/2019 RM'000	Current Year To-date 30/6/2020 RM'000	Preceding Year To-date 30/6/2019 RM'000
<u>Deferred Tax</u>				
Current year	96	1,095	96	1,095
Total	<u>96</u>	<u>1,095</u>	<u>96</u>	<u>1,095</u>

The effective tax rate for the current quarter is lower than the statutory tax rate due mainly to certain non-taxable income items.

B6. Status of Corporate Proposals

(a) Status of corporate proposals announced but not completed

All corporate proposals announced have been completed as at the date of this announcement.

(b) Status of utilisation of proceeds

The Company has successfully raised a total of RM481.31 million from the Rights Issue of RCPS with free detachable warrants, which was completed on 25 November 2019. The status of utilisation of proceeds is as follows:-

	Proposed utilisation RM'000	Utilisation as at 30 Jun 2020 RM'000	Balance as at 30 Jun 2020 RM'000	Intended timeframe for utilisation from 30 Jun 2020 RM'000
- Injection as equity, convertible and/ or subordinated advances into WCESB	320,000	(280,247)	39,753	Within 6 months
- Repayment of the Bridging Loan				
- Principal amount	150,000	(150,000)	-	Completed
- Partial settlement of interest incurred	4,000	(4,000)	-	Completed
- General working capital	3,313	(3,313)	-	Completed
- Defray Rights Issue expenses	4,000	(4,000)	-	Completed
	<u>481,313</u>	<u>(441,560)</u>	<u>39,753</u>	

NOTES TO CONDENSED FINANCIAL STATEMENTS

B7. Group Borrowings and Debt Securities

The Group's borrowings which are denominated in Ringgit Malaysia as at 31 March 2020 are as follows:

	RM'000
- secured	2,947,082
- unsecured	198,047
Total borrowings	<u>3,145,129</u>

The Group received a loan from the Malaysian government at an interest rate lower than the prevailing market rate. Using the prevailing market rate, the loan amount is adjusted to its fair value and the difference treated as deferred income.

B8. Off Balance Sheet Risk Financial Instruments

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

B9. Material Litigation – Land Acquisition Claims

On 15 October 2018, 14 December 2018, 28 February 2019, 19 April 2019 and 17 July 2019, West Coast Expressway Sdn Bhd ("WCESB"), a 80%-owned subsidiary of the Company, has filed nine (9) applications amounting to RM28.15 million in aggregate pursuant to Section 38(1) of the Land Acquisition Act 1960 ("Land Acquisition Act") ("Applications") with the land administrator of the Klang District and the Kuala Langat District respectively, requiring the said land administrators to refer WCESB's objection to certain land compensation amounts awarded by them to land owners pursuant to the land acquisition for the WCE Project, to the High Court for determination.

In accordance with Section 38(5) of the Land Acquisition Act, the land administrators are required to refer WCESB's objection to the High Court within six (6) months from the receipt of the Applications. In this regard, WCESB's objection to the land compensation amounts awarded have been fixed for case management at the Shah Alam High Court in August and September 2020.

The Board is of the opinion that WCESB has a fair chance of success in its Applications.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

B10. Dividend

No dividend has been declared for the current and preceding financial year.

B11. Earnings Per Share

Basic

The basic (loss)/earnings per share is calculated as follows :

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 30/6/2020	Preceding Year Quarter 30/6/2019	Current Financial Year 30/6/2020	Preceding Financial Year 30/6/2019
(Loss)/Profit attributable to owners of the company (RM'000)	(30,891)	9,226	(30,891)	9,226
Weighted average number of ordinary shares ('000)	1,301,024	1,002,736	1,301,024	1,002,736
Basic (loss)/earnings per share (sen)	(2.37)	0.92	(2.37)	0.92

Diluted

The diluted earnings per share, assuming full conversion of the warrants, is equal to the basic earnings per share as the outstanding warrants are anti-dilutive due to the average market price of ordinary shares during the period being below the exercise price of the warrants.

B12. Audit Report

The auditors' report of the financial statements for the year ended 31 March 2020 was not subject to any qualification.

B13. Authorisation for Issue

The interim financial reports were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 August 2020.

By order of the Board

Raw Koon Beng
Company Secretary