

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/6/2022 RM'000	PRECEDING YEAR QUARTER 30/6/2021 RM'000	CURRENT FINANCIAL YEAR 30/6/2022 RM'000	PRECEDING FINANCIAL YEAR 30/6/2021 RM'000
Revenue	105,214	181,679	105,214	181,679
Cost of sales (N1)	(97,722)	(179,674)	(97,722)	(179,674)
Gross profit	7,492	2,005	7,492	2,005
Other income (N2)	493	339	493	339
Other expenses (N3)	(34)	(30)	(34)	(30)
Administrative expenses	(1,015)	(736)	(1,015)	(736)
Profit from operations	6,936	1,578	6,936	1,578
Share of results of associates	12,636	5,008	12,636	5,008
Profit before interest and tax	19,572	6,586	19,572	6,586
Finance cost	(40,531)	(42,426)	(40,531)	(42,426)
Loss before tax	(20,959)	(35,840)	(20,959)	(35,840)
Income tax expenses	(245)	(336)	(245)	(336)
Loss for the period	(21,204)	(36,176)	(21,204)	(36,176)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(21,204)	(36,176)	(21,204)	(36,176)
Loss for the period attributable to:				
Owners of the Company	(14,132)	(27,804)	(14,132)	(27,804)
Non-controlling Interests	(7,072)	(8,372)	(7,072)	(8,372)
	(21,204)	(36,176)	(21,204)	(36,176)
Total comprehensive loss attributable to:				
Owners of the Company	(14,132)	(27,804)	(14,132)	(27,804)
Non-controlling Interests	(7,072)	(8,372)	(7,072)	(8,372)
	(21,204)	(36,176)	(21,204)	(36,176)
Loss per share attributable to Owners of the Company :				
- Basic (sen)	(0.47)	(1.43)	(0.47)	(1.43)
- Diluted (sen)	(0.47)	(1.43)	(0.47)	(1.43)

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

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

INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
CURRENT YEAR QUARTER 30/6/2022 RM'000	PRECEDING YEAR QUARTER 30/6/2021 RM'000	CURRENT FINANCIAL YEAR 30/6/2022 RM'000	PRECEDING FINANCIAL YEAR 30/6/2021 RM'000

Notes: (Refer to B1 "Review of Performance" for more information)**N1) Included in Cost of Sales**

- Amortisation of infrastructure development expenditure	(1,748)	(944)	(1,748)	(944)
- Depreciation	(78)	(72)	(78)	(72)

N2) Included in Other Income

- Interest income	33	31	33	31
- Distribution income	14	84	14	84
- Fair value gain on other investments	125	34	125	34
- Amortisation of deferred income	293	152	293	152
- Others	28	38	28	38

N3) Included in Other Expenses

- Depreciation	(34)	(30)	(34)	(30)
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The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial report.

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30/6/2022 RM'000	AUDITED AS AT 31/3/2022 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,513	3,294
Goodwill on consolidation	5,369	5,369
Infrastructure development expenditure	5,774,970	5,642,399
Investment in associates	259,323	246,687
Deferred tax asset	57,764	57,764
Total Non-Current Assets	6,100,939	5,955,513
Current Assets		
Trade and other receivables	15,987	23,866
Contract assets	-	84
Tax recoverable	1,007	257
Other investments	26,400	30,001
Deposits placed with licensed banks	409,154	412,285
Cash and bank balances	5,919	13,070
Total Current Assets	458,467	479,563
TOTAL ASSETS	<u>6,559,406</u>	<u>6,435,076</u>
EQUITY AND LIABILITIES		
Share capital	1,509,087	1,509,087
Warrant reserve	90,246	90,246
Accumulated losses	(601,908)	(587,776)
Attributable to Owners of the Company	997,425	1,011,557
Non-controlling interests	(38,463)	(31,391)
Total Equity	958,962	980,166
Non-current Liabilities		
Loans and borrowings	3,865,288	3,794,947
Deferred income	803,476	793,560
Deferred taxation	69,898	69,654
Other payables	435,396	404,249
Total Non-current Liabilities	5,174,058	5,062,410
Current Liabilities		
Trade and other payables	314,434	289,043
Contract liabilities	14,810	21,492
Provisions	42,188	44,814
Loans and borrowings	48,531	30,686
Tax payable	6,423	6,465
Total Current Liabilities	426,386	392,500
TOTAL LIABILITIES	5,600,444	5,454,910
EQUITY AND LIABILITIES	<u>6,559,406</u>	<u>6,435,076</u>
Net assets per share attributable to Owners of the Company (RM)	<u>0.3338</u>	<u>0.3386</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial report.

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company						
	Share Capital	Redeemable Convertible Preference Shares ("RCPS")	Warrants Reserve	Accumulated Losses	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current financial period</u>							
At 1 April 2022	1,509,087	-	90,246	(587,776)	1,011,557	(31,391)	980,166
Total comprehensive loss:							
Loss for the period	-	-	-	(14,132)	(14,132)	(7,072)	(21,204)
At 30 June 2022	<u>1,509,087</u>	<u>-</u>	<u>90,246</u>	<u>(601,908)</u>	<u>997,425</u>	<u>(38,463)</u>	<u>958,962</u>
<u>Preceding financial year</u>							
At 1 April 2021	1,231,802	232,400	90,246	(472,292)	1,082,156	(3,624)	1,078,532
Total comprehensive loss:							
Loss for the period	-	-	-	(27,804)	(27,804)	(8,372)	(36,176)
Transactions with owners:							
Conversion of RCPS	94,794	(78,521)	-	-	16,273	-	16,273
At 30 June 2021	<u>1,326,596</u>	<u>153,879</u>	<u>90,246</u>	<u>(500,096)</u>	<u>1,070,625</u>	<u>(11,996)</u>	<u>1,058,629</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 2022 and the accompanying explanatory notes attached to the interim financial report.

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 month ended 30/6/2022 RM'000	3 month ended 30/6/2021 RM'000
OPERATING ACTIVITIES:		
Loss before taxation:	(20,959)	(35,840)
Adjustments for :		
Share of results of associates	(12,636)	(5,008)
Amortisation of infrastructure development expenditure	1,748	944
Amortisation of deferred income	(293)	(152)
Depreciation of property, plant and equipment	112	101
Distribution income from other investments	(14)	(84)
Fair value gain on other investments	(125)	(34)
Profit arising from IC Interpretation 12		
Service Concession Arrangements	(1,019)	(1,340)
Reversal of additional cost	(2,626)	-
Interest income	(33)	(31)
Interest expense	40,531	42,426
Operating cash flows before changes in working capital	4,686	982
Changes in Working Capital:		
Contract liabilities	(6,598)	(6,203)
Receivables	3,747	5,092
Payables	21,712	(80,922)
Net cash flows from/(used in) operations	23,547	(81,051)
Income tax paid	(792)	(817)
Net cash flows from/(used in) operating activities	22,755	(81,868)

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 June 2022**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(cont'd)

	3 month ended 30/6/2022 RM'000	3 month ended 30/6/2021 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(348)	(399)
Infrastructure development expenditure	(108,842)	(125,051)
Upliftment of other investments	3,740	6,200
Upliftment/(Placement) of fixed deposits	59,193	(10,067)
Interest received	1,853	3,438
Net cash flows used in investing activities	<u>(44,404)</u>	<u>(125,879)</u>
FINANCING ACTIVITIES		
Drawdown of government support loan	50,000	-
Drawdown of term loan	46,437	39,856
Interest paid	(30,456)	(26,879)
Lease liabilities	(1)	(6)
Proceeds from conversion of RCPS	-	16,273
Issuance of murabahah loan stocks	4,580	6,360
Net cash flows from financing activities	<u>70,560</u>	<u>35,604</u>
Net change in cash and cash equivalents	48,911	(172,143)
Cash and cash equivalents at beginning of financial period	321,636	610,278
Cash and cash equivalents at end of financial period	<u>370,547</u>	<u>438,135</u>

Note :

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

Cash and bank balances	5,919	30,545
Fixed deposits with licensed banks	409,154	617,572
Less: Deposits with maturity of more than 3 months	(44,526)	(209,982)
	<u>370,547</u>	<u>438,135</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2022 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 2022 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 2022.

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 2022, except for the adoption of the following amendments/improvements to MFRSs for the current financial year:-

Amendments/Improvements to MFRSs

MFRSs	Annual Improvements to MFRS Standards 2018 -2020
MFRS 3	Business Combinations
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets

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

NOTES TO CONDENSED FINANCIAL STATEMENTS

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.

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

There were no 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 2022.

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

	<u>Current quarter</u>				<u>Cumulative quarter</u>			
	<u>30/6/2022</u>	<u>30/6/2021</u>	<u>Changes</u>		<u>30/6/2022</u>	<u>30/6/2021</u>	<u>Changes</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
	<u>(Restated)</u>				<u>(Restated)</u>			
<u>Segmental Revenue</u>								
Toll concession	97,964	175,477	(77,513)	-44%	97,964	175,477	(77,513)	-44%
Construction	7,250	6,202	1,048	17%	7,250	6,202	1,048	17%
Investment holding, management services and others *	-	-	-	-	-	-	-	-
	<u>105,214</u>	<u>181,679</u>	<u>(76,465)</u>	<u>-42%</u>	<u>105,214</u>	<u>181,679</u>	<u>(76,465)</u>	<u>-42%</u>
<u>Loss before tax</u>								
Toll concession	(32,179)	(38,966)	6,787	-17%	(32,179)	(38,966)	6,787	-17%
Construction	(203)	25	(228)	-912%	(203)	25	(228)	-912%
Investment holding, management services and others *	11,423	3,101	8,322	268%	11,423	3,101	8,322	268%
	<u>(20,959)</u>	<u>(35,840)</u>	<u>14,881</u>	<u>-42%</u>	<u>(20,959)</u>	<u>(35,840)</u>	<u>14,881</u>	<u>-42%</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 lower revenue of RM105.2 million in the current quarter compared to RM181.7 million in the preceding year quarter. This is mainly due to lower IC 12 construction revenue for the WCE Project of RM98.0 million compared to RM175.5 million in the preceding year quarter. During the current quarter, KEB Builders Sdn Bhd has also recognised construction revenue of RM7.3 million (preceding year quarter: RM6.2 million) in respect of the construction works for the Seri Langat Project and Section 7B of the WCE Project (as defined in Note B3 (c)).

The Group recorded a loss before tax of RM21.0 million in the current quarter compared to RM35.8 million in the preceding year quarter. The loss before tax was mainly due to the recognition of interest expense of RM39.5 million (preceding year quarter: RM41.7 million) in respect of financing cost for completed sections which are opened for traffic. The loss before tax was offset by the share of profit from associates of RM12.6 million. The share of profit from associates of RM12.6 million in the current quarter is higher compared to RM5.0 million in the preceding year quarter where the construction works has been disrupted due to the Enhanced Movement Control Order.

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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 RM105.2 million in the current quarter compared to RM218.9 million recorded in the immediate preceding quarter. During the immediate preceding quarter, higher construction revenue was recorded due to land acquisition cost for Section 7B and higher construction activity upon the lifting of the FMCO in August 2021.

The Group recorded a loss before tax of RM21.0 million in the current quarter compared to RM11.1 million in the immediate preceding quarter. The loss before tax mainly arises from the recognition of interest expense in respect of the financing cost for completed sections which are opened for traffic. However, the loss has been offset by the share of profit from associates of RM12.6 million in the current quarter as compared to RM13.7 million in the immediate preceding quarter.

B3. Prospects

The Group expects an improved economic outlook as Malaysia has begun its transition into the endemic phase of COVID-19 with more relaxed COVID-19 rules and SOPs with effective from 1 April 2022. Traffic volumes of the opened sections have exceeded to pre-MCO levels as movement restrictions were lifted.

(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 (“IJMC-KEB JV”) 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 the statement of profit or loss. Nonetheless, the Group is still expecting a surplus from toll operations before accounting for this interest expense.

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 the 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.

(b) Property development

The property market is expected to remain challenging. 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.

(c) Construction

KEBB Builders Sdn Bhd ("KEBB"), a wholly owned subsidiary of the Company, has entered into a Memorandum of Agreement ("MOA") to undertake, on a design, build and manage basis, the construction works of a proposed access from West Coast Expressway to a mixed development project in Kota Seri Langat. This Proposed Access will be known as the Kota Seri Langat "*Left-In and Left-Out Interchange*" and includes the construction works of a bridge, main drainage, water pipes and associated works for a total consideration of RM126.8 million ("the Seri Langat Project").

KEBB had also accepted a Letter of Award by IJMC-KEB JV on 2 April 2021 to construct and complete Section 7, Part 2 of 2 ("Section 7B") of the WCE Project at a fixed contract sum of RM301 million ("the Contract"). The completion period of the Contract is expected to be 30 months from the construction commencement date. Section 7B is the last section of the Project to be awarded and it is approximately 10km in length from the beginning of the Assam Jawa Interchange towards the Tanjung Karang Interchange.

The Seri Langat Project and the Contract are expected to contribute positively towards the future earnings of WCEHB Group.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B4. Profit Forecast and Guarantee

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

B5. Taxation

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/6/2022 RM'000	Preceding Year Quarter 30/6/2021 RM'000	Current Year To-date 30/6/2022 RM'000	Preceding Year To-date 30/6/2021 RM'000
<u>Deferred Tax</u>				
Current year	245	336	245	336
Total	<u>245</u>	<u>336</u>	<u>245</u>	<u>336</u>

The tax expense for the current quarter and financial year ended 30 June 2022 is from profit recognised at certain subsidiaries. This is despite of the losses being recognised at Group level.

B6. Status of Corporate Proposals

There was no corporate proposal announced and not completed as at the date of this report.

B7. Group Borrowings and Debt Securities

The Group's borrowings which are denominated in Ringgit Malaysia as at 30 June 2022 are as follows:

	RM'000
- secured	3,715,737
- unsecured	198,082
Total borrowings	<u>3,913,819</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.

NOTES TO CONDENSED FINANCIAL STATEMENTS

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.

The High Court has delivered its judgement on all nine (9) applications where a total sum of approximately RM3.5 million of the land compensation awards was successfully reduced.

B10. Dividend

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

B11. Loss Per Share

Basic

The basic loss per share is calculated as follows :

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 30/6/2022	Preceding Year Quarter 30/6/2021 (RESTATED)	Current Financial Year 30/6/2022	Preceding Financial Year 30/6/2021 (RESTATED)
Loss attributable to owners of the company (RM'000)	(14,132)	(27,804)	(14,132)	(27,804)
Weighted average number of ordinary shares ('000)	2,987,707	1,947,481	2,987,707	1,947,481
Basic loss per share (sen)	(0.47)	(1.43)	(0.47)	(1.43)

Diluted

The diluted earnings per share is equivalent to the basic earnings per share. The potential ordinary shares arising from the exercise of warrants have an anti-dilutive effect.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B12. Audit Report

The auditors' report of the financial statements for the year ended 31 March 2022 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 23 August 2022.

By order of the Board

Raw Koon Beng
Company Secretary