

WZ Satu Berhad
(Company no: 666098-X)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 MAY 2018

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		9 Months Ended		Changes	
	31/05/18	31/05/17			31/05/18	31/05/17		
RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	
Revenue	122,937	141,906	(18,969)	-13%	384,933	410,070	(25,137)	-6%
Cost of sales	(111,594)	(118,300)	6,706	-6%	(338,010)	(339,003)	993	0%
Gross profit	11,343	23,606	(12,263)	-52%	46,923	71,067	(24,144)	-34%
Other income	821	2,895	(2,074)	-72%	11,035	6,014	5,021	83%
Operating expenses	(17,220)	(16,134)	(1,086)	7%	(53,014)	(50,137)	(2,877)	6%
(Loss)/Profit from operations	(5,056)	10,367	(15,423)	-149%	4,944	26,944	(22,000)	-82%
Finance costs	(2,337)	(2,201)	(136)	6%	(6,874)	(5,528)	(1,346)	24%
Share of results of associates, net of tax	(893)	2,354	(3,247)	-138%	(4,335)	6,305	(10,640)	-169%
(Loss)/Profit before taxation	(8,286)	10,520	(18,806)	-179%	(6,265)	27,721	(33,986)	-123%
Taxation	855	(2,655)	3,510	-132%	(607)	(5,687)	5,080	-89%
(Loss)/Profit for the period	(7,431)	7,865	(15,296)	-194%	(6,872)	22,034	(28,906)	-131%
Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss:								
Net surplus on revaluation of properties	-	-	-	N/A	-	14,415	(14,415)	-100%
Total comprehensive (expense)/income for the period	(7,431)	7,865	(15,296)	-194%	(6,872)	36,449	(43,321)	-119%
(Loss)/Profit attributable to:								
Owners of the Company	(7,286)	8,026	(15,312)	-191%	(6,568)	21,860	(28,428)	-130%
Non-controlling interests	(145)	(161)	16	-10%	(304)	174	(478)	-275%
(Loss)/Profit for the period	(7,431)	7,865	(15,296)	-194%	(6,872)	22,034	(28,906)	-131%
Total comprehensive (expense)/income attributable to:								
Owners of the Company	(7,286)	8,026	(15,312)	-191%	(6,568)	36,275	(42,843)	-118%
Non-controlling interests	(145)	(161)	16	-10%	(304)	174	(478)	-275%
Total comprehensive (expense)/income for the period	(7,431)	7,865	(15,296)	-194%	(6,872)	36,449	(43,321)	-119%
(Loss)/Earnings per share attributable to Owners of the Company (sen):								
-Basic	(1.57)	2.30	(3.87)	-168%	(1.41)	6.30	(7.71)	-122%
-Diluted	N/A	1.99	N/A	N/A	N/A	5.42	N/A	N/A
Net assets per share (RM)	0.68	0.94	(0.26)	-28%	0.68	0.94	(0.26)	-28%

Note:

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial report.

WZ Satu Berhad
(Company No: 666098-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018

<----- Attributable to Owners of the Company ----->

	Share Capital RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Sub-total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
9 months ended 31 May 2018						
At 1 September 2017	231,660	19,307	80,707	331,674	1,487	333,161
Loss for the period	-	-	(6,568)	(6,568)	(304)	(6,872)
Total comprehensive expense	-	-	(6,568)	(6,568)	(304)	(6,872)
Changes in revaluation reserve	-	(1,747)	1,534	(213)	-	(213)
Issuance (capitalisation) of shares pursuant to bonus issue	922	-	(922)	-	-	-
Dividends paid on shares	-	-	(6,977)	(6,977)	-	(6,977)
At 31 May 2018	232,582	17,560	67,774	317,916	1,183	319,099

WZ Satu Berhad
(Company No: 666098-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018

<----- Attributable to Owners of the Company ----->

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Sub-total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 September 2016	167,934	57,222	5,036	65,458	295,650	1,443	297,093
Profit for the period	-	-	-	21,860	21,860	174	22,034
Gains on revaluation of properties	-	-	14,415	-	14,415	-	14,415
Total comprehensive income	-	-	14,415	21,860	36,275	174	36,449
Changes in revaluation reserve	-	-	(186)	220	34	-	34
Issuance of shares pursuant to exercise of warrants	6,504	-	-	-	6,504	-	6,504
Effects from adoption of no-par-value regime on 31 January 2017	57,222	(57,222)	-	-	-	-	-
Dividend paid on shares	-	-	-	(10,466)	(10,466)	-	(10,466)
At 31 May 2017	231,660	-	19,265	77,072	327,997	1,617	329,614

Note:

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial report.

WZ Satu Berhad
(Company No: 666098-X)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 MAY 2018**

	Unaudited 31/05/18 RM'000	Audited 31/08/17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	89,259	95,802
Goodwill on consolidation	41,024	41,024
Investment in associates	24,252	28,587
Club memberships	205	205
Deferred tax assets	826	-
Total non-current assets	<u>155,566</u>	<u>165,618</u>
Current assets		
Inventories	36,063	28,676
Trade and other receivables	130,562	170,792
Prepayments	3,764	3,175
Amount due from contract customers	191,913	108,682
Tax recoverable	4,033	1,815
Derivative financial assets	50	9
Short term deposits, cash and bank balances	67,262	90,637
Assets of disposal group classified as held for sale	-	26,278
Total current assets	<u>433,647</u>	<u>430,064</u>
TOTAL ASSETS	<u>589,213</u>	<u>595,682</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	232,582	231,660
Reserves	85,334	100,014
	<u>317,916</u>	<u>331,674</u>
Non-controlling interests	1,183	1,487
Total equity	<u>319,099</u>	<u>333,161</u>
Non-current liabilities		
Borrowings	14,211	17,579
Deferred tax liabilities	5,918	5,966
Total non-current liabilities	<u>20,129</u>	<u>23,545</u>
Current liabilities		
Trade and other payables	116,694	108,218
Amount due to contract customers	12,592	10,024
Borrowings	120,278	104,748
Derivative financial liabilities	-	27
Provision for liabilities	24	24
Tax payables	397	-
Liabilities of disposal group classified as held for sale	-	15,935
Total current liabilities	<u>249,985</u>	<u>238,976</u>
TOTAL EQUITY AND LIABILITIES	<u>589,213</u>	<u>595,682</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.68</u>	<u>0.95</u>

Note:

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial report.

WZ Satu Berhad
(Company no: 666098-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018

9 Months Ended	
31/05/18	31/05/17
RM'000	RM'000

Cash Flows From Operating Activities

(Loss)/Profit before taxation	(6,265)	27,721
Adjustments for non-cash items	10,894	4,871
Operating cash flows before changes in working capital	4,629	32,592
Net change in assets	50,832	(53,536)
Net change in liabilities	(73,969)	572
Net cash flows used in operations	(18,508)	(20,372)
Interest paid	(6,607)	(7,569)
Interest received	1,145	2,119
Dividend received	1,500	5,190
Net taxes paid	(3,357)	(4,337)
Net cash used in operating activities	(25,827)	(24,969)

Cash Flows From Investing Activities

Acquisition of subsidiaries, net of cash acquired	(6,694)	-
Investment in an associate	(1,500)	(1,000)
Purchase of plant and equipment	(2,946)	(10,272)
Proceeds from disposal of plant and equipment	174	111
Proceeds from disposal of a subsidiary, net of cash disposed	8,836	-
Net cash used in investing activities	(2,130)	(11,161)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2018 (CONT'D)**

9 Months Ended	
31/05/18	31/05/17
RM'000	RM'000

Cash Flows From Financing Activities

Deposits withdrawn from licensed banks	-	12,480
Dividend paid	(6,977)	(10,466)
Net proceeds from conversion of warrants	-	6,504
Repayment of finance lease liabilities	(7,613)	(4,650)
Drawdown of finance lease	102	-
Drawdown of bank borrowings	21,064	28,497
Net cash generated from financing activities	6,576	32,365
Net change in cash and cash equivalents	(21,381)	(3,765)
Cash and cash equivalents at beginning of the financial period	76,372	103,604
Effect of the exchange rate fluctuations	(45)	493
Cash and cash equivalents at end of the financial period	54,946	100,332

Notes:

- (i) Short term deposits, cash and bank balances

Cash on hand and at banks	67,262	101,907
Deposits with licensed banks	-	271
Cash and bank balances	67,262	102,178
Less: Bank overdrafts	(12,316)	(1,575)
Less: Deposits pledged to licensed banks	-	(271)
Cash and cash equivalents	54,946	100,332

- (ii) The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial report.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

Part A – Explanatory Notes Pursuant to MFRS 134

1 Basis of Preparation

The interim financial statements have been prepared in accordance with the reporting requirements outlined in the Malaysian Financial Reporting Standard (“MFRS”) No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Chapter 9 (Paragraph 9.22) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 August 2017. The explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to the understanding of changes in the financial position and performance of the Group.

2 Accounting Policies

The significant accounting policies and methods of computation adopted by WZ Satu Berhad (“WZ Satu”) in the condensed interim financial statements are consistent with those adopted in the audited consolidated financial statements of WZ Satu for the financial year ended 31 August 2017. The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Interpretations (“IC Int”) that have been issued, but yet to be effective:

	Effective for financial periods beginning on or after
<u>New MFRSs</u>	
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contract	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of MFRSs	1 January 2018
MFRS 2 Share-based Payment	1 January 2018
MFRS 4 Insurance Contracts	1 January 2018
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 128 Investments in Associates and Joint Ventures	1 January 2018/Deferred
MFRS 140 Investment Property	1 January 2018
<u>New IC Int</u>	
IC Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23 Uncertainty over Income Tax Treatment	1 January 2019

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

2 Accounting Policies (cont'd)

The Group will adopt the aforementioned pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

3 Auditors' Report on Preceding Audited Financial Statements

The auditors' report on the preceding year's audited financial statements was not subject to any qualification.

4 Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by seasonal or cyclical factors during the current quarter under review.

5 Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review and/or financial year to date.

6 Changes in Accounting Estimates

There were no changes in accounting estimates that have a material impact on the current quarter and financial year to date results.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

7 Changes in Debts and Equity Securities

a) Share Capital

During the quarter under review, the number of issued ordinary shares of the Company increased from 348,874,195 shares to 465,165,197 shares by way of issuance of 116,291,002 new bonus shares on the basis of 1 bonus share for every 3 existing WZ Satu shares held as at 5.00 p.m. on 16 May 2018. The bonus shares were listed and quoted on the Main Market of Bursa Securities on 17 May 2018.

b) Warrants

In conjunction with the bonus issue, a total of 32,860,154 additional Warrants 2014/2024 arising from the adjustments made in relation to the bonus issue have been issued and the exercise price of the outstanding Warrants 2014/2024 has been revised from RM0.50 to RM0.38. The additional warrants were listed and quoted on the Main Market of Bursa Securities on 17 May 2018. The total number of outstanding warrants is 131,440,908.

Other than the above, there were no debt securities issued, cancelled, repurchased, resold or repaid during the current quarter under review.

8 Dividends Paid

The Company paid the following dividend on 1 March 2018 as follows:

	RM'000
Final dividend paid on 1 March 2018 for the financial year ended 31 August 2017	
- Single tier final dividend of 2.0 sen per ordinary share	<u>6,977</u>

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

9 Segmental Reporting

The Group is principally engaged in the business of civil engineering and construction, oil and gas, mining and manufacturing.

Revenue

	Total	Elimination	External
	RM'000	RM'000	RM'000
Civil engineering and construction	182,293	-	182,293
Oil and gas	134,712	(1,008)	133,704
Manufacturing	48,132	-	48,132
Investment and others	38,734	(17,930)	20,804
Total	403,871	(18,938)	384,933

Results

	RM'000
Civil engineering and construction	990
Oil and gas	(4,942)
Manufacturing	5,576
Investment and others	24,580
Less: elimination	(21,260)
Profit from operations	4,944
Finance cost	(6,874)
Share of results of associates, net of tax	(4,335)
Taxation	(607)
Loss for the period	(6,872)

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment
	<u>Assets</u>
	RM'000
Civil engineering and construction	346,774
Oil and gas	137,299
Manufacturing	88,616
Investment and others	297,364
Less: elimination	(280,840)
Total	<u>589,213</u>

	Segment
	<u>Liabilities</u>
	RM'000
Civil engineering and construction	277,568
Oil and gas	107,645
Manufacturing	35,290
Investment and others	23,481
Less: elimination	(173,870)
Total	<u>270,114</u>

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

10 Loss Before Taxation

	3 Months Ended	9 Months Ended
	31/05/18	31/05/18
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Bad debts written off	398	398
Depreciation for property, plant and equipment	3,125	9,505
Fair value loss on financial assets and liabilities	37	40
Gain on disposal of plant and equipment	22	13
Loss/(Gain) on disposal of a subsidiary	76	(8,698)
Interest expense	2,337	6,874
Interest income	(329)	(1,203)
Net fair value loss on derivatives	(257)	(68)
Plant and equipment written off	70	70
Reversal of impairment loss on receivables	(399)	(454)
Share of results of associates	893	4,335
Unrealised loss on foreign exchange	144	82
	<u>144</u>	<u>82</u>

11 Valuation Of Property

There was no valuation of property, plant and equipment of the Group during the quarter under review.

12 Material Subsequent Event

There is no material subsequent event up to the date of this report.

13 Changes In The Composition Of The Group

On 25 May 2018, the Company completed the acquisition of 500,000 ordinary shares of Cekap Semenanjung Sdn Bhd ("CSSB"), representing 100% equity interest in CSSB from Tan Sri Kong Hon Kong and Kong Yew Foong for a cash consideration of RM7.0 million. Hence, CSSB is now a wholly-owned subsidiary of WZ Satu Berhad.

Fair Value of consideration transferred

	As at
	31/05/2018
	RM'000
Cash consideration	<u>7,000</u>

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

13 Changes In The Composition Of The Group (cont'd)

Fair Value of identifiable assets acquired and liabilities recognised

	As at 31/05/2018 RM'000
Assets	
Plant and equipment	12
Trade and other receivables	1,486
Amount due from contract customers	50,650
Short term deposits, cash and bank balances	306
	<hr/> 52,454 <hr/>
Liabilities	
Trade and other payables	51,997
Tax payable	60
	<hr/> 52,057 <hr/>
Total identifiable net assets acquired	397
Goodwill arising on acquisition	6,603
Fair value of consideration transferred	<hr/> 7,000 <hr/>

Goodwill is reflected as an amount due from contract customers and will be amortised against revenue recognised from project.

Effects of acquisition on cash flows

Net cash outflow arising from the acquisition of subsidiary

	As at 31/05/2018 RM'000
Fair value of consideration transferred/Cash consideration	7,000
Less: Cash and cash equivalents of a subsidiary acquired	(306)
Net cash outflow on acquisition	<hr/> 6,694 <hr/>

Effects of acquisition in the statements of comprehensive income

The results attributable to CSSB in the statements of comprehensive income are as follows:

	Current Year to Date 31/05/2018 RM'000
Revenue	-
Profit/(Loss) for the period	<hr/> - <hr/>

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
 (Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 31 May 2018 were as follows:

	Group	
	31/05/18	31/08/17
	RM'000	RM'000
Guarantees in favour of third parties	104,450	99,457
Guarantees given to financial institutions in respect of credit facilities granted to an associate	8,074	8,214
	<u>112,524</u>	<u>107,671</u>

15 Capital Commitments

The capital commitments as at 31 May 2018 were as follows:

	RM'000
(i) Authorised and contracted for	513
(ii) Authorised and not contracted for	<u>5,585</u>
	<u>6,098</u>

Analysed as follows:

Acquisition of plant and equipment	<u>6,098</u>
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Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE BURSA MALAYSIA
SECURITIES BERHAD’S LISTING REQUIREMENTS

1 Review Of Performance

Current Year Quarter against Preceding Year Corresponding Quarter

	Individual Quarter			
	3 Months Ended		Changes	
	31/05/18	31/05/17		
	RM'000	RM'000	RM'000	%
Revenue	122,937	141,906	(18,969)	-13%
(Loss)/Profit before taxation	(8,286)	10,520	(18,806)	-179%

The Group registered a lower revenue by 13% to RM122.9 million in the current quarter compared to RM141.9 million in the preceding year corresponding quarter. The decrease in Group revenue of RM19.0 million was mainly due to lower revenue from the oil and gas segment and a loss of revenue contribution from Weng Zheng Trading Sdn Bhd ("WZT") in this quarter arising from its disposal in the preceding quarter included under remaining segments.

The Group registered a loss before taxation of RM8.3 million compared to a profit before taxation of RM10.5 million for the preceding year corresponding quarter. The weak result for the current quarter was mainly due to a loss before taxation recorded in 3 key segments of the Group compared to a profit before taxation recorded in the corresponding quarter, respectively. Civil engineering and construction, oil and gas and mining segments registered a loss before taxation of RM4.7 million, RM2.8 million and RM0.8 million, respectively, for the current quarter. This is in comparison to a profit before taxation of RM0.7 million, RM4.1 million and RM2.6 million registered in the corresponding quarter, respectively. Remaining segments registered a break-even result compared to a profit before taxation of RM3.1 million in the comparative quarter.

Current Year-To-Date against Preceding Year Corresponding Year-To-Date

	Cumulative Quarter			
	9 Months Ended		Changes	
	31/05/18	31/05/17		
	RM'000	RM'000	RM'000	%
Revenue	384,933	410,070	(25,137)	-6%
(Loss)/Profit before taxation	(6,265)	27,721	(33,986)	-123%

The Group registered a lower revenue by 6% to RM384.9 million in the current year-to-date compared to RM410.1 million in the preceding year corresponding year-to-date. The decrease in Group revenue by RM25.1 million was mainly due to a lower revenue registered in the civil engineering and construction segment by RM27.1 million.

WZ Satu Berhad

(Company No: 666098-X)

Notes To The Interim Financial Report For the Period Ended 31 May 2018 (Unaudited)

1 Review Of Performance (cont'd)

The Group registered a loss before taxation of RM6.3 million compared to a profit before taxation of RM27.7 million in the preceding year corresponding year-to-date. The weak result for the current year-to-date was mainly due to a loss before taxation recorded in 3 key segments of the Group compared to a profit before taxation recorded in the corresponding year-to-date, respectively. Civil engineering and construction, oil and gas and mining segments registered a loss before taxation of RM4.3 million, RM7.1 million and RM3.5 million, respectively, for the current year-to-date. This is in comparison to a profit before taxation of RM8.6 million, RM8.0 million and RM6.9 million registered in the corresponding year-to-date, respectively. Remaining segments registered a combined profit before taxation of RM8.6 million compared to RM4.2 million in the comparative year-to-date.

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	31/05/18	28/02/18
	RM'000	RM'000
Revenue	122,937	123,836
(Loss)/Profit before taxation	(8,286)	587

The Group registered a marginally lower revenue of RM122.9 million in this quarter compared to a revenue of RM123.8 million in the preceding quarter. The decrease in revenue quarter to quarter was mainly due to a loss of revenue contribution arising from disposal of WZT in the preceding quarter and was offsetted by a higher revenue in the civil engineering and construction segment.

The current quarter registered a loss before taxation of RM8.3 million compared to a profit before taxation of RM0.6 million in the preceding quarter. The current quarter's weak result was mainly due to a loss before taxation of RM4.7 million and RM2.8 million incurred in the civil engineering and construction and oil and gas segments, respectively. The remaining segments registered a combined loss before taxation of RM0.8 million. The comparative quarter result as a whole generated a profit before taxation of RM0.6 million was mainly due to the inclusion of a one-off gain on disposal of WZT amounted to RM8.8 million.

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)**

3 Prospects

Outlook

The key business segments of the Group are civil engineering and construction, oil and gas, manufacturing and bauxite mining.

For civil engineering and construction segment, the Group is actively pursuing various opportunities to improve the segment's contribution in the coming financial year. For the oil and gas segment, the Group is looking into ventures on onshore and downstream long term service contracts; such as maintenance, plant turnaround and plant/facility improvement programmes to generate sustainable jobs, maximise available facilities and resources within the Group.

The current order book of RM963 million will ensure the Group is kept busy for the coming financial year and beyond. However, the uncertainty on commencement date of a project may affect the results of the Group.

For the bauxite mining, the moratorium imposed since January 2016 and the ban on bauxite exports in 2017 are still in force; and will have an impact on the result of the Group.

Impairments and Provisions

In view of the weak results registered in the current financial year in both the civil engineering and construction and oil and gas segments, the Group in consultation with the external auditors will be evaluating the appropriateness of the carrying value of the goodwill amounting to RM41 million - related to both these segments in the coming quarter of this financial year.

The ongoing ban in bauxite mining has resulted in continuing losses. Hence, the Group will be evaluating the extent of write-down of investment in associates in this segment in the coming quarter of this financial year.

The Group will be making the necessary impairments and provisions and is expected to register a one-time write-off in the coming quarter of this financial year.

Cost Reduction and Resource Rationalisation

In view of the challenging times, the Group has started with a cost reduction exercise. This will be followed by right-sizing of the workforce and rationalisation of resources throughout the Group. These measures are expected to reduce the operating overheads meaningfully and better positioning the Group against tough operating conditions in the near future.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

4 Variance Between Actual Profit And Forecast Profit

There is no profit forecast issued by the Group for the current financial year.

5 Taxation

Breakdown of taxation is as follow:

	3 Months Ended	9 Months Ended
	31/05/18	31/05/18
	RM'000	RM'000
Current taxation	111	1,700
Movement in deferred taxation	(962)	(1,089)
Overprovision in real property gains tax	(4)	(4)
	<u>(855)</u>	<u>607</u>

The effective tax rates for the current quarter and year-to-date results were lower/higher than the statutory tax rate due to share of associated companies' results on a net of tax basis and movement in deferred taxation.

6 Status Of Corporate Proposal

There were no corporate proposals announced but not completed as at the date of this report.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
 (Unaudited)

7 Borrowings And Debts Securities

The Group's borrowings are as follows:

	As at	
	31/05/18	31/05/17
	RM'000	RM'000
Current		
<u>Secured</u>		
Finance lease liabilities	5,039	6,565
Floating rate bank loan	560	560
Bank overdrafts	1,168	-
Trade financing	2,246	40,602
<u>Unsecured</u>		
Bank overdrafts	11,148	1,575
Trade financing	100,117	50,357
	<u>120,278</u>	<u>99,659</u>
Non-current		
<u>Secured</u>		
Finance lease liabilities	13,295	20,740
Floating rate bank loan	916	2,596
	<u>14,211</u>	<u>23,336</u>
Total	<u>134,489</u>	<u>122,995</u>

8 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

9 Material Litigation

As at the date of this announcement, there are no other material litigations against or taken by the Group other than the following:

- (a) Arbitration between PT Technic Engineering Sdn Bhd ("PT Technic") ("Claimant") as a sub-contractor to WZS Misi Setia Sdn Bhd (a wholly-owned subsidiary of the Group) ("MISI") for resolution of disputed payments due in relation to a mechanical and piping work project.

PT Technic is claiming for work and additional works completed as well as damages, interest and costs. MISI disputes PT Technic's claims on the basis, amongst others, that such delay was caused by PT Technic's own poor production planning and resources coordination, that certain works form part of the original scope of works as agreed by PT Technic in the Sub-Contract. MISI is also counter-claiming for the deduction in fees payable to Claimant for the loss and damage it suffered in having to expand its own resources from other project worksites to assist the Claimant and engaging other sub-contractors to rectify the Claimant's shortcomings. The solicitors acting for MISI are of the view that MISI has a favourably good case.

The case is currently under arbitration with targeted exchange of written submissions between both counsels representing MISI and Claimant, respectively, and extending a copy to the Arbitrator by end of August 2018. Counsels will then exchange their reply and forward a copy to the Arbitrator by end of even month. The Arbitrator is expected to take 3 months i.e. end of November 2018 to deliver his decision.

With reference to the above dispute and as mentioned in WZ Satu Circular to Shareholders dated 15 September 2014, the Vendors of MISI have jointly and severally and irrevocably undertaken to indemnify and keep MISI and WZ Satu harmless on an after tax basis from and against all claims, fines and losses arising from the above dispute.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

9 Material Litigation (cont'd)

- (b) WZ Satu Berhad ("WZ Satu")
 - (i) Notice of Arbitration by WZS BinaRaya Sdn Bhd ("BinaRaya") against Pembinaan Sahabatjaya Sdn Bhd ("PSSB")
 - (ii) Notice of Adjudication under the Construction Industry Payment & Adjudication Act 2012 ("CIPAA") by BinaRaya against PSSB

BinaRaya, a wholly-owned subsidiary of WZ Satu had on 1 June 2018 issued and served the following notices against PSSB:

- (i) Notice of Arbitration; and
- (ii) Notice of Adjudication under CIPAA.

The aforesaid Notices were issued pursuant to the Notice of Demand dated 23 May 2018 served to PSSB in an amount of RM12,263,330.13 in respect of the disputes and/or differences which have arisen between BinaRaya and PSSB in connection with a Letter of Award dated 9 June 2014 made between BinaRaya and PSSB for Duta Ulu Kelang Expressway (Duke) Phase 2 Project ("the LOA").

On 29 June 2018, BinaRaya received a letter of demand ("LOD") for a total sum of RM37,842,827.70 being liquidated and ascertained damages ("LAD") for delay and additional costs for the rental and preparation of additional casting areas pursuant to the LOA.

On 3 July 2018, BinaRaya through solicitors responded to PSSB's LOD by wholly and categorically denying PSSB's claims for LAD and additional costs. PSSB is not entitled to the above claims as the delay in the project has been caused by PSSB's late and piecemeal handing over the project to BinaRaya. BinaRaya therefore deems that the time for the completion of the project remains at large, which disqualifies PSSB from claiming LAD. In addition, PSSB has failed and/or neglected to provide any evidence of any losses suffered from the alleged delay by BinaRaya.

In addition, PSSB is required to provide BinaRaya with a casting yard for the said project, free of charges. Due to delay caused by PSSB, PSSB is obligated to continue the provision of the casting yard until the actual completion of the project. As such, PSSB is not entitled to claim any costs for alleged rental and preparation of the casting areas.

The aforesaid Arbitration and Adjudication proceedings are not expected to have any material financial and operational impact on WZ Satu for the financial year ending 31 August 2018.

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

10 Dividend

No dividend has been declared during the current quarter under review.

11 Retained Earnings

The breakdown of realised and unrealised retained earnings of the Group are as follows:

	As at	As at
	31/05/18	31/08/17
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	77,275	88,320
- Unrealised	(1,409)	(635)
	<u>75,866</u>	<u>87,685</u>
Associates		
- Realised	19,748	26,006
- Unrealised	(199)	(889)
	<u>19,549</u>	<u>25,117</u>
Less: Consolidation eliminations	(27,641)	(32,095)
Total retained earnings of the Group	<u>67,774</u>	<u>80,707</u>

Notes To The Interim Financial Report
For the Period Ended 31 May 2018
(Unaudited)

12 Loss Per Share

	3 Months Ended	9 Months Ended
	31/05/18	31/05/18
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	<u>(7,286)</u>	<u>(6,568)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>465,165</u>	<u>465,165</u>
Loss per ordinary share (sen)	<u>(1.57)</u>	<u>(1.41)</u>

Diluted loss per share is not presented as the effect is anti-dilutive.

13 Approval For The Release Of Quarterly Results

The quarterly financial results have been approved for release by the Board of Directors.