

WZ Satu Berhad
(Company no: 666098-X)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 AUGUST 2018

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		12 Months Ended		Changes	
	31/08/18	31/08/17			31/08/18	31/08/17		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	116,822	150,378	(33,556)	-22%	501,756	560,448	(58,692)	-10%
Cost of sales	(158,252)	(129,410)	(28,842)	22%	(496,264)	(468,413)	(27,851)	6%
Gross (loss)/profit	(41,430)	20,968	(62,398)	-298%	5,492	92,035	(86,543)	-94%
Other income	29,030	5,021	24,009	478%	40,066	11,035	29,031	263%
Operating expenses	(45,612)	(17,208)	(28,404)	165%	(98,627)	(67,346)	(31,281)	46%
(Loss)/Profit from operations	(58,012)	8,781	(66,793)	-761%	(53,069)	35,724	(88,793)	-249%
Finance costs	(2,418)	(2,215)	(203)	9%	(9,291)	(7,743)	(1,548)	20%
Share of results of associates, net of tax	(15,740)	(1,603)	(14,137)	882%	(20,075)	4,701	(24,776)	-527%
(Loss)/Profit before taxation	(76,170)	4,963	(81,133)	-1635%	(82,435)	32,682	(115,117)	-352%
Taxation	(1,534)	(1,554)	20	-1%	(2,141)	(7,176)	5,035	-70%
(Loss)/Profit for the period/year	(77,704)	3,409	(81,113)	-2379%	(84,576)	25,506	(110,082)	-432%
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/year	(77,704)	3,409	(81,113)	-2379%	(84,576)	39,921	(124,497)	-312%
(Loss)/Profit attributable to:								
Owners of the Company	(77,621)	3,485	(81,106)	-2327%	(84,189)	25,408	(109,597)	-431%
Non-controlling interests	(83)	(76)	(7)	9%	(387)	98	(485)	-495%
(Loss)/Profit for the period/year	(77,704)	3,409	(81,113)	-2379%	(84,576)	25,506	(110,082)	-432%
Total comprehensive (expense)/income attributable to:								
Owners of the Company	(77,621)	3,485	(81,106)	-2327%	(84,189)	39,823	(124,012)	-311%
Non-controlling interests	(83)	(76)	(7)	9%	(387)	98	(485)	-495%
Total comprehensive (expense)/income for the period/year	(77,704)	3,409	(81,113)	-2379%	(84,576)	39,921	(124,497)	-312%
(Loss)/Earnings per share attributable to Owners of the Company (sen):								
-Basic	(16.69)	1.00	(17.69)	-1769%	(18.10)	7.29	(25.39)	-348%
-Diluted	N/A	0.86	N/A	N/A	N/A	6.29	N/A	N/A
Net assets per share (RM)	0.52	0.95	(0.43)	-45%	0.52	0.95	(0.43)	-45%

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 YEAR ENDED 31 AUGUST 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
<u>12 months ended 31 August 2018</u>						
At 1 September 2017	231,660	19,307	80,707	331,674	1,487	333,161
Loss for the year	-	-	(84,189)	(84,189)	(387)	(84,576)
Total comprehensive expense	-	-	(84,189)	(84,189)	(387)	(84,576)
Changes in revaluation reserve	-	(1,796)	1,584	(212)	-	(212)
Issuance/(Capitalisation) of shares pursuant to bonus issue	923	-	(923)	-	-	-
Dividend paid on shares	-	-	(6,977)	(6,977)	-	(6,977)
At 31 August 2018	232,583	17,511	(9,798)	240,296	1,100	241,396

WZ Satu Berhad
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 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
12 months ended 31 August 2017							
At 1 September 2016	167,934	57,222	5,036	65,458	295,650	1,443	297,093
Profit for the year	-	-	-	25,408	25,408	98	25,506
Gains on revaluation of properties	-	-	14,415	-	14,415	-	14,415
Total comprehensive income	-	-	14,415	25,408	39,823	98	39,921
Changes in revaluation reserve	-	-	(144)	253	109	-	109
Subscription of shares in subsidiary	-	-	-	54	54	(54)	-
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)	-	-	-	-	-
Dividends paid on shares	-	-	-	(10,466)	(10,466)	-	(10,466)
At 31 August 2017	231,660	-	19,307	80,707	331,674	1,487	333,161

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 AUGUST 2018**

	Unaudited	Audited
	31/08/18	31/08/17
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	86,901	95,802
Goodwill on consolidation	15,900	41,024
Investment in associates	10,512	28,587
Club memberships	205	205
Total non-current assets	<u>113,518</u>	<u>165,618</u>
Current assets		
Inventories	32,550	28,676
Trade and other receivables	167,844	170,792
Prepayments	2,884	3,175
Amount due from contract customers	141,542	108,682
Tax recoverable	4,357	1,815
Derivative financial assets	3	9
Short term deposits, cash and bank balances	66,623	90,637
Assets of disposal group classified as held for sale	-	26,278
Total current assets	<u>415,803</u>	<u>430,064</u>
TOTAL ASSETS	<u>529,321</u>	<u>595,682</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	232,583	231,660
Reserves	7,713	100,014
	<u>240,296</u>	<u>331,674</u>
Non-controlling interests	1,100	1,487
Total equity	<u>241,396</u>	<u>333,161</u>
Non-current liabilities		
Borrowings	10,583	17,579
Deferred tax liabilities	6,163	5,966
Total non-current liabilities	<u>16,746</u>	<u>23,545</u>
Current liabilities		
Trade and other payables	128,077	108,218
Amount due to contract customers	11,953	10,024
Borrowings	131,149	104,748
Derivative financial liabilities	-	27
Provision for liabilities	-	24
Liabilities of disposal group classified as held for sale	-	15,935
Total current liabilities	<u>271,179</u>	<u>238,976</u>
TOTAL EQUITY AND LIABILITIES	<u>529,321</u>	<u>595,682</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.52</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 YEAR ENDED 31 AUGUST 2018

12 Months Ended	
31/08/18	31/08/17
RM'000	RM'000

Cash Flows From Operating Activities

(Loss)/Profit before taxation	(82,435)	32,682
Adjustments for non-cash items	57,148	5,367
Operating cash flows before changes in working capital	(25,287)	38,049
Net change in assets	68,008	(92,103)
Net change in liabilities	(63,311)	21,415
Net cash flows used in operations	(20,590)	(32,639)
Interest paid	(8,886)	(8,100)
Interest received	1,510	2,663
Dividend received	1,500	5,190
Net taxes paid	(4,541)	(6,730)
Net cash used in operating activities	(31,007)	(39,616)

Cash Flows From Investing Activities

Acquisition of subsidiaries, net of cash acquired	(6,694)	-
Advance to an associate company	-	(1,482)
Investment in an associate	(3,500)	(1,000)
Purchase of property, plant and equipment	(3,744)	(12,716)
Proceeds from disposal of plant and equipment	249	202
Proceeds from disposal of a subsidiary, net of cash disposed	8,836	-
Net cash used in investing activities	(4,853)	(14,996)

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

12 Months Ended	
31/08/18	31/08/17
RM'000	RM'000

Cash Flows From Financing Activities

Deposits withdrawn from licensed banks	-	12,751
Dividend paid	(6,977)	(10,466)
Net proceeds from conversion of warrants	-	6,504
Repayment of finance lease liabilities	(9,240)	(7,163)
Drawdown of finance lease	102	1,838
Drawdown of bank borrowings	28,672	23,429
Net cash generated from financing activities	12,557	26,893
Net change in cash and cash equivalents	(23,303)	(27,719)
Cash and cash equivalents at beginning of the financial year	76,372	103,604
Effect of the exchange rate fluctuations	(19)	487
Cash and cash equivalents at end of the financial year	53,050	76,372

Notes:

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

Cash on hand and at banks	36,623	90,637
Deposits with licensed banks	30,000	-
Cash and bank balances	66,623	90,637
Less: Bank overdrafts	(13,573)	(14,265)
Cash and cash equivalents	53,050	76,372

- (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 Year Ended 31 August 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 Year Ended 31 August 2018
(Unaudited)

2 Accounting Policies (cont'd)

The Group will adopt the aforementioned pronouncements when they become effective in the respective financial periods. The impact of these pronouncements upon their initial application are currently still being assessed by the Group.

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.

7 Changes in Debts and Equity Securities

There were no debt and equity securities issued, cancelled, repurchased, resold or repaid during the current quarter under review.

8 Dividends Paid

There was no dividend paid during the current quarter under review.

Notes To The Interim Financial Report
For the Year Ended 31 August 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	282,012	-	282,012
Oil and gas	134,225	1,008	133,217
Manufacturing	64,242	-	64,242
Investment and others	40,782	18,497	22,285
Total	521,261	19,505	501,756

Results

	RM'000
Civil engineering and construction	(12,386)
Oil and gas	(50,166)
Manufacturing	7,184
Investment and others	51,527
Less: elimination	(49,228)
Loss from operations	<u>(53,069)</u>
Finance cost	(9,291)
Share of results of associates, net of tax	(20,075)
Taxation	(2,141)
Loss for the year	<u>(84,576)</u>

Notes To The Interim Financial Report
For the Year Ended 31 August 2018
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment
	<u>Assets</u>
	RM'000
Civil engineering and construction	338,338
Oil and gas	80,538
Manufacturing	88,376
Investment and others	323,506
Less: elimination	(301,437)
Total	<u>529,321</u>

	Segment
	<u>Liabilities</u>
	RM'000
Civil engineering and construction	280,756
Oil and gas	97,037
Manufacturing	34,149
Investment and others	23,225
Less: elimination	(147,242)
Total	<u>287,925</u>

Notes To The Interim Financial Report
For the Year Ended 31 August 2018
(Unaudited)

10 (Loss)/Profit Before Taxation

	3 Months Ended	12 Months Ended
	31/08/18	31/08/18
	RM'000	RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
Impairment of goodwill	25,124	25,124
(Reversal of)/Bad debts written off	(95)	303
Depreciation for property, plant and equipment	3,097	12,602
Fair value gain on financial assets and liabilities	(65)	(25)
Gain on disposal of plant and equipment	(16)	(3)
Gain on disposal of a subsidiary	-	(8,698)
Impairment loss on receivables	33	33
Interest expense	2,418	9,291
Interest income	(328)	(1,531)
Net fair value loss/(gain) on derivatives	47	(21)
Plant and equipment written off	-	70
Reversal of provision for liabilities and charges	(24)	(24)
Reversal of impairment loss on receivables	393	(61)
Share of results of associates	15,740	20,075
Unrealised (gain)/loss on foreign exchange	<u>(69)</u>	<u>13</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

There were no changes in the composition of the Group during the quarter under review.

Notes To The Interim Financial Report
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(Unaudited)

14 Changes In Contingent Liabilities And Assets

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

	Group	
	31/08/18	31/08/17
	RM'000	RM'000
Guarantees in favour of third parties	104,051	99,457
Guarantees given to financial institutions in respect of credit facilities granted to an associate	4,992	8,214
	<u>109,043</u>	<u>107,671</u>

15 Capital Commitments

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

	RM'000
(i) Authorised and contracted for	758
(ii) Authorised and not contracted for	<u>5,517</u>
	<u>6,275</u>

Analysed as follows:

Acquisition of plant and equipment	<u>6,275</u>
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**Notes To The Interim Financial Report
For the Year Ended 31 August 2018
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**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	
	31/08/18	31/08/17	RM'000	%
Revenue	116,822	150,378	(33,556)	-22%
(Loss)/Profit before taxation	(76,170)	4,963	(81,133)	-1635%

The Group registered a lower revenue of RM116.8 million in the current quarter compared to RM150.4 million in the preceding year corresponding quarter. The decrease in Group revenue of RM33.6 million was mainly due to lower revenue from the oil and gas segment. The Group registered a loss before taxation of RM76.2 million compared to a profit before taxation of RM5.0 million for the preceding year corresponding quarter. The weak result for the current quarter was mainly due to losses before taxation of RM46.0 million, RM17.1 million and RM15.6 million registered in the oil and gas, civil engineering and construction and mining segments, respectively.

The losses registered in the oil and gas and civil engineering and construction segments were due to cost overruns arising from project disputes. The oil and gas and civil engineering and construction segments had incurred losses in the Refinery and Petrochemical Integrated Development ("RAPID") project at Pengerang, Johor and West Coast Expressway, Section 9 in the state of Perak, respectively. The Group is currently in negotiations with its respective clients for amicable resolutions which are likely to have a significant positive impact on Group results, pertaining to the two projects mentioned above.

Loss registered in the mining segment was mainly due to prudence in the impairment of mining assets amounted to RM14.4 million. The impairment arose from prolonged uncertainty in the lifting of the bauxite mining moratorium and export ban. Should the bauxite mining moratorium and export ban be lifted by the Government after the end of the current moratorium on 31 December 2018, the Group expects a write-back of these impairments.

The Group had impaired goodwill amounted to RM25.1 million in accordance with MFRS 136. However, the Group recognised profit guarantees from vendors of WZS BinaRaya Sdn Bhd and WZS Misi Setia Sdn Bhd amounted to RM29.0 million for the shortfall in profit guarantees pledged by the vendors.

Impairment of mining assets, goodwill and recognition of profit guarantees were one-off aberrations.

**Notes To The Interim Financial Report
For the Year Ended 31 August 2018
(Unaudited)**

1 Review Of Performance (cont'd)

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

	Cumulative Quarter			
	12 Months Ended		Changes	
	31/08/18	31/08/17		
	RM'000	RM'000		
Revenue	501,756	560,448	(58,692)	-10%
(Loss)/Profit before taxation	(82,435)	32,682	(115,117)	-352%

The Group registered a lower revenue of RM501.8 million in the current year-to-date compared to RM560.4 million in the preceding year corresponding year-to-date. The decrease in Group revenue by RM58.6 million was mainly due to lower revenue registered in the oil and gas segment.

The Group registered a loss before taxation of RM82.4 million compared to a profit before taxation of RM32.7 million in the preceding year corresponding year-to-date. The weak result for the current year-to-date was mainly due to losses before taxation of RM53.1 million, RM21.4 million and RM19.1 million registered in the oil and gas, civil engineering and construction and mining segments, respectively. This was in comparison to profit before taxation of RM12.0 million, RM10.1 million and RM5.7 million registered in the corresponding segments for corresponding year-to-date, respectively. As mentioned above, the reason for the losses in the oil and gas and civil engineering and construction segments were due to project disputes.

Being prudent, the Group impaired bauxite mining assets and goodwill amounted to RM14.4 million and RM25.1 million, respectively. This was offset by recognition of profit guarantees amounted to RM29.0 million from vendors.

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	31/08/18	31/05/18
	RM'000	RM'000
Revenue	116,822	122,937
Loss before taxation	(76,170)	(8,286)

The Group registered a lower revenue of RM116.8 million in this quarter compared to a revenue of RM122.9 million in the preceding quarter. The decrease in revenue quarter to quarter was mainly due to lower revenue from oil and gas segment.

The current quarter registered a loss before taxation of RM76.2 million compared to RM8.3 million in the preceding quarter. The current quarter's weak result was mainly due to losses before taxation of RM46.0 million, RM17.1 million and RM15.6 million registered in the oil and gas, civil engineering and construction and mining segments, respectively. This was in comparison to losses before taxation of RM2.8 million, RM4.7 million and RM0.8 million in the preceding quarter, respectively.

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**Notes To The Interim Financial Report
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(Unaudited)**

3 Prospects

Outlook

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

The Group is actively pursuing various opportunities to improve the segment's contribution in the coming financial year for the civil engineering and construction segment. However, the outlook for this segment greatly depends on the growth of the construction sector of the Malaysian economy.

Moving forward, 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 by maximising available facilities and resources.

The current order book of RM873 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.

Should the bauxite mining moratorium and export ban not be extended beyond 31 December 2018, the Group anticipates this segment to contribute positively.

Cost Reduction and Resource Rationalisation

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

Notes To The Interim Financial Report
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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	12 Months Ended
	31/08/18	31/08/18
	RM'000	RM'000
Current taxation	463	2,163
Movement in deferred taxation	1,071	(18)
Overprovision in real property gains tax	-	(4)
	<u>1,534</u>	<u>2,141</u>

The effective tax rates for the current quarter and year-to-date results were higher than the statutory tax rate due to losses incurred in certain subsidiaries of the Group.

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
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7 Borrowings And Debts Securities

The Group's borrowings are as follows:

	As at	
	31/08/18	31/08/17
	RM'000	RM'000
Current		
<u>Secured</u>		
Finance lease liabilities	6,124	6,402
Floating rate bank loan	1,056	1,820
Trade financing	3,001	2,072
<u>Unsecured</u>		
Bank overdrafts	13,573	14,265
Trade financing	107,395	80,189
	<u>131,149</u>	<u>104,748</u>
Non-current		
<u>Secured</u>		
Finance lease liabilities	10,583	16,663
Floating rate bank loan	-	916
	<u>10,583</u>	<u>17,579</u>
Total	<u>141,732</u>	<u>122,327</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 Year Ended 31 August 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 exchange of written submissions between both counsels representing MISI and Claimant, respectively, and extending a copy to the Arbitrator by end of July 2018. Counsels then exchanged their replies and forwarded a copy to the Arbitrator by end of September 2018. The Arbitrator is expected to take 3 months i.e. end of December 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.

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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

On 12 October 2018, BinaRaya received the Adjudication Decision dated 12 October 2018 ("Decision") issued by the Learned Adjudicator. With this decision, the Learned Adjudicator had decided the Adjudication Proceedings as follows:-

- (i) PSSB shall pay BinaRaya the sum of RM3,409,760.08 only ("Adjudicated Amount") in relation to the Adjudication Claim;
- (ii) PSSB shall pay the Adjudicated Amount on or before 11 November 2018 in the manner of a Banker's Cheque or an equivalent financial instrument;
- (iii) PSSB shall pay BinaRaya's interest at the rate of 5% per annum simple interest from 20 April 2018 until full payment of the Adjudicated Amount; and
- (iv) PSSB shall bear the full costs of the adjudication amounting to RM53,148.86 only, which comprises of Adjudicator Fees, AIAC's Administrative Fees, AIAC Registration Fee, AIAC appointment of Adjudicator Fees and BinaRaya's cost of reference.

The Learned Adjudicator had also dismissed PSSB's Claims for the following:-

- (1) the sum of RM33,744,263.70 being the alleged Liquidated & Ascertained Damages claimed for the purported late completion of the project; and
- (2) the amount of RM4,098,564.00 being the alleged claim for additional costs for the rental and preparation of the additional casting areas.

For latest updates, kindly refer to the Company's announcements to Bursa Malaysia from time to time on the above case.

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9 Material Litigation (cont'd)

- (c) Writ of Summons and Statement of Claim (Kuala Lumpur Sessions Court Suit No. WA-B52NCVC-367-07/2018)
Plaintiff: Danamin (M) Sdn Bhd
Defendant: WZS Misi Setia Sdn Bhd ("MISI")
-

On 19 July 2018, MISI received a sealed Writ of Summons dated 11 July 2018 ("the Writ") and Statement of Claim dated 5 July 2018 for RM619,531.96 from the Plaintiff ("Statement of Claim") through its solicitor. Pursuant to the Writ and Statement of Claim, the Plaintiff is claiming the following:-

- (i) Payment amounting to RM619,531.96 as at 30 April 2018;
- (ii) Interest at the rate of 1.5% per month on the sum of RM570,104.57 from 1 May 2018 to the date of full settlement;
- (iii) Alternatively, interest at the rate of 5% per annum on the sum of RM570,104.57 from the date of judgement until full settlement;
- (iv) Cost; and
- (v) Any other relief and/or order which the Court deems fit and proper.

WZ Satu has sought legal opinion and is currently defending the Writ and Statement of Claim. Both parties are in the midst of negotiation of the settlement out of court and an application to stay the proceeding in the court has been filed on 12 September 2018. The Court has fixed 21 November 2018 for case management in order to make decision in respect of the Defendant's stay of proceedings.

For latest updates, kindly refer to the Company's announcements to Bursa Malaysia from time to time on the above case.

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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
	31/08/18	31/08/17
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	10,776	88,320
- Unrealised	(2,431)	(635)
	<u>8,345</u>	<u>87,685</u>
Associates		
- Realised	3,659	26,006
- Unrealised	(117)	(889)
	<u>3,542</u>	<u>25,117</u>
Less: Consolidation eliminations	(21,685)	(32,095)
Total retained earnings of the Group	<u>(9,798)</u>	<u>80,707</u>

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For the Year Ended 31 August 2018
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12 Loss Per Share

	3 Months Ended	12 Months Ended
	31/08/18	31/08/18
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	<u>(77,621)</u>	<u>(84,189)</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>(16.69)</u>	<u>(18.10)</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.