

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2018

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		3 Months Ended		Changes	
	30/11/18	30/11/17			30/11/18	30/11/17		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	101,505	138,161	(36,656)	-27%	101,505	138,161	(36,656)	-27%
Cost of sales	(95,733)	(116,236)	20,503	-18%	(95,733)	(116,236)	20,503	-18%
Gross profit	5,772	21,925	(16,153)	-74%	5,772	21,925	(16,153)	-74%
Other income	609	809	(200)	-25%	609	809	(200)	-25%
Operating expenses	(15,661)	(17,755)	2,094	-12%	(15,661)	(17,755)	2,094	-12%
(Loss)/Profit from operations	(9,280)	4,979	(14,259)	-286%	(9,280)	4,979	(14,259)	-286%
Finance costs	(2,226)	(2,221)	(5)	0%	(2,226)	(2,221)	(5)	0%
Share of results of associates, net of tax	(145)	(1,323)	1,178	-89%	(145)	(1,323)	1,178	-89%
(Loss)/Profit before taxation	(11,651)	1,435	(13,086)	-912%	(11,651)	1,435	(13,086)	-912%
Taxation	(274)	(978)	704	-72%	(274)	(978)	704	-72%
(Loss)/Profit for the period	(11,925)	457	(12,382)	-2709%	(11,925)	457	(12,382)	-2709%
Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss:	-	-	-	N/A	-	-	-	N/A
Total comprehensive (expense)/income for the period	(11,925)	457	(12,382)	-2709%	(11,925)	457	(12,382)	-2709%
(Loss)/Profit attributable to:								
Owners of the Company	(11,791)	497	(12,288)	-2472%	(11,791)	497	(12,288)	-2472%
Non-controlling interests	(134)	(40)	(94)	235%	(134)	(40)	(94)	235%
(Loss)/Profit for the period	(11,925)	457	(12,382)	-2709%	(11,925)	457	(12,382)	-2709%
Total comprehensive (expense)/income attributable to:								
Owners of the Company	(11,791)	497	(12,288)	-2472%	(11,791)	497	(12,288)	-2472%
Non-controlling interests	(134)	(40)	(94)	235%	(134)	(40)	(94)	235%
Total comprehensive (expense)/income for the period	(11,925)	457	(12,382)	-2709%	(11,925)	457	(12,382)	-2709%
(Loss)/Earnings per share attributable to Owners of the Company (sen):								
-Basic	(2.53)	0.14	(2.67)	-1907%	(2.53)	0.14	(2.67)	-1907%
-Diluted	(2.53)	0.12	(2.65)	-2208%	(2.53)	0.12	(2.65)	-2208%
Net assets per share (RM)	0.48	0.95	(0.47)	-49%	0.48	0.95	(0.47)	-49%

Note:

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2018 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 30 NOVEMBER 2018**

	Unaudited	Audited
	30/11/18	31/08/18
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	83,743	86,901
Goodwill on consolidation	15,900	15,900
Investment in associates	14,809	13,785
Club memberships	205	205
Total non-current assets	<u>114,657</u>	<u>116,791</u>
Current assets		
Inventories	32,434	32,549
Trade and other receivables	152,036	146,752
Prepayments	2,671	3,126
Amount due from contract customers	150,709	152,523
Tax recoverable	5,233	4,357
Derivative financial assets	-	3
Short term deposits, cash and bank balances	47,193	66,623
Total current assets	<u>390,276</u>	<u>405,933</u>
TOTAL ASSETS	<u>504,933</u>	<u>522,724</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	231,660	231,660
Reserves	(9,904)	3,217
	<u>221,756</u>	<u>234,877</u>
Non-controlling interests	966	1,100
Total equity	<u>222,722</u>	<u>235,977</u>
Non-current liabilities		
Borrowings	9,297	10,583
Deferred tax liabilities	4,805	4,836
Total non-current liabilities	<u>14,102</u>	<u>15,419</u>
Current liabilities		
Trade and other payables	110,845	128,226
Amount due to contract customers	18,379	11,953
Borrowings	138,885	131,149
Total current liabilities	<u>268,109</u>	<u>271,328</u>
TOTAL EQUITY AND LIABILITIES	<u>504,933</u>	<u>522,724</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.48</u>	<u>0.50</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 2018 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 FIRST QUARTER ENDED 30 NOVEMBER 2018

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

	Share Capital RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Sub-total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
<u>3 months ended 30 November 2018</u>						
At 1 September 2018	231,660	17,511	(14,294)	234,877	1,100	235,977
Loss for the period	-	-	(11,791)	(11,791)	(134)	(11,925)
Total comprehensive expense	-	-	(11,791)	(11,791)	(134)	(11,925)
Changes in ownership interest in an associate	-	-	(1,330)	(1,330)	-	(1,330)
Changes in revaluation reserve	-	(49)	49	-	-	-
At 30 November 2018	231,660	17,462	(27,366)	221,756	966	222,722

WZ Satu Berhad
(Company No: 666098-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2018 (CONT'D)

<----- 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
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3 months ended 30 November 2017

At 1 September 2017

231,660 19,307 80,707 331,674 1,487 333,161

Profit/(Loss) for the period

- - 497 497 (40) 457

Total comprehensive income/(expense)

- - 497 497 (40) 457

Changes in revaluation reserve

- (50) (163) (213) - (213)

At 30 November 2017

231,660 19,257 81,041 331,958 1,447 333,405

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 2018 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 FIRST QUARTER ENDED 30 NOVEMBER 2018

3 Months Ended	
30/11/18	30/11/17
RM'000	RM'000

Cash Flows From Operating Activities

(Loss)/Profit before taxation	(11,651)	1,435
Adjustments for non-cash items	5,265	6,293
	(6,386)	7,728
Changes in working capital		
Net change in assets	(3,255)	(45,550)
Net change in liabilities	(10,954)	9,619
	(20,595)	(28,203)
Interest paid	(2,226)	(2,149)
Interest received	274	473
Dividend received	-	1,500
Net taxes paid	(1,181)	(1,603)
Net Operating Cash Flows	(23,728)	(29,982)

Cash Flows From Investing Activities

Investment in an associate	(2,500)	(1,500)
Purchase of property, plant and equipment	(386)	(1,578)
Proceeds from disposal of plant and equipment	730	-
Net Investing Cash Flows	(2,156)	(3,078)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2018 (CONT'D)

3 Months Ended	
30/11/18	30/11/17
RM'000	RM'000

Cash Flows From Financing Activities

Repayment of finance lease liabilities	(1,924)	(1,822)
Drawdown of finance lease	-	102
Drawdown of bank borrowings	7,421	4,571
Net Financing Cash Flows	5,497	2,851

Net change in cash and cash equivalents (20,387) (30,209)

Cash and cash equivalents at beginning of the financial period 53,050 76,372

Effect of the exchange rate fluctuations 4 (26)

Cash and cash equivalents at end of the financial period **32,667** **46,137**

Notes:

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

Cash on hand and at banks	47,193	61,906
Less: Bank overdrafts	(14,526)	(15,769)
Cash and cash equivalents	32,667	46,137

- (ii) The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2018 and the accompanying explanatory notes attached to the interim financial report.

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 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 2018. 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 2018.

The Group and the Company have adopted the following new MFRSs and amendments/improvements to MFRSs that are mandatory for the current financial year:

New MFRSs

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

- MFRS 1 First-time adoption of MFRSs
- MFRS 2 Share-based Payment
- MFRS 4 Insurance Contracts
- MFRS 128 Investments in Associates and Joint Ventures
- MFRS 140 Investment Property

A brief discussion on the above new MFRSs are summarised below.

MFRS 9 Financial Instruments ("MFRS 9")

MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)

2 Accounting Policies (cont'd)

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers ("MFRS 15")

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract; and
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)

2 Accounting Policies (cont'd)

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 16 Leases	1 January 2019
MFRS 17 Insurance Contract	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 2 Share-based Payment	1 January 2020*
MFRS 3 Business Combinations	1 January 2019/1 January 2020*
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 9 Financial Instruments	1 January 2019
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 11 Joint Arrangements	1 January 2019
MFRS 14 Regulatory Deferral Accounts	1 January 2020*
MFRS 101 Presentation of Financial Statements	1 January 2020*
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112 Income Taxes	1 January 2019
MFRS 119 Employee Benefits	1 January 2019
MFRS 123 Borrowing Costs	1 January 2019
MFRS 128 Investments in Associates and Joint Ventures	1 January 2019/Deferred
MFRS 134 Interim Financial Reporting	1 January 2020*
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138 Intangible Assets	1 January 2020*
<u>New IC Int</u>	
IC Int 23 Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>	
IC Int 12 Service Concession Arrangements	1 January 2020*
IC Int 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132 Intangible Assets - Web Site Costs	1 January 2020*

** Amendments to References to the Conceptual Framework in MFRS Standards*

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

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)

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.

WZ Satu Berhad**(Company No: 666098-X)****Notes To The Interim Financial Report
For the First Quarter Ended 30 November 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	70,141	-	70,141
Oil and gas	16,674	448	16,226
Manufacturing	14,864	-	14,864
Investment and others	288	14	274
Total	<u>101,967</u>	<u>462</u>	<u>101,505</u>

Results

	RM'000
Civil engineering and construction	(5,006)
Oil and gas	(2,382)
Manufacturing	1,106
Investment and others	(1,227)
Less: elimination	(1,771)
Loss from operations	<u>(9,280)</u>
Finance cost	(2,226)
Share of results of associates, net of tax	(145)
Taxation	(274)
Loss for the period	<u>(11,925)</u>

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment
	<u>Assets</u>
	RM'000
Civil engineering and construction	332,382
Oil and gas	98,467
Manufacturing	85,475
Investment and others	233,241
Less: elimination	(244,632)
Total	<u>504,933</u>

	Segment
	<u>Liabilities</u>
	RM'000
Civil engineering and construction	283,254
Oil and gas	91,258
Manufacturing	30,716
Investment and others	22,383
Less: elimination	(145,400)
Total	<u>282,211</u>

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)**

10 Loss Before Taxation

	3 Months Ended
	30/11/18
	RM'000
Loss before taxation is arrived at after charging/(crediting):	
Depreciation for property, plant and equipment	3,038
Gain on disposal of plant and equipment	(223)
Impairment loss on receivables	354
Interest expense	2,226
Interest income	(274)
Net fair value loss on derivatives	3
Share of results of associates	145
Unrealised gain on foreign exchange	(4)
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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
For the First Quarter Ended 30 November 2018
(Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 30 November 2018 were as follows:

	Group	
	30/11/18	31/08/18
	RM'000	RM'000
Guarantees in favour of third parties	121,253	104,051
Guarantees given to financial institutions in respect of credit facilities granted to an associate	4,992	4,992
	<u>126,245</u>	<u>109,043</u>

15 Capital Commitments

The capital commitments as at 30 November 2018 were as follows:

	RM'000
(i) Contracted and not provided for	696
(ii) Authorised and not contracted for	<u>5,517</u>
	<u>6,213</u>

Analysed as follows:

Acquisition of plant and equipment	<u>6,213</u>
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Notes To The Interim Financial Report
For the First Quarter Ended 30 November 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	
	30/11/18	30/11/17		
	RM'000	RM'000	RM'000	%
Revenue	101,505	138,161	(36,656)	-27%
(Loss)/Profit before taxation	(11,651)	1,435	(13,086)	-912%

The Group registered a lower revenue of RM101.5 million in the current quarter compared to RM138.2 million in the preceding year corresponding quarter. The decrease in Group revenue of RM36.7 million was mainly due to lower revenue from the oil and gas segment. The Group registered a loss before taxation of RM11.7 million compared to a profit before taxation of RM1.4 million for the preceding year corresponding quarter. The weak result for the current quarter was mainly due to losses before taxation of RM7.5 million and RM3.1 million registered in the civil engineering and construction and oil and gas segments, respectively. The loss registered in the civil engineering and construction segment was due to lower contributions from projects whilst the oil and gas segment was due to lower revenue generated for the current quarter.

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	30/11/18	31/08/18
	RM'000	RM'000
Revenue	101,505	116,822
Loss before taxation	(11,651)	(76,170)

The Group registered a lower revenue of RM101.5 million in this quarter compared to a revenue of RM116.8 million in the preceding quarter. The decrease in revenue quarter to quarter was mainly due to lower revenue from civil engineering and construction segment.

The current quarter registered a loss before taxation of RM11.7 million compared to RM76.2 million in the preceding quarter. The current quarter's lower losses were mainly due to higher losses before taxation in the preceding quarter arisen from recognition of project cost overruns, one-off impairments of goodwill and mining assets.

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(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 contribution in the current financial year for the civil engineering and construction segment. The Group had on 17 December 2018 via its wholly-owned subsidiary WZS BinaRaya Sdn Bhd accepted a Letter of Award from SIPP-YTL JV ("Award") in relation to the subcontract works for the construction of bridges from Genuang to Paloh for the electrified double track project from Gemas to Johor Bahru with a total contract value of RM133.5 million. The Award is expected to contribute positively to the future earnings and net assets per share of the Group for the current and next financial year.

The Group is looking into increasing its volume of onshore and downstream long term service contracts such as for maintenance; venturing into plant/facility improvement programmes; generating sustainable jobs by maximising available facilities and resources for the oil and gas segment.

The current order book of RM731 million will ensure the Group is kept busy for the current and next financial year. 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 March 2019, the Group anticipates this segment to contribute positively.

Cost Reduction and Resource Rationalisation

In view of the challenging times, the Group is continuing with its cost reduction exercise that enhances operational efficiency including 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
For the First Quarter Ended 30 November 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
	30/11/18
	RM'000
Current taxation	305
Movement in deferred taxation	(31)
	<hr/>
	274
	<hr/>

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
For the First Quarter Ended 30 November 2018
(Unaudited)

7 Borrowings And Debts Securities

The Group's borrowings are as follows:

	As at	
	30/11/18	30/11/17
	RM'000	RM'000
Current		
<u>Secured</u>		
Finance lease liabilities	5,486	5,277
Floating rate bank loan	636	1,400
Trade financing	3,465	5,105
<u>Unsecured</u>		
Bank overdrafts	14,526	15,769
Trade financing	114,772	80,334
	<u>138,885</u>	<u>107,885</u>
Non-current		
<u>Secured</u>		
Finance lease liabilities	9,297	16,230
Floating rate bank loan	-	916
	<u>9,297</u>	<u>17,146</u>
Total	<u>148,182</u>	<u>125,031</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 First Quarter Ended 30 November 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 Arbitrator is expected to deliver his Written Award by February 2019.

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 First Quarter Ended 30 November 2018
(Unaudited)

9 Material Litigation (cont'd)

(b) WZS BinaRaya Sdn Bhd ("BinaRaya")

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

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- (i) The Adjudicator had on 12 October 2018 delivered the Adjudication Decision ("the CIPAA Decision") in favour of WZS Binaraya Sdn Bhd. PSSB has on 2 November 2018 filed an application to stay the enforcement of the CIPAA Decision in the High Court of Malaya. WZS has then on 23 November 2018 filed an application to register and to enforce the CIPAA Decision in the High Court of Malaya. Prior to fixing the Hearing date by the High Court Judge, PSSB has on 9 January 2019 filed another application to set aside the CIPAA Decision in the High Court of Malaya. In light thereof, the High Court Registrar has directed the parties to exhaust the affidavits for all three applications above before fixing a Hearing date before the High Court Judge. This is due to the reason that the High Court Judge has directed to hear all three applications together. Thus, the High Court Registrar has directed the parties to update the Court on the filing of all the affidavits at the next Case Management on 20 February 2019. Hearing date will be fixed at the next Case Management.
 - (ii) The Arbitration Hearing for prolongation claims has been fixed on 9 to 12 December 2019 and 6 to 9 January 2020.

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

Notes To The Interim Financial Report
For the First Quarter Ended 30 November 2018
(Unaudited)

10 Dividend

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

11 Loss Per Share

	3 Months Ended
	30/11/18
	RM'000
<u>Basic</u>	
Loss attributable to owners of the Company	(11,791)
Weighted average number of ordinary shares for basic earnings per share ('000)	465,165
Loss per ordinary share (sen)	(2.53)
<u>Diluted</u>	
Loss attributable to owners of the Company	(11,791)
Weighted average number of ordinary shares for basic earnings per share ('000)	465,165
Effect of dilution due to warrants ('000)	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	465,165
Loss per ordinary share (sen)	(2.53)

12 Approval For The Release Of Quarterly Results

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