

WZ Satu Berhad
(Company no: 666098-X)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		6 Months Ended		Changes	
	28/02/19	28/02/18			28/02/19	28/02/18		
RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	
Revenue	86,054	123,836	(37,782)	-31%	187,559	261,997	(74,438)	-28%
Cost of sales	(84,898)	(110,180)	25,282	-23%	(180,631)	(226,416)	45,785	-20%
Gross profit	1,156	13,656	(12,500)	-92%	6,928	35,581	(28,653)	-81%
Other income	284	9,404	(9,120)	-97%	893	10,214	(9,321)	-91%
Operating expenses	(15,127)	(18,039)	2,912	-16%	(30,788)	(35,794)	5,006	-14%
(Loss)/Profit from operations	(13,687)	5,021	(18,708)	-373%	(22,967)	10,001	(32,968)	-330%
Finance costs	(2,464)	(2,315)	(149)	6%	(4,690)	(4,537)	(153)	3%
Share of results of associates, net of tax	(911)	(2,119)	1,208	-57%	(1,056)	(3,442)	2,386	-69%
(Loss)/Profit before taxation	(17,062)	587	(17,649)	-3007%	(28,713)	2,022	(30,735)	-1520%
Taxation	121	(485)	606	-125%	(153)	(1,463)	1,310	-90%
(Loss)/Profit for the period	(16,941)	102	(17,043)	-16709%	(28,866)	559	(29,425)	-5264%
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	(16,941)	102	(17,043)	-16709%	(28,866)	559	(29,425)	-5264%
(Loss)/Profit attributable to:								
Owners of the Company	(17,053)	220	(17,273)	-7851%	(28,844)	717	(29,561)	-4123%
Non-controlling interests	112	(118)	230	-195%	(22)	(158)	136	-86%
(Loss)/Profit for the period	(16,941)	102	(17,043)	-16709%	(28,866)	559	(29,425)	-5264%
Total comprehensive (expense)/income attributable to:								
Owners of the Company	(17,053)	220	(17,273)	-7851%	(28,844)	717	(29,561)	-4123%
Non-controlling interests	112	(118)	230	-195%	(22)	(158)	136	-86%
Total comprehensive (expense)/income for the period	(16,941)	102	(17,043)	-16709%	(28,866)	559	(29,425)	-5264%
(Loss)/Earnings per share attributable to Owners of the Company (sen):								
-Basic	(3.67)	0.06	(3.73)	-6217%	(6.20)	0.21	(6.41)	-3052%
-Diluted	(3.67)	0.06	(3.73)	-6217%	(6.20)	0.18	(6.38)	-3544%
Net assets per share (RM)	0.44	0.95	(0.51)	-54%	0.44	0.95	(0.51)	-54%

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 28 FEBRUARY 2019**

	Unaudited 28/02/19 RM'000	Audited 31/08/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	81,174	86,901
Goodwill on consolidation	15,900	15,900
Investment in associates	13,899	13,785
Club memberships	205	205
Total non-current assets	<u>111,178</u>	<u>116,791</u>
Current assets		
Inventories	33,626	32,549
Trade and other receivables	149,118	146,752
Prepayments	3,213	3,126
Amount due from contract customers	130,816	152,523
Tax recoverable	6,032	4,357
Derivative financial assets	-	3
Short term deposits, cash and bank balances	35,670	66,623
Total current assets	<u>358,475</u>	<u>405,933</u>
TOTAL ASSETS	<u>469,653</u>	<u>522,724</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	231,660	231,660
Reserves	(27,587)	3,217
	<u>204,073</u>	<u>234,877</u>
Non-controlling interests	1,078	1,100
Total equity	<u>205,151</u>	<u>235,977</u>
Non-current liabilities		
Borrowings	8,313	10,583
Deferred tax liabilities	5,338	4,836
Total non-current liabilities	<u>13,651</u>	<u>15,419</u>
Current liabilities		
Trade and other payables	120,451	128,226
Amount due to contract customers	14,382	11,953
Borrowings	116,018	131,149
Total current liabilities	<u>250,851</u>	<u>271,328</u>
TOTAL EQUITY AND LIABILITIES	<u>469,653</u>	<u>522,724</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.44</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 SECOND QUARTER ENDED 28 FEBRUARY 2019

<----- 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>6 months ended 28 February 2019</u>						
At 1 September 2018	231,660	17,511	(14,294)	234,877	1,100	235,977
Loss for the period	-	-	(28,844)	(28,844)	(22)	(28,866)
Total comprehensive expense	-	-	(28,844)	(28,844)	(22)	(28,866)
Changes in ownership interest in an associate	-	-	(1,330)	(1,330)	-	(1,330)
Changes in revaluation reserve	-	(789)	159	(630)	-	(630)
At 28 February 2019	231,660	16,722	(44,309)	204,073	1,078	205,151

WZ Satu Berhad
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (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
6 months ended 28 February 2018						
At 1 September 2017	231,660	19,307	80,707	331,674	1,487	333,161
Profit/(Loss) for the period	-	-	717	717	(158)	559
Total comprehensive income/(expense)	-	-	717	717	(158)	559
Changes in revaluation reserve	-	(1,698)	1,486	(212)	-	(212)
At 28 February 2018	231,660	17,609	82,910	332,179	1,329	333,508

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 SECOND QUARTER ENDED 28 FEBRUARY 2019

6 Months Ended	
28/02/19	28/02/18
RM'000	RM'000

Cash Flows From Operating Activities

(Loss)/Profit before taxation	(28,713)	2,022
Adjustments for non-cash items	12,354	4,777
	<u>(16,359)</u>	<u>6,799</u>
Changes in working capital		
Net change in assets	16,866	(18,857)
Net change in liabilities	(5,291)	(4,711)
	<u>(4,784)</u>	<u>(16,769)</u>
Interest paid	(4,690)	(4,408)
Interest received	372	852
Dividend received	-	1,500
Net taxes paid	(1,956)	(2,889)
Net Operating Cash Flows	<u>(11,058)</u>	<u>(21,714)</u>

Cash Flows From Investing Activities

Investment in an associate	(2,500)	(1,500)
Purchase of property, plant and equipment	(727)	(2,574)
Proceeds from disposal of a subsidiary, net of cash disposed	-	8,912
Proceeds from disposal of plant and equipment	730	9
Net Investing Cash Flows	<u>(2,497)</u>	<u>4,847</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONT'D)**

6 Months Ended	
28/02/19	28/02/18
RM'000	RM'000

Cash Flows From Financing Activities

Repayment of finance lease liabilities	(3,382)	(6,000)
Drawdown of finance lease	-	102
(Repayment)/Drawdown of bank borrowings	(8,576)	3,578
Net Financing Cash Flows	(11,958)	(2,320)
Net change in cash and cash equivalents	(25,513)	(19,187)
Cash and cash equivalents at beginning of the financial period	53,050	76,372
Effect of the exchange rate fluctuations	3	(46)
Cash and cash equivalents at end of the financial period	27,540	57,139

Notes:

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

Cash on hand and at banks	35,670	67,190
Less: Bank overdrafts	(8,130)	(10,051)
Cash and cash equivalents	27,540	57,139

- (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 Second Quarter Ended 28 February 2019
(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 Second Quarter Ended 28 February 2019
(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 Second Quarter Ended 28 February 2019
(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 Second Quarter Ended 28 February 2019
(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.

Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(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	119,172	-	119,172
Oil and gas	35,614	448	35,166
Manufacturing	28,321	-	28,321
Investment and others	4,922	22	4,900
Total	188,029	470	187,559

Results

	RM'000
Civil engineering and construction	(12,534)
Oil and gas	(5,079)
Manufacturing	1,179
Investment and others	(2,967)
Less: elimination	(3,566)
Loss from operations	<u>(22,967)</u>
Finance cost	(4,690)
Share of results of associates, net of tax	(1,056)
Taxation	(153)
Loss for the period	<u>(28,866)</u>

Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment
	<u>Assets</u>
	RM'000
Civil engineering and construction	300,911
Oil and gas	99,196
Manufacturing	87,122
Investment and others	238,549
Less: elimination	(256,125)
Total	<u>469,653</u>

	Segment
	<u>Liabilities</u>
	RM'000
Civil engineering and construction	262,261
Oil and gas	90,739
Manufacturing	33,173
Investment and others	29,811
Less: elimination	(151,482)
Total	<u>264,502</u>

Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(Unaudited)

10 Loss Before Taxation

	3 Months Ended	6 Months Ended
	28/02/19	28/02/19
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation for property, plant and equipment	2,910	5,948
Gain on disposal of plant and equipment	-	(223)
Impairment loss on receivables	954	1,308
Interest expense	2,464	4,690
Interest income	(98)	(372)
Net fair value loss on derivatives	-	3
Share of results of associates	911	1,056
Unrealised gain on foreign exchange	(52)	(56)
	<u> </u>	<u> </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
For the Second Quarter Ended 28 February 2019
(Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 28 February 2019 were as follows:

	Group	
	28/02/19	31/08/18
	RM'000	RM'000
Guarantees in favour of third parties	85,560	104,051
Guarantees given to financial institutions in respect of credit facilities granted to an associate	1,530	4,992
	<u>87,090</u>	<u>109,043</u>

15 Capital Commitments

The capital commitments as at 28 February 2019 were as follows:

	RM'000
(i) Contracted and not provided for	344
(ii) Authorised and not contracted for	-
	<u>344</u>

Analysed as follows:

Acquisition of plant and equipment	<u>344</u>
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Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(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	
	28/02/19	28/02/18		
	RM'000	RM'000	RM'000	%
Revenue	86,054	123,836	(37,782)	-31%
(Loss)/Profit before taxation	(17,062)	587	(17,649)	-3007%

The Group registered a lower revenue of RM86.0 million in the current quarter compared to RM123.8 million in the preceding year corresponding quarter. The lower Group revenue of RM37.8 million was mainly due to lower revenue from the oil and gas segment of RM23.0 million, civil engineering and construction segment of RM7.0 million and the remaining segments of RM7.8 million.

The Group registered a loss before taxation of RM17.1 million compared to a profit before taxation of RM0.6 million for the preceding year corresponding quarter. The higher loss before taxation of RM17.7 million was mainly due to losses before taxation of RM9.5 million and RM1.9 million from the civil engineering and construction and manufacturing segments, respectively. The remaining segments registered a loss before taxation of RM6.3 million compared to a one-off gain on disposal of a subsidiary amounted to RM8.8 million in the preceding year corresponding quarter.

The current lower revenue and losses registered in the civil engineering and construction and oil and gas segments were due to the projects in these segments are at near completion. Additionally, the new contract from SIPP-YTL JV 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, is at the mobilisation stage.

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

	Cumulative Quarter			
	6 Months Ended		Changes	
	28/02/19	28/02/18		
	RM'000	RM'000	RM'000	%
Revenue	187,559	261,997	(74,438)	-28%
(Loss)/Profit before taxation	(28,713)	2,022	(30,735)	-1520%

The Group registered a lower revenue of RM187.6 million in the current year-to-date compared to RM262.0 million in the preceding year corresponding year-to-date. The lower Group revenue of RM74.4 million was mainly due to lower revenue of RM56.9 million and RM3.0 million from the oil and gas and manufacturing segments, respectively. The remaining segments registered a lower revenue of RM14.5 million mainly due to disposal of a subsidiary in the preceding year corresponding year-to-date.

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(Unaudited)**

1 Review Of Performance (cont'd)

Current Year-To-Date against Preceding Year Corresponding Year-To-Date (cont'd)

The Group registered a loss before taxation of RM28.7 million compared to a profit before taxation of RM2.0 million in the preceding year corresponding year-to-date. The higher loss before taxation of RM30.7 million for the current year-to-date was mainly due to losses before taxation of RM18.4 million, RM3.2 million and RM2.1 million from the civil engineering and construction, manufacturing and oil and gas segments, respectively. The remaining segments registered a loss before taxation of RM7.0 million compared to a one-off gain on disposal of a subsidiary amounted to RM8.8 million in the preceding year corresponding year-to-date.

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	28/02/19	31/11/18
	RM'000	RM'000
Revenue	86,054	101,505
Loss before taxation	(17,062)	(11,651)

The Group registered a lower revenue of RM86.0 million in this quarter compared to a revenue of RM101.5 million in the preceding quarter. The lower revenue quarter to quarter of RM15.5 million was mainly due to a lower revenue from civil engineering and construction segment of RM21.1 million. This was offset by a higher revenue of RM5.6 million in the remaining segments.

The current quarter registered a loss before taxation of RM17.1 million compared to RM11.7 million in the preceding quarter. The higher loss before taxation of RM5.4 million was mainly due to losses before taxation of RM3.0 million and RM1.0 million in the civil engineering and construction and manufacturing segments, respectively. The remaining segments registered a loss before taxation of RM1.4 million.

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(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 RM839 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.

The bauxite mining moratorium and export ban were not extended beyond 31 March 2019 by the Federal Government. However, operations can only resume when the Federal Government is satisfied that the new standard operating procedures for mining operations are met.

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 Second Quarter Ended 28 February 2019
(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	6 Months Ended
	28/02/19	28/02/19
	RM'000	RM'000
Current taxation	(25)	280
Movement in deferred taxation	(96)	(127)
	<u>(121)</u>	<u>153</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
For the Second Quarter Ended 28 February 2019
(Unaudited)

7 Borrowings And Debts Securities

The Group's borrowings are as follows:

	As at	
	28/02/19	28/02/18
	RM'000	RM'000
Current		
<u>Secured</u>		
Finance lease liabilities	5,012	5,467
Floating rate bank loan	216	980
Trade financing	9,384	2,969
<u>Unsecured</u>		
Bank overdrafts	8,130	10,051
Trade financing	93,276	81,457
	<u>116,018</u>	<u>100,924</u>
Non-current		
<u>Secured</u>		
Finance lease liabilities	8,313	14,382
Floating rate bank loan	-	915
	<u>8,313</u>	<u>15,297</u>
Total	<u>124,331</u>	<u>116,221</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 Second Quarter Ended 28 February 2019
(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 end April 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 Second Quarter Ended 28 February 2019
(Unaudited)

9 Material Litigation (cont'd)

- (b) WZS BinaRaya Sdn Bhd ("BinaRaya")
- (i) Notice of Arbitration by 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.

The Arbitration Hearing for the case has been fixed on 9 to 12 December 2019 and 6 to 9 January 2020.

Further announcement on the material development of the above matter will be made to Bursa Malaysia Securities Berhad from time to time.

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

9 Material Litigation (cont'd)

- (c) Notice of Adjudication under the Construction Industry Payment & Adjudication Act 2012 ("CIPAA") by WZS Misi Setia Sdn Bhd ("MISI") against Petrofac E&C Sdn Bhd
-

WZS Misi Setia Sdn Bhd, a wholly-owned subsidiary of the Company had on 25 February 2019 issued and served the following notice against Petrofac E&C Sdn Bhd ("PECSB"):-

Notice of Adjudication under Sections 7 and 8 of the CIPAA in an amount of RM20,542,893.79

The aforesaid Notice was issued pursuant to the Notice of Demand dated 29 January 2019 served to PECSB in an amount of RM20,542,893.79 in respect of the outstanding payment and interest due for the work done under the Contract ref RAPID/CTC/07-2013-P4. **PIPING ERECTION WORKS RELATED TO EPCC OF ARU, SRU, SWS, LSSU & SSU UNITS FOR RAPID PROJECT PKG 4 PRPC REFINERY & CRACKERS SDN BHD MALAYSIA.**

The aforesaid Adjudication proceedings are not expected to have any material financial and operational impact on WZ Satu for the financial year ending 31 August 2019 since the abovementioned amounts have been accrued for in the financial statements.

Further announcement on the material development of the above matter will be made to Bursa Malaysia Securities Berhad from time to time.

Notes To The Interim Financial Report
For the Second Quarter Ended 28 February 2019
(Unaudited)

10 Dividend

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

11 Loss Per Share

	3 Months Ended	6 Months Ended
	28/02/19	28/02/19
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	(17,053)	(28,844)
Weighted average number of ordinary shares for basic earnings per share ('000)	465,165	465,165
Loss per ordinary share (sen)	(3.67)	(6.20)
<u>Diluted</u>		
Loss attributable to owners of the Company	(17,053)	(28,844)
Weighted average number of ordinary shares for basic earnings per share ('000)	465,165	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	465,165
Loss per ordinary share (sen)	(3.67)	(6.20)

12 Approval For The Release Of Quarterly Results

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