

WZ Satu Berhad
(Company no: 666098-X)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 AUG 2019

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		12 Months Ended		Changes	
	31/08/19	31/08/18			31/08/19	31/08/18		
RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	
Revenue	75,331	116,822	(41,491)	-36%	388,912	512,617	(123,705)	-24%
Cost of sales	(111,059)	(158,252)	47,193	-30%	(404,667)	(496,264)	91,597	-18%
Gross (loss)/profit	(35,728)	(41,430)	5,702	-14%	(15,755)	16,353	(32,108)	-196%
Other income	1,973	29,030	(27,057)	-93%	3,233	22,653	(19,420)	-86%
Operating expenses	(19,826)	(45,612)	25,786	-57%	(68,500)	(102,094)	33,594	-33%
Loss from operations	(53,581)	(58,012)	4,431	-8%	(81,022)	(63,088)	(17,934)	28%
Finance costs	(1,823)	(2,418)	595	-25%	(8,668)	(9,291)	623	-7%
Share of results of associates, net of tax	(2,127)	(15,740)	13,613	-86%	(3,603)	(16,802)	13,199	-79%
Loss before taxation	(57,531)	(76,170)	18,639	-24%	(93,293)	(89,181)	(4,112)	5%
Taxation	(293)	(1,534)	1,241	-81%	(719)	(813)	94	-12%
Loss for the period/year	(57,824)	(77,704)	19,880	-26%	(94,012)	(89,994)	(4,018)	4%
Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss:	-	-	-	N/A	-	-	-	N/A
Total comprehensive expense for the period/year	(57,824)	(77,704)	19,880	-26%	(94,012)	(89,994)	(4,018)	4%
(Loss)/Profit attributable to:								
Owners of the Company	(58,121)	(77,621)	19,500	-25%	(94,293)	(89,607)	(4,686)	5%
Non-controlling interests	297	(83)	380	-458%	281	(387)	668	-173%
Loss for the period/year	(57,824)	(77,704)	19,880	-26%	(94,012)	(89,994)	(4,018)	4%
Total comprehensive (expense)/income attributable to:								
Owners of the Company	(58,121)	(77,621)	19,500	-25%	(94,293)	(89,607)	(4,686)	5%
Non-controlling interests	297	(83)	380	-458%	281	(387)	668	-173%
Total comprehensive expense for the period/year	(57,824)	(77,704)	19,880	-26%	(94,012)	(89,994)	(4,018)	4%
Loss per share attributable to Owners of the Company (sen):								
-Basic	(12.49)	(16.69)	4.20	-25%	(20.27)	(19.26)	(1.01)	5%
-Diluted	(12.49)	(16.69)	4.20	-25%	(20.27)	(19.26)	(1.01)	5%
Net assets per share (RM)					0.30	0.50	(0.20)	-40%

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 31 AUG 2019**

	Unaudited 31/08/19 RM'000	Audited 31/08/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	75,455	86,901
Goodwill on consolidation	13,000	15,900
Investment in associates	11,352	13,785
Club memberships	205	205
Total non-current assets	<u>100,012</u>	<u>116,791</u>
Current assets		
Inventories	34,609	32,549
Trade and other receivables	159,825	146,752
Prepayments	2,356	3,126
Amount due from contract customers	75,311	152,523
Tax recoverable	3,417	4,357
Derivative financial assets	-	3
Short term deposits, cash and bank balances	42,282	66,623
Total current assets	<u>317,800</u>	<u>405,933</u>
TOTAL ASSETS	<u>417,812</u>	<u>522,724</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	232,583	231,660
Reserves	(94,196)	3,217
	<u>138,387</u>	<u>234,877</u>
Non-controlling interests	1,381	1,100
Total equity	<u>139,768</u>	<u>235,977</u>
Non-current liabilities		
Borrowings	13,343	10,583
Deferred tax liabilities	5,325	4,836
Total non-current liabilities	<u>18,668</u>	<u>15,419</u>
Current liabilities		
Trade and other payables	137,636	128,226
Amount due to contract customers	15,569	11,953
Borrowings	106,119	131,149
Tax payable	52	-
Total current liabilities	<u>259,376</u>	<u>271,328</u>
TOTAL EQUITY AND LIABILITIES	<u>417,812</u>	<u>522,724</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.30</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 FINANCIAL YEAR ENDED 31 AUG 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
12 months ended 31 Aug 2019						
As previously reported at 1 September 2018	231,660	17,511	(14,294)	234,877	1,100	235,977
Effect of adoption of MFRS 9	-	-	(237)	(237)	-	(237)
Issuance of shares pursuant to bonus issue	923	-	(923)	-	-	-
Restated at 1 September 2018	232,583	17,511	(15,454)	234,640	1,100	235,740
(Loss)/Profit for the year	-	-	(94,293)	(94,293)	281	(94,012)
Total comprehensive (expense)/income	-	-	(94,293)	(94,293)	281	(94,012)
Changes in ownership interest in an associate	-	-	(1,330)	(1,330)	-	(1,330)
Changes in revaluation reserve	-	(884)	254	(630)	-	(630)
At 31 Aug 2019	232,583	16,627	(110,823)	138,387	1,381	139,768

WZ Satu Berhad
(Company No: 666098-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUG 2019 (CONT'D)

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

	Share Capital RM'000	Revaluation Reserve RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Sub-Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
12 months ended 31 Aug 2018						
At 1 September 2017	231,660	19,307	80,707	331,674	1,487	333,161
Loss for the year	-	-	(89,607)	(89,607)	(387)	(89,994)
Total comprehensive expense	-	-	(89,607)	(89,607)	(387)	(89,994)
Changes in revaluation reserve	-	(1,796)	1,583	(213)	-	(213)
Dividend paid on shares	-	-	(6,977)	(6,977)	-	(6,977)
At 31 Aug 2018	231,660	17,511	(14,294)	234,877	1,100	235,977

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 FINANCIAL YEAR ENDED 31 AUG 2019

12 Months Ended	
31/08/19	31/08/18
RM'000	RM'000

Cash Flows From Operating Activities

Loss before taxation	(93,293)	(89,181)
Adjustments for non-cash items	27,678	57,875
	(65,615)	(31,306)
Changes in working capital		
Net change in assets	60,169	54,292
Net change in liabilities	12,981	(61,511)
	7,535	(38,525)
Interest paid	(8,668)	(8,885)
Interest received	780	1,509
Dividend received	-	1,500
Net taxes refunded/(paid)	132	(4,541)
Net Operating Cash Flows	(221)	(48,942)

Cash Flows From Investing Activities

Acquisition of subsidiaries, net of cash acquired	-	(6,694)
Repayment from an associate company	-	5,150
Investment in an associate	(2,500)	(3,500)
Deposits pledged to licensed banks	(1,932)	-
Purchase of property, plant and equipment	(1,178)	(3,736)
Proceeds from disposal of a subsidiary, net of cash disposed	-	21,148
Proceeds from disposal of plant and equipment	1,819	249
Net Investing Cash Flows	(3,791)	12,617

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUG 2019 (CONT'D)**

12 Months Ended	
31/08/19	31/08/18
RM'000	RM'000

Cash Flows From Financing Activities

Dividend paid	-	(6,977)
Repayment of finance lease liabilities	(6,340)	(6,558)
Drawdown of finance lease	-	102
(Repayment)/Drawdown of bank borrowings	(18,240)	26,455
Net Financing Cash Flows	(24,580)	13,022
Net change in cash and cash equivalents	(28,592)	(23,303)
Cash and cash equivalents at beginning of the financial year	53,050	76,372
Effect of the exchange rate fluctuations	9	(19)
Cash and cash equivalents at end of the financial year	24,467	53,050

Notes:

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

Cash on hand and at banks	40,350	66,623
Deposits with licensed banks	1,932	-
Cash and bank balances	42,282	66,623
Less: Bank overdrafts	(15,883)	(13,573)
Less: Deposits pledged to licensed banks	(1,932)	-
Cash and cash equivalents	24,467	53,050

- (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 Financial Year Ended 31 Aug 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 Financial Year Ended 31 Aug 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 Financial Year Ended 31 Aug 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 Financial Year Ended 31 Aug 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 Financial Year Ended 31 Aug 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	242,220	6,183	236,037
Oil and gas	84,835	448	84,387
Manufacturing	55,837	-	55,837
Investment and others	12,689	38	12,651
Total	395,581	6,669	388,912

Results

	RM'000
Civil engineering and construction	(65,558)
Oil and gas	(326)
Manufacturing	2,585
Investment and others	(6,993)
Less: elimination	(10,730)
Loss from operations	<u>(81,022)</u>
Finance cost	(8,668)
Share of results of associates, net of tax	(3,603)
Taxation	(719)
Loss for the year	<u>(94,012)</u>

Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 2019
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment
	<u>Assets</u>
	RM'000
Civil engineering and construction	261,641
Oil and gas	104,887
Manufacturing	96,367
Investment and others	237,627
Less: elimination	(282,710)
Total	<u>417,812</u>

	Segment
	<u>Liabilities</u>
	RM'000
Civil engineering and construction	280,529
Oil and gas	93,117
Manufacturing	42,487
Investment and others	34,403
Less: elimination	(172,492)
Total	<u>278,044</u>

Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 2019
(Unaudited)

10 Loss Before Taxation

	3 Months Ended	12 Months Ended
	31/08/19	31/08/19
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Impairment loss on goodwill	2,900	2,900
Deposits written off	104	104
Depreciation for property, plant and equipment	2,709	11,495
Fair value gain on financial assets and liabilities	(1,129)	(1,129)
Gain on disposal of plant and equipment	(538)	(764)
Impairment loss on receivables	97	3,653
Interest expense	1,823	8,668
Interest income	(196)	(780)
Net fair value loss on derivatives	-	3
Plant and equipment written off	57	74
Reversal of impairment loss on receivables	(8)	(139)
Share of results of associates	2,127	3,603
Unrealised gain on foreign exchange	(4)	(10)

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

The Company had on 25 June 2019, via its subsidiary company WZS Powergen Sdn Bhd, acquired one (1) ordinary share of RM1.00 in the share capital of Trillion Pentagon Sdn Bhd ("TPSB"), representing 100% equity interest in TPSB for a cash consideration of RM1.00 only. Hence, TPSB is a sub-subsiary of the Company. Subsequently on 2 July 2019, TPSB changed its name to WZS Biogas Jerantut Sdn Bhd ("BJSB"). The principal activity of BJSB is to engage in the business to generate and deliver green electricity energy and maintain generating capacity to Tenaga Nasional Berhad.

Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 2019
(Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 31 Aug 2019 were as follows:

	Group	
	31/08/19	31/08/18
	RM'000	RM'000
Guarantees in favour of third parties	62,852	104,051
Guarantees given to financial institutions in respect of credit facilities granted to an associate	904	4,992
	<u>63,756</u>	<u>109,043</u>

15 Capital Commitments

The capital commitments as at 31 Aug 2019 were as follows:

	RM'000
(i) Contracted and not provided for	176
(ii) Authorised and not contracted for	-
	<u>176</u>

Analysed as follows:

Acquisition of plant and equipment	<u>176</u>
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Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 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	
	31/08/19	31/08/18		
	RM'000	RM'000	RM'000	%
Revenue	75,331	116,822	(41,491)	-36%
Loss before taxation	(57,531)	(76,170)	18,639	-24%

The Group registered a lower revenue of RM75.3 million in the current quarter compared to RM116.8 million in the preceding year corresponding quarter. The decrease in revenue of RM41.5 million was mainly due to a lower revenue from the civil engineering and construction ("CEC") segment of RM65.3 million. However, this was offset by a higher revenue of RM24.8 million in the oil and gas ("OG") segment. The lower revenue in the CEC segment was mainly due to disputed claims on variation works for the West Coast Expressway ("WCE") Project, in the State of Perak, which were not recognised as revenue but the corresponding costs have been recognised in the Statement of Profit or Loss. The remaining segments registered a lower revenue of RM1.0 million against the comparative quarter.

The Group registered a lower loss before taxation of RM57.5 million in the current quarter compared to RM76.2 million in the preceding year corresponding quarter. The decrease in loss before taxation of RM18.6 million was mainly due to the OG segment registering a profit before taxation of RM1.3 million in the current quarter compared to a loss before taxation of RM46.0 million in the comparative quarter, followed by the mining segment with a lower loss before taxation of RM13.7 million. This was offset by a higher loss before taxation of RM34.8 million in the CEC segment. The remaining segments registered a higher loss before taxation of RM7.6 million.

The current quarter loss before taxation of RM57.5 million was mainly due to the weak result in the CEC segment registering a loss before taxation of RM51.9 million mainly due to disputes arising in the WCE Project. Further, there was an impairment on goodwill arising from the acquisition of WZS BinaRaya Sdn Bhd amounted to RM2.9 million. The remaining segments contributed a higher loss before taxation of RM2.7 million.

WZ Satu Berhad**(Company No: 666098-X)****Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 2019
(Unaudited)****1 Review Of Performance (cont'd)**Current Year-To-Date against Preceding Year Corresponding Year-To-Date

	Cumulative Quarter			
	12 Months Ended		Changes	
	31/08/19	31/08/18	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	388,912	512,617	(123,705)	-24%
Loss before taxation	(93,293)	(89,181)	(4,112)	5%

The Group registered a lower revenue of RM388.9 million in the current year-to-date compared to RM512.6 million in the preceding year corresponding year-to-date. The decrease in revenue of RM123.7 million was due mainly to a lower revenue of RM60.7 million and RM45.0 million in the the OG and CEC segments, respectively. This was followed by a lower revenue of RM8.4 million and RM9.6 million in the manufacturing and remaining segments, respectively.

The Group registered a higher loss before taxation of RM93.3 million compared to RM89.2 million in the preceding year corresponding year-to-date. The increase in loss before taxation of RM4.1 million was mainly due to a higher loss before taxation of RM53.2 million from the CEC segment. This was offset by a positive change in the results against the comparative year-to-date for the OG and mining segments amounted to RM38.1 million and RM12.7 million, respectively. The remaining segments contributed to a higher loss before taxation of RM1.7 million against the comparative year-to-date.

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	31/08/19	31/05/19
	RM'000	RM'000
Revenue	75,331	126,022
Loss before taxation	(57,531)	(7,049)

The Group registered a lower revenue of RM75.3 million in this quarter compared to RM126.0 million in the preceding quarter. The decrease in revenue of RM50.7 million was mainly due to a lower revenue of RM48.1 million from the CEC segment. The remaining segments contributed to a lower revenue of RM2.6 million against the preceding quarter.

The current quarter registered a higher loss before taxation of RM57.5 million compared to RM7.0 million in the preceding quarter. The higher loss before taxation of RM50.5 million was mainly due to a higher loss before taxation of RM46.3 million from the CEC segment. This was followed by an impairment loss on goodwill arising from the acquisition of WZS BinaRaya Sdn Bhd amounted to RM2.9 million. The remaining segments contributed to a higher loss before taxation of RM1.3 million.

WZ Satu Berhad

(Company No: 666098-X)

**Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 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 next financial year from the civil engineering and construction segment. With this foregoing objective, the Group is actively but selectively tendering for projects that provide positive contributions to the Group's bottomline.

The current order book of RM756 million will ensure the Group is kept busy for the next financial year. However, the uncertainty on commencement date of a project may affect the results of the Group. The bauxite mining operation has not resumed todate, however, the Group is exploring other mining opportunities.

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 downsizing 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 Financial Year Ended 31 Aug 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 31/08/19 RM'000	12 Months Ended 31/08/19 RM'000
Current taxation	327	859
Movement in deferred taxation	(34)	(140)
	<u>293</u>	<u>719</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.

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7 Borrowings And Debts Securities

The Group's borrowings were as follows:

	As at	
	31/08/19	31/08/18
	RM'000	RM'000
Current		
<u>Secured</u>		
Finance lease liabilities	5,454	6,124
Floating rate bank loan	-	1,056
Term Loan	1,131	-
Trade financing	10,390	3,001
<u>Unsecured</u>		
Bank overdrafts	15,883	13,573
Trade financing	73,261	107,395
	<u>106,119</u>	<u>131,149</u>
Non-current		
<u>Secured</u>		
Finance lease liabilities	4,913	10,583
Term Loan	8,430	-
	<u>13,343</u>	<u>10,583</u>
Total	<u>119,462</u>	<u>141,732</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
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(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 before the end of this year.

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) 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.

For updates on the above litigation, kindly refer to Company announcements via Bursa Malaysia from time to time.

Notes To The Interim Financial Report
For the Financial Year Ended 31 Aug 2019
(Unaudited)

10 Dividend

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

11 Loss Per Share

	3 Months Ended	12 Months Ended
	31/08/19	31/08/19
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	<u>(58,121)</u>	<u>(94,293)</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>(12.49)</u>	<u>(20.27)</u>
<u>Diluted</u>		
Loss attributable to owners of the Company	<u>(58,121)</u>	<u>(94,293)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	465,165	465,165
Effect of dilution due to warrants ('000)	<u>-</u>	<u>-</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>465,165</u>	<u>465,165</u>
Loss per ordinary share (sen)	<u>(12.49)</u>	<u>(20.27)</u>

12 Approval For The Release Of Quarterly Results

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