

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020**

	Individual Quarter				Cumulative Quarter			
	3 Months Ended		Changes		6 Months Ended		Changes	
	29/02/20	28/02/19			29/02/20	28/02/19		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	80,909	86,054	(5,145)	-6%	151,283	187,559	(36,276)	-19%
Cost of sales	(71,140)	(84,898)	13,758	-16%	(136,000)	(180,631)	44,631	-25%
Gross profit	9,769	1,156	8,613	745%	15,283	6,928	8,355	121%
Other income	376	284	92	32%	846	893	(47)	-5%
Operating expenses	(14,857)	(15,127)	270	-2%	(28,431)	(30,788)	2,357	-8%
Loss from operations	(4,712)	(13,687)	8,975	-66%	(12,302)	(22,967)	10,665	-46%
Finance costs	(2,071)	(2,464)	393	-16%	(3,916)	(4,690)	774	-17%
Share of results of associates, net of tax	(1,221)	(911)	(310)	34%	(1,896)	(1,056)	(840)	80%
Loss before taxation	(8,004)	(17,062)	9,058	-53%	(18,114)	(28,713)	10,599	-37%
Taxation	(128)	121	(249)	-206%	(265)	(153)	(112)	73%
<b>Loss for the period</b>	<b>(8,132)</b>	<b>(16,941)</b>	<b>8,809</b>	<b>-52%</b>	<b>(18,379)</b>	<b>(28,866)</b>	<b>10,487</b>	<b>-36%</b>
<b>Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss:</b>	-	-	-	N/A	-	-	-	N/A
<b>Total comprehensive expense for the period</b>	<b>(8,132)</b>	<b>(16,941)</b>	<b>8,809</b>	<b>-52%</b>	<b>(18,379)</b>	<b>(28,866)</b>	<b>10,487</b>	<b>-36%</b>
<b>Loss attributable to:</b>								
Owners of the Company	(7,965)	(17,053)	9,088	-53%	(18,135)	(28,844)	10,709	-37%
Non-controlling interests	(167)	112	(279)	-249%	(244)	(22)	(222)	1009%
<b>Loss for the period</b>	<b>(8,132)</b>	<b>(16,941)</b>	<b>8,809</b>	<b>-52%</b>	<b>(18,379)</b>	<b>(28,866)</b>	<b>10,487</b>	<b>-36%</b>
<b>Total comprehensive expense attributable to:</b>								
Owners of the Company	(7,965)	(17,053)	9,088	-53%	(18,135)	(28,844)	10,709	-37%
Non-controlling interests	(167)	112	(279)	-249%	(244)	(22)	(222)	1009%
<b>Total comprehensive expense for the period</b>	<b>(8,132)</b>	<b>(16,941)</b>	<b>8,809</b>	<b>-52%</b>	<b>(18,379)</b>	<b>(28,866)</b>	<b>10,487</b>	<b>-36%</b>
<b>Loss per share attributable to Owners of the Company (sen):</b>								
-Basic	(1.56)	(3.67)	2.11	-57%	(3.63)	(6.20)	2.57	-41%
-Diluted	(1.56)	(3.67)	2.11	-57%	(3.63)	(6.20)	2.57	-41%
<b>Net assets per share (RM)</b>					0.25	0.44	(0.19)	-43%

**Note:**

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2019 and the accompanying explanatory notes attached to the interim financial report.

**WZ Satu Berhad**  
**[ Registration No: 200401027590 (666098-X ) ]**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION AS AT 29 FEBRUARY 2020**

	<b>Unaudited 29/02/20 RM'000</b>	<b>Audited 31/08/19 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	69,865	75,434
Right-of-use assets	1,879	-
Goodwill on consolidation	13,000	13,000
Investment in associates	9,753	11,353
Club memberships	205	205
<b>Total non-current assets</b>	<u>94,702</u>	<u>99,992</u>
<b>Current assets</b>		
Inventories	34,554	34,609
Trade and other receivables	98,170	160,094
Prepayments	3,213	2,356
Contract assets	91,997	69,111
Tax recoverable	1,918	3,365
Short term deposits, cash and bank balances	48,385	42,282
<b>Total current assets</b>	<u>278,237</u>	<u>311,817</u>
<b>TOTAL ASSETS</b>	<u>372,939</u>	<u>411,809</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	242,813	232,583
Reserves	(112,877)	(94,742)
	<u>129,936</u>	<u>137,841</u>
Non-controlling interests	1,133	1,377
<b>Total equity</b>	<u>131,069</u>	<u>139,218</u>
<b>Non-current liabilities</b>		
Borrowings	10,406	13,343
Deferred tax liabilities	5,247	5,325
Lease liabilities	1,113	-
<b>Total non-current liabilities</b>	<u>16,766</u>	<u>18,668</u>
<b>Current liabilities</b>		
Trade and other payables	120,208	122,288
Contract liabilities	14,107	25,516
Borrowings	89,991	106,119
Lease liabilities	798	-
<b>Total current liabilities</b>	<u>225,104</u>	<u>253,923</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>372,939</u>	<u>411,809</u>
<b>Net assets per share attributable to the owners of the Company (RM)</b>	<u>0.25</u>	<u>0.30</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 2019 and the accompanying explanatory notes attached to the interim financial report.

**WZ Satu Berhad****[ Registration No: 200401027590 (666098-X ) ]****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020**

&lt;----- Attributable to Owners of the Company -----&gt;

	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
<b>6 months ended 29 February 2020</b>						
<b>At 1 September 2019</b>	232,583	16,627	(111,369)	137,841	1,377	139,218
Loss for the period	-	-	(18,135)	(18,135)	(244)	(18,379)
Total comprehensive expense	-	-	(18,135)	(18,135)	(244)	(18,379)
Changes in revaluation reserve	-	(95)	95	-	-	-
Issuance of shares pursuant to private placement	10,230	-	-	10,230	-	10,230
<b>At 29 February 2020</b>	<b>242,813</b>	<b>16,532</b>	<b>(129,409)</b>	<b>129,936</b>	<b>1,133</b>	<b>131,069</b>

**WZ Satu Berhad**

[ Registration No: 200401027590 (666098-X ) ]

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONT'D)**

&lt;----- Attributable to Owners of the Company -----&gt;

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
----------------------------	----------------------------------	---------------------------------	---------------------	--	---------------------------

**6 months ended 28 February 2019**

<b>At 1 September 2018</b>	232,583	17,511	(15,217)	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 revaluation reserve	-	(789)	159	(630)	-	(630)
Changes in ownership interest in associate	-	-	(1,330)	(1,330)	-	(1,330)
<b>At 28 February 2019</b>	<b>232,583</b>	<b>16,722</b>	<b>(45,232)</b>	<b>204,073</b>	<b>1,078</b>	<b>205,151</b>

**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 2019 and the accompanying explanatory notes attached to the interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020**

<b>6 Months Ended</b>	
<b>29/02/20</b>	<b>28/02/19</b>
<b>RM'000</b>	<b>RM'000</b>

**Cash Flows From Operating Activities**

Loss before taxation	(18,114)	(28,713)
Adjustments for non-cash items	11,680	12,354
	(6,434)	(16,359)
<b>Changes in working capital</b>		
Net change in assets	37,771	16,866
Net change in liabilities	(13,525)	(5,291)
	17,812	(4,784)
Interest paid	(3,916)	(4,690)
Interest received	421	372
Net taxes refunded/(paid)	1,103	(1,956)
<b>Net Operating Cash Flows</b>	<b>15,420</b>	<b>(11,058)</b>

**Cash Flows From Investing Activities**

Investment in an associate	(600)	(2,500)
Deposits pledged to licensed banks	(1,011)	-
Purchase of property, plant and equipment	(164)	(727)
Proceeds from disposal of property, plant and equipment	828	730
<b>Net Investing Cash Flows</b>	<b>(947)</b>	<b>(2,497)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONT'D)**

<b>6 Months Ended</b>	
<b>29/02/20</b>	<b>28/02/19</b>
<b>RM'000</b>	<b>RM'000</b>

**Cash Flows From Financing Activities**

Proceeds from private placement	10,230	-
Repayment of finance lease liabilities	(3,214)	(3,382)
Repayment of lease liabilities	(376)	-
Repayment of bank borrowings	(12,164)	(8,576)
<b>Net Financing Cash Flows</b>	<b>(5,524)</b>	<b>(11,958)</b>
<b>Net change in cash and cash equivalents</b>	<b>8,949</b>	<b>(25,513)</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>24,467</b>	<b>53,050</b>
Effect of the exchange rate fluctuations	3	3
<b>Cash and cash equivalents at end of the financial period</b>	<b>33,419</b>	<b>27,540</b>

**Notes:**

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

Cash on hand and at banks	24,415	35,670
Deposits with licensed banks	23,970	-
Cash and bank balances	48,385	35,670
Less: Bank overdrafts	(12,018)	(8,130)
Less: Deposits pledged to licensed banks	(2,948)	-
<b>Cash and cash equivalents</b>	<b>33,419</b>	<b>27,540</b>

- (ii) The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2019 and the accompanying explanatory notes attached to the interim financial report.

**Notes To The Interim Financial Report**  
**For the Second Quarter Ended 29 February 2020**  
**(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 2019. 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 2019.

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that are mandatory for the current financial year:

New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowing Costs

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)**

**2 Accounting Policies (cont'd)**

A brief discussion on the new MFRS is summarised below.

MFRS 16 Leases ("MFRS 16")

Previously under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases. The Group is applying MFRS 16 for the first time in the current financial year using the modified retrospective method of which the comparative amounts for the period prior to the first adoption of the new standard will not be restated.

At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement. The Group recognised an amount of ROU assets and total lease liabilities of RM2.29 million, respectively, as at 1 September 2019. Subsequent to initial recognition, the Group will depreciate the ROU assets over the remaining useful lives of the ROU assets and the lease terms and recognise interest expense on these lease liabilities. The adoption of MFRS 16 resulted in an increase in total assets and total liabilities as well as Earnings before Interest, Tax and Depreciation.

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and amendments to IC Interpretations ("IC Int") that have been issued, but yet to be effective:

	Effective for financial periods beginning on or after
<u>New MFRS</u>	
MFRS 17 Insurance Contract	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time adoption of Malaysian Financial Reporting Standards	1 January 2021 <sup>#</sup>
MFRS 2 Share-based Payment	1 January 2020*
MFRS 3 Business Combinations	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 <sup>#</sup>
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7 Financial Instruments: Disclosures	1 January 2021 <sup>#</sup>
MFRS 9 Financial Instruments	1 January 2021 <sup>#</sup>
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 14 Regulatory Deferral Accounts	1 January 2020*

**Notes To The Interim Financial Report**  
**For the Second Quarter Ended 29 February 2020**  
**(Unaudited)**

**2 Accounting Policies (cont'd)**

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and amendments to IC Interpretations ("IC Int") that have been issued, but yet to be effective: (cont'd)

	Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (cont'd)</u>	
MFRS 15 Revenue from Contracts with Customers	1 January 2021 <sup>#</sup>
MFRS 101 Presentation of Financial Statements	1 January 2020 <sup>*</sup> / 1 January 2021 <sup>#</sup>
MFRS 107 Statements of Cash Flows	1 January 2021 <sup>#</sup>
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020 <sup>*</sup>
MFRS 116 Property, Plant and Equipment	1 January 2021 <sup>#</sup>
MFRS 119 Employee Benefits	1 January 2021 <sup>#</sup>
MFRS 128 Investments in Associates and Joint Ventures	Deferred/ 1 January 2021 <sup>#</sup>
MFRS 132 Financial Instruments: Presentation	1 January 2021 <sup>#</sup>
MFRS 134 Interim Financial Reporting	1 January 2020 <sup>*</sup>
MFRS 136 Impairment of Assets	1 January 2021 <sup>#</sup>
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020 <sup>*</sup> / 1 January 2021 <sup>#</sup>
MFRS 138 Intangible Assets	1 January 2020 <sup>*</sup> / 1 January 2021 <sup>#</sup>
MFRS 140 Investment Property	1 January 2021 <sup>#</sup>
<u>Amendments to IC Int</u>	
IC Int 12 Service Concession Arrangements	1 January 2020 <sup>*</sup>
IC Int 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020 <sup>*</sup>
IC Int 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020 <sup>*</sup>
IC Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2020 <sup>*</sup>
IC Int 132 Intangible Assets - Web Site Costs	1 January 2020 <sup>*</sup>

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

*# Amendments as to the consequence of effective of MFRS 17 Insurance Contract*

The Group and the Company plan to adopt the above applicable new MFRS, amendments/improvements to MFRSs and amendments to IC Int when they become effective.

**Notes To The Interim Financial Report**  
**For the Second Quarter Ended 29 February 2020**  
**(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 29 February 2020  
(Unaudited)**

**9 Segmental Reporting**

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

**Revenue**

	<b>Total</b>	<b>Elimination</b>	<b>External</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Civil engineering and construction	92,367	-	92,367
Oil and gas	33,600	-	33,600
Manufacturing	22,519	-	22,519
Investment and others	3,143	346	2,797
<b>Total</b>	<b>151,629</b>	<b>346</b>	<b>151,283</b>

**Results**

	<b>RM'000</b>
Civil engineering and construction	(6,583)
Oil and gas	929
Manufacturing	564
Investment and others	(2,471)
Less: elimination	(4,741)
Loss from operations	<u>(12,302)</u>
Finance cost	(3,916)
Share of results of associates, net of tax	(1,896)
Taxation	(265)
Loss for the period	<u><u>(18,379)</u></u>

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)**

**9 Segmental Reporting (cont'd)**

**Assets and Liabilities**

	<b>Segment <u>Assets</u> RM'000</b>
Civil engineering and construction	245,445
Oil and gas	74,865
Manufacturing	86,750
Investment and others	212,267
Less: elimination	(246,388)
Total	<u>372,939</u>

	<b>Segment <u>Liabilities</u> RM'000</b>
Civil engineering and construction	276,272
Oil and gas	63,373
Manufacturing	33,270
Investment and others	36,943
Less: elimination	(167,988)
Total	<u>241,870</u>

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)**

**10 Loss Before Taxation**

	<b>3 Months Ended</b>	<b>6 Months Ended</b>
	<b>29/02/20</b>	<b>29/02/20</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Loss before taxation is arrived at after charging/(crediting):</b>		
Depreciation for property, plant and equipment	2,541	5,151
Depreciation of rights-of-use assets	387	409
Loss/(Gain) on disposal of property, plant and equipment	71	(97)
Impairment loss on investment in an associate	304	304
Impairment loss on receivables	254	473
Interest expense	2,071	3,916
Interest income	(222)	(421)
Plant and equipment written off	9	29
Reversal of impairment loss on receivables	(6)	(16)
Share of results of associates	1,221	1,896
Unrealised loss on foreign exchange	58	36
	<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 29 February 2020**  
**(Unaudited)**

**14 Changes In Contingent Liabilities And Assets**

The contingent liabilities as at 29 February 2020 were as follows:

	<b>Group</b>	
	<b>29/02/20</b>	<b>31/08/19</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees in favour of third parties	74,320	62,852
Guarantees given to financial institutions in respect of credit facilities utilised by an associate	482	904
	<u>74,802</u>	<u>63,756</u>

**15 Capital Commitments**

The capital commitments as at 29 February 2020 were as follows:

	<b>RM'000</b>
(i) Contracted and not provided for	976
(ii) Authorised and not contracted for	-
	<u>976</u>

Analysed as follows:

Acquisition of plant and equipment	<u>976</u>
------------------------------------	------------

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(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	
	29/02/20	28/02/19		
	RM'000	RM'000	RM'000	%
Revenue	80,909	86,054	(5,145)	-6%
Loss before taxation	(8,004)	(17,062)	9,058	-53%

The Group registered a lower revenue of RM80.9 million in the current quarter compared to RM86.0 million in the preceding year corresponding quarter. The decrease in revenue of RM5.1 million was due to lower revenue of RM2.8 million from the manufacturing segment, RM1.4 million from civil engineering and construction ("CEC") segment and RM0.9 million from the remaining segments compared to that of the comparative quarter.

The Group registered a lower loss before taxation of RM8.0 million in the current quarter as compared to RM17.1 million in the preceding year corresponding quarter. The decrease in loss before taxation of RM9.1 million was mainly due to an improved result of RM6.8 million registered by the oil and gas ("OG") segment from a loss before taxation of RM3.3 million in the comparative quarter to a profit before taxation of RM3.5 million in the current quarter. Whereas the CEC segment registered a lower loss before taxation of RM3.3 million and the remaining segments registered a higher loss before taxation of RM1.0 million compared to those of the comparative quarter.

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

	Cumulative Quarter			
	6 Months Ended		Changes	
	29/02/20	28/02/19		
	RM'000	RM'000	RM'000	%
Revenue	151,283	187,559	(36,276)	-19%
Loss before taxation	(18,114)	(28,713)	10,599	-37%

The Group registered a lower revenue of RM151.3 million in the current year-to-date compared to RM187.6 million in the preceding year corresponding year-to-date. The decrease in revenue of RM36.3 million was due mainly to lower revenues of RM26.8 million and RM5.8 million registered in the the CEC and manufacturing segments, respectively. The remaining segments registered a lower revenue of RM3.7 million compared to that of the comparative year-to-date.

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)**

**1 Review Of Performance (cont'd)**

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

The Group registered a lower loss before taxation of RM18.1 million in the current year-to-date compared to RM28.7 million in the preceding year corresponding year-to-date. The decrease in loss before taxation of RM10.6 million was mainly due to improved results of the CEC and OG segments amounted to RM6.6 million and RM6.0 million, respectively. This was offset by a higher loss before taxation of RM2.0 million in the remaining segments compared to that of the preceding year corresponding year-to-date. The improved result for current year-to-date compared to the preceding year corresponding year-to-date was also contributed by the settlement of dispute of the RAPID project and the result of the ongoing cost optimisation exercise by the Group.

**2 Variation Of Results Against Preceding Quarter**

	<b>3 Months Ended</b>	
	<b>29/02/20</b>	<b>30/11/19</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	80,909	70,374
Loss before taxation	(8,004)	(10,110)

The Group registered a higher revenue of RM80.9 million in this quarter compared to RM70.4 million in the preceding quarter. The improved revenue of RM10.5 million was mainly due to the increase in revenue of RM7.9 million from the OG segment and RM2.9 million from the CEC segment. The remaining segments registered a lower revenue of RM0.3 million compared to that of the preceding quarter.

The current quarter registered a lower loss before taxation of RM8.0 million compared to RM10.1 million in the preceding quarter. The lower loss before taxation of RM2.1 million was mainly due to the higher profit contribution of RM7.3 million from the OG segment. However, this was offset by higher losses before taxation of RM3.0 million and RM2.2 million in the CEC and remaining segments respectively compared to that of the preceding quarter.

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)**

**3 Prospects**

Outlook

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

The Group is actively pursuing various opportunities to improve the contribution in the current financial year for the CEC and OG segments. With this objective, the Group is actively pursuing projects that provide positive contributions to the Group's bottomline.

The current order book of RM724 million will ensure the Group is kept busy for the current and next financial year. However, the uncertainty on commencement date of a single project may affect the results of the Group. The bauxite mining operation has not resumed to date, however, the Group is exploring other mining opportunities.

The imposition of Movement Control Order ("MCO") by the Government of Malaysia on 18 March 2020 to curb the spread of the Coronavirus Disease 2019 ("Covid-19") has a huge dampening effect on the activities and prospects of the Malaysian economy. The lockdown from the MCO has resulted in stop-work orders to all the business segments of the Group and has resulted in lower billings and revenues for the coming quarter. This and together with the low crude oil prices have significantly scaled back job opportunities and increased pressures on profit margins in both the CEC and OG segments. The Group foresees that the road to recovery will remain challenging due to the uncertainties created by the Covid-19 and current state of depressed oil prices.

Cost Reduction and Resource Rationalisation

In view of the challenging times, the Group is continuing with its cost optimisation exercise to enhance operational efficiency including rightsizing the workforce and rationalisation of resources throughout the Group. These measures are expected to align cost structure in tune with the level of operations and against expected challenging business conditions.

Notes To The Interim Financial Report  
 For the Second Quarter Ended 29 February 2020  
 (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:

	<b>3 Months Ended 29/02/20 RM'000</b>	<b>6 Months Ended 29/02/20 RM'000</b>
Current taxation	167	344
Movement in deferred taxation	<u>(39)</u>	<u>(79)</u>
	<u>128</u>	<u>265</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**

- (i) Pursuant to the Private Placement exercise which was duly completed upon the subscription and listing of the 46,500,000 Placement Shares at RM0.22 per Placement Share on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 18 October 2019, the gross proceeds raised from the Private Placement exercise was RM10.23 million and the utilisation status at the end of the current quarter is as set out below:-

<b>Purpose</b>	<b>Proposed utilisation RM'000</b>	<b>Transfer from/(to) RM'000</b>	<b>Revised proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance RM'000</b>	<b>Expected time frame for utilisation of proceeds</b>
Working capital	9,900	178	10,078	(4,587)	5,491	Within 12 months
Estimated expenses*	330	(178)	152	(152)	-	Within 1 month
<b>Total</b>	<u>10,230</u>	<u>-</u>	<u>10,230</u>	<u>(4,739)</u>	<u>5,491</u>	

- \* The estimated expenses for the Private Placement comprise professional fees, fees payable to authorities and other miscellaneous expenses. Any surplus or shortfall of the estimated expenses for the Private Placement will be adjusted accordingly to or from the portion allocated for working capital.

**Notes To The Interim Financial Report**  
**For the Second Quarter Ended 29 February 2020**  
**(Unaudited)**

**6 Status Of Corporate Proposal (cont'd)**

- (ii) On 18 November 2019, the board of directors of WZ Satu Berhad ("Board") announced to Bursa Securities that the WZ Satu Berhad ("WZ Satu") proposes to undertake a renounceable rights issue of irredeemable convertible preference shares ("ICPS") in WZ Satu together with free detachable warrants in WZ Satu ("Warrants B") to raise minimum gross proceeds of about RM30.0 million and maximum gross proceeds of up to about RM72.3 million ("Proposed Rights Issue of ICPS with Warrants"). The gross proceeds to be raised will be used for funding for future construction and/or project financing activities, working capital and estimated expenses in relation to the proposals.

In conjunction with the Proposed Rights Issue of ICPS with Warrants, the Company proposes to amend the Constitution of the Company to facilitate the creation of the ICPS pursuant to the Proposed Rights Issue of ICPS with Warrants ("Proposed Amendments"). The Proposed Rights Issue of ICPS with Warrants and the Proposed Amendments are collectively referred to as the "Proposals".

The Proposed Rights Issue of ICPS with Warrants is conditional upon approvals being obtained from the following:

- (a) Bursa Securities for the following:
- (1) the admission of the ICPS with Warrants B to the Official List of Bursa Securities;
  - (2) the listing of and quotation for the following on the Main Market of Bursa Securities:
    - (i) the ICPS and Warrants B to be issued under the Proposed Rights Issue of ICPS with Warrants;
    - (ii) the new Shares to be issued upon the conversion of the ICPS; and
    - (iii) the new Shares to be issued upon the exercise of Warrants B.
- (b) the shareholders of WZ Satu at an EGM to be convened in respect of the Proposals; and
- (c) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue of ICPS with Warrants and the Proposed Amendments are interconditional upon each other. However, the Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by WZ Satu.

None of the directors and major shareholders of WZ Satu and persons connected with them, have any interest, whether direct or indirect, in the Proposals, apart from their respective entitlements under the Proposed Rights Issue of ICPS with Warrants (including the right to apply for additional ICPS under excess ICPS application), to which all the Entitled Shareholders are similarly entitled to.

Barring any unforeseen circumstances and subject to the relevant approvals being obtained, the Proposals are expected to be completed in the fourth quarter of FY 2020.

For updates in relation to the Proposals, kindly refer to Company's announcements to Bursa Securities from time to time.

**Notes To The Interim Financial Report  
 For the Second Quarter Ended 29 February 2020  
 (Unaudited)**

**7 Borrowings And Debts Securities**

The Group's borrowings were as follows:

	<b>As at</b>	
	<b>29/02/20</b>	<b>28/02/19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>		
<b><u>Secured</u></b>		
Finance lease liabilities	4,746	5,012
Floating rate bank loan	1,189	216
Trade financing	8,751	9,384
<b><u>Unsecured</u></b>		
Bank overdrafts	12,018	8,130
Trade financing	63,287	93,276
	<u>89,991</u>	<u>116,018</u>
<b>Non-current</b>		
<b><u>Secured</u></b>		
Finance lease liabilities	2,585	8,313
Floating rate bank loan	7,821	-
	<u>10,406</u>	<u>8,313</u>
<b>Total</b>	<u>100,397</u>	<u>124,331</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 29 February 2020**  
**(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:

- (i) 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.

On 29 November 2019, the Arbitrator made and published the following Final Award:

- (a) That MISI shall pay the sum of RM4,343,706.82 to PT Technic in full and final settlement of all matters in difference with reference to PT Technic's claim for work and additional works referred to the Arbitrator in this Arbitration;
- (b) That MISI shall pay interest at the rate of 5% simple interest per annum on the sum of RM4,343,706.82 from 29 November 2019 until the actual realisation of the said payment by MISI to PT Technic;
- (c) That MISI shall bear and pay PT Technic's costs in this Arbitration upon a party and party basis. If the parties are unable to agree and settle the quantum of costs of the arbitration, the Arbitrator will assess and settle the amount based on evidence to be submitted at a hearing after this Final Award;
- (d) That MISI shall pay and bear the Arbitrator's professional fee and cost for this Arbitration and if PT Technic has already paid the whole or any part of such cost then MISI shall reimburse PT Technic accordingly; and
- (e) That all other requests and claims of PT Technic and MISI are rejected.

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. Hence, the Vendors of MISI are the actual party responsible to settle the Final Award made and published by the Arbitrator listed above.

**Notes To The Interim Financial Report**  
**For the Second Quarter Ended 29 February 2020**  
**(Unaudited)**

**9 Material Litigation (cont'd)**

- (ii) WZ Satu Berhad - Writ of Summon and Amended Statement of Claim (High Court at Shah Alam Civil Suit No. BA-22NCVC-469-10/2019)  
Plaintiffs: Dato' William Tan Chee Keong and Mr. Choi Chee Ken  
Defendant: WZ Satu Berhad

---

On 8 November 2019, the Company received a Writ of Summon ("the Writ") and Amended Statement of Claim, all dated 24 October 2019 from the Plaintiffs ("the Statement of Claim") through their solicitor. Pursuant to the Writ and the Amended Statement of Claim, the Plaintiffs are claiming for breach of Share Sale Agreement dated 10 January 2014 ("SSA") in relation to the acquisition of WZS BinaRaya Sdn Bhd ("Target Company") to conduct a special audit in order to verify the final aggregate financial result of the Target Company for the Guaranteed Period. Consequently the Plaintiffs are seeking for RM34,084,500 representing the continuing loss of value of Security Shares, Bonus Shares and Warrants from 24 October 2019 until the date of the Order (if any), alternatively, the damages to be assessed by the Court; interest at the rate of 5% per annum, costs of the action to be paid to the Plaintiffs and such other relief as determined by the Court.

The terms of the SSA require that upon the expiry of the Guaranteed Period, the Company with the assistance of the Plaintiffs shall as soon as possible cause the appointed auditor of the Company to conduct a special audit or review of the financial statements of the Target Company for the Guaranteed Period in order to verify the final aggregate financial result of the Target Company for the Guaranteed Period. The SSA also stipulates that the auditor shall within 45 days from the end of the Guaranteed Period, issue an audit certificate certifying the amount of the actual profit for the Guaranteed Period. The Defendant had appointed an auditor to review the financial statements of the Target Company for the Guaranteed Period but such auditors were unable to finalise such review. The Company has put the Plaintiff on notice that the appointment of the auditor requires the joint action of the parties and the inability to finalise the special audit and issue the Reporting Accountant's Certificate which is required under the terms of the SSA is largely attributable to the Plaintiff's own inaction. Furthermore, the terms of the SSA does not stipulate a period within which the auditor is to be appointed. The Company has also highlighted to the Plaintiffs that the Company is under no obligation to be liable to account for the value of the Security Shares held by the Stakeholder or to preserve the value of such Security Shares.

Accordingly, the Company denies the allegations and claims set out in the Amended Statement of Claim and has reserved the right to claim for the shortfall in the Guaranteed Profit and Guaranteed Shareholders' Funds and compensation arising from delay in finalisation of the Reporting Accountant's Certificate caused by the Plaintiffs' inaction and breach of the terms of the SSA. This is particularly in view of the substantial provisions for losses that have been incurred by the Company arising from projects undertaken by the Target Company during the course of the Guaranteed Period. For the reasons mentioned above, the claim is vigorously defended and (where appropriate) counterclaim to be filed in relation to the action.

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

**WZ Satu Berhad**

[ Registration No: 200401027590 (666098-X) ]

**Notes To The Interim Financial Report  
For the Second Quarter Ended 29 February 2020  
(Unaudited)****10 Dividend**

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

**11 Loss Per Share**

	<b>3 Months Ended</b>	<b>6 Months Ended</b>
	<b>29/02/20</b>	<b>29/02/20</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Basic</u>		
Loss attributable to owners of the Company	(7,965)	(18,135)
Weighted average number of ordinary shares for basic earnings per share ('000)	511,665	500,168
Loss per ordinary share (sen)	(1.56)	(3.63)
<u>Diluted</u>		
Loss attributable to owners of the Company	(7,965)	(18,135)
Weighted average number of ordinary shares for basic earnings per share ('000)	511,665	500,168
Effect of dilution due to warrants ('000)	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	511,665	500,168
Loss per ordinary share (sen)	(1.56)	(3.63)

**12 Approval For The Release Of Quarterly Results**

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