

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	Individual Quarter	Cumulative Quarter
	3 Months Ended	6 Months Ended
	30/06/21	30/06/21
	RM'000	RM'000
Revenue	59,658	127,704
Cost of sales	(51,140)	(110,465)
Gross profit	8,518	17,239
Other income	1,019	6,558
Operating expenses	(10,335)	(21,534)
(Loss)/Profit from operations	(798)	2,263
Finance costs	(1,173)	(2,434)
Share of results of associates, net of tax	(594)	(1,272)
Loss before taxation	(2,565)	(1,443)
Taxation	(735)	(934)
Loss for the period	(3,300)	(2,377)
Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive loss for the period	(3,300)	(2,377)
Loss attributable to:		
Owners of the Company	(3,117)	(2,030)
Non-controlling interests	(183)	(347)
Loss for the period	(3,300)	(2,377)
Total comprehensive loss attributable to:		
Owners of the Company	(3,117)	(2,030)
Non-controlling interests	(183)	(347)
Total comprehensive loss for the period	(3,300)	(2,377)
Loss per share attributable to Owners of the Company (sen):		
-Basic	(0.52)	(0.37)
-Diluted	(0.52)	(0.37)
Net assets per share (RM)		0.19

Notes:

- 1) The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the period ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial report.
- 2) On 22 July 2020, the Company changed its financial year end from 31 August to 31 December. Hence, no comparative information is presented for the financial year ending 31 December 2021.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2021**

	Unaudited 30/06/21 RM'000	Audited 31/12/20 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,742	42,728
Right-of-use assets	18,559	20,059
Goodwill on consolidation	9,800	9,800
Investment in associates	4,571	5,843
Club memberships	205	205
Total non-current assets	<u>73,877</u>	<u>78,635</u>
Current assets		
Inventories	31,125	30,416
Trade and other receivables	69,954	83,934
Prepayments	1,890	2,785
Contract assets	25,946	31,672
Tax recoverable	697	1,099
Short term deposits, cash and bank balances	100,933	36,172
Total current assets	<u>230,545</u>	<u>186,078</u>
TOTAL ASSETS	<u>304,422</u>	<u>264,713</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	260,493	242,813
Reserves	(122,161)	(158,080)
	<u>138,332</u>	<u>84,733</u>
Non-controlling interests	(49)	298
Total equity	<u>138,283</u>	<u>85,031</u>
Non-current liabilities		
Borrowings	6,805	7,422
Deferred tax liabilities	5,619	5,559
Lease liabilities	2,312	2,944
Total non-current liabilities	<u>14,736</u>	<u>15,925</u>
Current liabilities		
Trade and other payables	50,678	56,119
Contract liabilities	32,846	33,946
Borrowings	65,400	65,535
Provision for liabilities	131	4,680
Lease liabilities	2,348	3,477
Total current liabilities	<u>151,403</u>	<u>163,757</u>
TOTAL EQUITY AND LIABILITIES	<u>304,422</u>	<u>264,713</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.19</u>	<u>0.17</u>

Note:

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the period ended 31 December 2020 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 30 JUNE 2021**

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

	Share Capital RM'000	Revaluation Reserve RM'000	ICPS Reserve RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Sub-Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
6 months ended 30 June 2021								
At 1 January 2021	242,813	16,725	-	-	(174,805)	84,733	298	85,031
Loss for the period	-	-	-	-	(2,030)	(2,030)	(347)	(2,377)
Total comprehensive loss for the period	-	-	-	-	(2,030)	(2,030)	(347)	(2,377)
Changes in revaluation reserve	-	(100)	-	-	100	-	-	-
Issuance of ICPS	-	-	45,741	9,888	-	55,629	-	55,629
Issuance of shares pursuant to conversion of ICPS	17,680	-	(17,680)	-	-	-	-	-
At 30 June 2021	260,493	16,625	28,061	9,888	(176,735)	138,332	(49)	138,283

Note:

On 22 July 2020, the Company changed its financial year end from 31 August to 31 December. Hence, no comparative information is presented for the financial year ending 31 December 2021.

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

6 Months
Ended
30/06/21
RM'000

Cash Flows From Operating Activities

Loss before taxation	(1,443)
Adjustments for non-cash items	7,187
	<u>5,744</u>
Changes in working capital	
Net change in assets	19,058
Net change in liabilities	<u>(11,121)</u>
	13,681
Interest paid	(2,434)
Interest received	259
Net taxes paid	<u>(473)</u>
Net Operating Cash Flows	<u>11,033</u>

Cash Flows From Investing Activities

Purchase of plant and equipment	(517)
Proceeds from disposal of plant and equipment	580
Proceeds from disposal of right-of-use assets	951
Net Investing Cash Flows	<u>1,014</u>

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)**

6 Months
Ended
30/06/21
RM'000

Cash Flows From Financing Activities

Net proceeds from issuance of ICPS	55,629
Repayment of lease liabilities	(2,163)
Repayment of bank borrowings	(5,528)
Net Financing Cash Flows	47,938
Net change in cash and cash equivalents	59,985
Cash and cash equivalents at beginning of the financial period	28,032
Effect of the exchange rate fluctuations	-
Cash and cash equivalents at end of the financial period	88,017

Notes:

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

Cash on hand and at banks	87,735
Deposits with licensed banks	13,198
Cash and bank balances	100,933
Less: Bank overdrafts	(11,993)
Less: Deposits pledged to licensed banks	(923)
Cash and cash equivalents	88,017

- (ii) The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the period ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial report.

- (iii) On 22 July 2020, the Company changed its financial year end from 31 August to 31 December. Hence, no comparative information is presented for the financial year ending 31 December 2021.

Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(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 period ended 31 December 2020. 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 period ended 31 December 2020.

The Group has adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and did not result in significant changes to the Group's existing accounting policies.

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

New MFRS

MFRS 17	Insurance Contracts
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Effective for
financial periods
beginning on or after

1 January 2023

Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)

2 Accounting Policies (cont'd)

	Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3 Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4 Insurance Contracts	1 January 2023
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7 Financial Instruments: Disclosures	1 January 2023#
MFRS 9 Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 15 Revenue from Contracts with Customers	1 January 2023#
MFRS 16 Leases	1 April 2021/ 1 January 2022^
MFRS 17 Insurance Contracts	1 January 2023
MFRS 101 Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107 Statements of Cash Flows	1 January 2023#
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 116 Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119 Employee Benefits	1 January 2023#
MFRS 128 Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132 Financial Instruments: Presentation	1 January 2023#
MFRS 136 Impairment of Assets	1 January 2023#
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138 Intangible Assets	1 January 2023#
MFRS 140 Investment Property	1 January 2023#
MFRS 141 Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018 - 2020*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective.

Notes To The Interim Financial Report
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(Unaudited)

3 Auditors' Report on Preceding Audited Financial Statements

The auditors' report on the preceding period'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 period 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 period to date results.

7 Changes in Debts and Equity Securities

On 10 May 2021, the Company completed the listing and quotation of 511,665,197 Irredeemable Convertible Preference Shares ("ICPS"), 63,958,049 free detachable warrants ("Warrants B") and 51,800,538 additional Warrants 2014/2024 ("Warrants A") on the Main Market of Bursa Malaysia Securities Berhad raising gross proceeds of RM56.28 million.

The above rights issue is pursuant to the Company's Renounceable Rights Issue of up to 643,106,105 ICPS ("Rights ICPS") in WZ Satu Berhad ("WZ Satu") at an issue price of RM0.11 per Rights ICPS on the basis of 1 Rights ICPS for every 1 existing ordinary share in WZ Satu held by the entitled shareholders as at 5:00 p.m. on 12 April 2021 together with up to 80,388,263 Warrants B on the basis of 1 Warrant B for every 8 Rights ICPS subscribed.

In conjunction with the above rights issue, the outstanding Warrants A's exercise price has been revised from RM0.38 per Warrant A to RM0.28 per Warrant A.

The ICPS has a tenure of 10 years commencing from and inclusive of the issue date and ending at 5:00 p.m. on the last market day immediately preceding the date which is the 10th anniversary of the issue date. Each ICPS is convertible into 1 new ordinary share of WZ Satu with no additional cash payment.

The Warrant B has a tenure of 10 years commencing from and inclusive of the issue date and ending at 5:00 p.m. on the last market day immediately preceding the date which is the 10th anniversary of the issue date. The exercise price of Warrant B is RM0.16 per Warrant B.

During the quarter under review, 197,775,366 ICPS have been converted to ordinary shares of WZ Satu with no additional cash payments to the Company.

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 30 June 2021
(Unaudited)**

9 Segmental Reporting

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

Revenue

	Total	Elimination	External
	RM'000	RM'000	RM'000
Civil engineering and construction	73,586	(19,489)	54,097
Oil and gas	44,393	-	44,393
Manufacturing	27,200	-	27,200
Investment and others	2,603	(589)	2,014
Total	<u>147,782</u>	<u>(20,078)</u>	<u>127,704</u>

Results

	RM'000
Civil engineering and construction	3,438
Oil and gas	932
Manufacturing	3,849
Investment and others	(4,000)
Less: elimination	(1,956)
Profit from operations	<u>2,263</u>
Finance cost	(2,434)
Share of results of associates, net of tax	(1,272)
Taxation	(934)
Loss for the period	<u>(2,377)</u>

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**Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)**

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment <u>Assets</u> RM'000
Civil engineering and construction	172,113
Oil and gas	38,072
Manufacturing	93,462
Investment and others	233,370
Less: elimination	(232,595)
Total	<u>304,422</u>

	Segment <u>Liabilities</u> RM'000
Civil engineering and construction	171,780
Oil and gas	23,940
Manufacturing	36,376
Investment and others	23,267
Less: elimination	(89,224)
Total	<u>166,139</u>

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**Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
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10 Loss Before Taxation

	3 Months Ended	6 Months Ended
	30/06/21	30/06/21
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation for property, plant and equipment	907	2,572
Depreciation of rights-of-use assets	925	1,152
Loss/(Gain) on disposal of plant and equipment	285	(317)
Gain on disposal of rights-of-use assets	(508)	(532)
Interest expense	1,173	2,434
Interest income	(190)	(259)
Impairment loss on receivables	764	834
Share of results of associates	594	1,272
Unrealised (gain)/loss on foreign exchange	(2)	31

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 30 June 2021
(Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 30 June 2021 were as follows:

	Group	
	30/06/21	31/12/20
	RM'000	RM'000
Guarantees in favour of third parties	<u>44,105</u>	<u>48,712</u>

15 Capital Commitments

The capital commitments as at 30 June 2021 were as follows:

	RM'000
(i) Contracted and not provided for	451
(ii) Authorised and not contracted for	<u>-</u>
	<u>451</u>
Analysed as follows:	
Acquisition of plant and equipment	<u>451</u>

**Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)**

**PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE BURSA MALAYSIA
SECURITIES BERHAD’S LISTING REQUIREMENTS**

1 Review Of Performance

Current Year Quarter

	Individual Quarter
	3 Months Ended
	30/06/21
	RM'000
Revenue	59,658
Loss before taxation	<u>(2,565)</u>

The Group registered a revenue of RM59.7 million in the current quarter comprising the civil engineering and construction ("CEC"), the oil and gas ("OG"), the manufacturing and the remaining segments contributing RM26.5 million, RM21.0 million, RM11.6 million and RM0.6 million, respectively.

The Group registered a loss before taxation of approximately RM2.6 million in the current quarter with losses before taxation of RM0.5 million and RM0.3 million registered in the mining and CEC segments, respectively. This was offset by profit before taxation of RM1.2 million in the manufacturing segment. The remaining segments registered a loss before taxation of RM3.0 million due to operating losses incurred by the Company and non-core subsidiaries inclusive of impairment of marked to market securities of RM0.8 million and amortisation of a project contract asset of RM0.5 million.

Current Year-To-Date

	Cumulative Quarter
	6 Months Ended
	30/06/21
	RM'000
Revenue	127,704
Loss before taxation	<u>(1,443)</u>

The Group registered a revenue of RM127.7 million in the current period-to-date with the CEC, OG, manufacturing and the remaining segments contributing RM54.1 million, RM44.4 million, RM27.2 million and RM2.0 million, respectively.

The Group registered a loss before taxation of RM1.4 million in the current period-to-date. The loss before taxation was contributed by the loss before taxation of RM1.0 million registered in the mining segment. This was mitigated by the profit before taxation of RM3.1 million, RM1.6 million and RM0.6 million in the manufacturing, CEC and OG segments, respectively. The remaining segments registered a loss before taxation of RM5.7 million due to operating losses incurred by the Company and non-core subsidiaries inclusive of impairment of marked to market securities of RM0.8 million and amortisation of a project contract asset of RM0.9 million.

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**Notes To The Interim Financial Report
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2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	30/06/21	31/03/21
	RM'000	RM'000
Revenue	59,658	68,046
(Loss)/Profit before taxation	(2,565)	1,122

The Group registered a lower revenue of RM59.7 million in this quarter compared to RM68.0 million in the preceding quarter. The decrease in revenue of RM8.3 million was due to lower revenues of RM4.0 million, RM2.4 million, RM1.1 million and RM0.8 million in the manufacturing, OG, CEC and remaining segments. The lower revenue was mainly due to the imposition of nationwide movement control order ("MCO") in Malaysia since May 2021 and transitioned to the 4 Phase National Recovery Plan, in June 2021.

The current quarter registered a loss before taxation of RM2.6 million compared to a profit before taxation of RM1.1 million in the preceding quarter. The weaker result for the current quarter as compared to the preceding quarter was mainly due to the overall decline in revenue of all segments directly impacting the current quarter result and bottomline arising from the temporary stoppage of certain construction works and manufacturing activities following the imposition of MCO 3.0.

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

3 Prospects

Outlook

The key business segments of the Group are civil engineering and construction ("CEC"), oil and gas ("OG") and manufacturing.

Although the COVID-19 pandemic continues to dampen the business confidence and the road to full recovery remains challenging, moving forward, the Group is cautiously optimistic of its immediate prospects with several business initiatives already instituted and the recent contract awards as announced in the Second Quarter of the Financial Year 2021 in the Group's OG segment.

The current order book of RM750 million will ensure the Group is kept busy in the immediate financial years. However, the uncertainty on commencement date of a construction project pending finalisation of the joint venture agreement may affect the Group's result.

The Group is embarking on various opportunities to improve the contributions for the CEC and OG segments by instituting several initiatives and is actively tendering for projects in order to boost its order books and to provide positive contributions to the Group's bottomline.

Cost Optimisation and Resource Rationalisation

The Group is continuing with its cost optimisation exercise to enhance operational efficiency which includes amongst others the rationalisation of resources throughout the Group, improvement of business processes and the implementation of groupwide shared services and resources. These measures are expected to align the cost structure in tune with the level of operations and sustain productivity.

Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)

4 Variance Between Actual Profit And Forecast Profit

There is no profit forecast issued by the Group for the current financial year.

5 Taxation

Breakdown of taxation is as follow:

	3 Months Ended 30/06/21 RM'000	6 Months Ended 30/06/21 RM'000
Current taxation	714	875
Movement in deferred taxation	21	59
	<u>735</u>	<u>934</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

On 10 May 2021, the Company completed the listing and quotation of 511,665,197 Irredeemable Convertible Preference Shares, 63,958,049 free detachable warrants ("Warrants B") and 51,800,538 additional Warrants 2014/2024 ("Warrants A") on the Main Market of Bursa Malaysia Securities Berhad raising gross proceeds of RM56.28 million. The utilisation status of the proceeds is as set out below:-

Purpose	Proposed utilisation RM'000	Transfer from/(to) RM'000	Revised proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000	Expected time frame for utilisation of proceeds
Funding for future construction and/or project business/financing activities	54,883	35	54,918	-	54,918	Within 36 months
Working capital	700	-	700	-	700	Within 12 months
Estimated expenses*	700	(35)	665	(665)	-	Within 1 month
Total	<u>56,283</u>	<u>-</u>	<u>56,283</u>	<u>(665)</u>	<u>55,618</u>	

* Estimated expenses in relation to the above rights issue exercise. Any surplus or shortfall will be adjusted against the portion earmarked for funding for future construction and/or project business/financing activities of our Group.

Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)

7 Borrowings And Debts Securities

The Group's borrowings were as follows:

	As at 30/06/21 RM'000
<u>Current</u>	
<u>Secured</u>	
Floating rate bank loan	1,245
Trade financing	8,968
<u>Unsecured</u>	
Bank overdrafts	11,993
Trade financing	43,194
	<u>65,400</u>
<u>Non-current</u>	
<u>Secured</u>	
Floating rate bank loan	6,805
	<u>6,805</u>
Total	<u>72,205</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 30 June 2021
(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) 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 ("RA 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.

The latest trial dates are 7 and 8 September 2021.

**Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)**

9 Material Litigation (cont'd)

- (ii) WZ Satu Berhad - Writ of Summons and Statement of Claim (High Court at Shah Alam) ("Writ and Statement of Claim")
Plaintiff: WZ Satu Berhad
Defendants: Dato' William Tan Chee Keong and Mr. Choi Chee Ken
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On 23 September 2020, the Company via its solicitors Messrs. Mah-Kamariyah & Philip Koh, filed a Writ of Summons and Statement of Claim dated 23 September 2020 respectively against Dato' William Tan Chee Keong ("Dato' William") ("1st Defendant"), Mr. Choi Chee Ken ("Mr. Choi") ("2nd Defendant") and Pacific Trustees Berhad ("Pacific Trustees") ("3rd Defendant") for failure to achieve the profit guarantee and shareholders' fund guarantee ("the Guarantees") pursuant to the Share Sale Agreement dated 10 January 2014 in relation to the acquisition of WZS BinaRaya Sdn Bhd (formerly known as KenKeong Sdn Bhd), a wholly-owned subsidiary ("WZS BinaRaya") of the Company ("Writ and Statement of Claim").

The 1st and 2nd Defendants ("Vendors") had entered into a Share Sale Agreement dated 10 January 2014 ("SSA") to sell the shares consisting of the entire issued and paid-up capital of KenKeong Sdn Bhd (now known as WZS BinaRaya) to WZ Satu. Pursuant to the terms of the SSA, the Vendors guaranteed to the Plaintiff as follows:-

- (a) that the aggregate audited profit after tax and minority interest ("PATMI") of WZS BinaRaya and its subsidiaries ("WZS BinaRaya Group") in respect of the 3 financial years ending 31 August 2015, 31 August 2016 and 31 August 2017 ("Guaranteed Period") shall collectively be not less than the total sum of RM17,000,000.00 ("Guaranteed Profit"); and
- (b) the shareholders' funds of WZS BinaRaya Group as at the last day of the Guaranteed Period shall be at least RM27,500,000.00 ("Guaranteed Shareholders' Fund")

(hereafter collectively referred to as "the Guarantees").

Pending fulfilment of the guaranteed profit and guaranteed shareholders' fund, the consideration shares which consist of 25,000,000 ordinary shares in WZ Satu ("Consideration Shares") are to be held and are currently held by the 3rd Defendant as security for the guaranteed profit and guaranteed shareholders' fund as provided in a tripartite Stakeholder Agreement entered into between the Vendors (including the 1st and 2nd Defendants), the Plaintiff and the 3rd Defendant ("Stakeholder Agreement").

The RA Certificate has been issued by the reporting accountant. The RA Certificate shows a profit shortfall of RM59,208,664.00 ("Shortfall") and shareholders' fund shortfall of RM58,960,282.00 during the Guaranteed Period. Pursuant to the SSA and the Stakeholder Agreement, in the event the 1st and 2nd Defendants fail to pay for the Shortfall in cash to the Plaintiff on or before the payment date, the Stakeholder is authorised to dispose of the Consideration Shares.

Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)

9 Material Litigation (cont'd)

The Plaintiff's claim against the 1st and 2nd Defendants, jointly and severally, are as follows:-

- (a) A sum of RM59,208,664.00 being the Shortfall due and owing to the Plaintiff;
- (b) Interest at the rate of 5% per annum on the sum of RM59,208,664.00 from the date of the Statement of Claim until the date of full realisation;
- (c) Costs on full indemnity basis; and
- (d) Such further and/or other reliefs that the Honourable Court deems fair and just.

Apart from the amount claimed by the Company and the corresponding legal costs, the Writ and Statement of Claim are not expected to have any other material financial impact on the Company for the financial year ending 31 December 2021.

None of the Directors and/or major shareholders of WZ Satu and/or persons connected to them has any interest, direct or indirect in the said Writ and Statement of Claim.

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

**Notes To The Interim Financial Report
For The Second Quarter Ended 30 June 2021
(Unaudited)**

10 Dividend

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

11 Loss Per Share

	3 Months Ended	6 Months Ended
	30/06/21	30/06/21
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	(3,117)	(2,030)
Weighted average number of ordinary shares for basic earnings per share ('000)	598,629	555,388
Loss per ordinary share (sen)	(0.52)	(0.37)
<u>Diluted</u>		
Loss attributable to owners of the Company	(3,117)	(2,030)
Weighted average number of ordinary shares for basic earnings per share ('000)	598,629	555,388
Effect of dilution from dilutive securities ('000)	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	598,629	555,388
Loss per ordinary share (sen)	(0.52)	(0.37)

At 30 June 2021, convertible securities were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

12 Approval For The Release Of Quarterly Results

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