

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 NOVEMBER 2020**

	Individual Quarter	Cumulative Quarter
	3 Months Ended	15 Months Ended
	30/11/20	30/11/20
	RM'000	RM'000
Revenue	44,740	279,129
Cost of sales	(40,840)	(254,981)
Gross profit	3,900	24,148
Other income	1,074	3,226
Operating expenses	(11,051)	(62,428)
Loss from operations	(6,077)	(35,054)
Finance costs	(1,451)	(8,400)
Share of results of associates, net of tax	(3,570)	(7,084)
Loss before taxation	(11,098)	(50,538)
Taxation	(343)	(992)
Loss for the period	(11,441)	(51,530)
Other comprehensive income, net of tax items that will not be reclassified subsequently to profit or loss:	-	-
Total comprehensive expense for the period	(11,441)	(51,530)
Loss attributable to:		
Owners of the Company	(10,807)	(50,480)
Non-controlling interests	(634)	(1,050)
Loss for the period	(11,441)	(51,530)
Total comprehensive expense attributable to:		
Owners of the Company	(10,807)	(50,480)
Non-controlling interests	(634)	(1,050)
Total comprehensive expense for the period	(11,441)	(51,530)
Loss per share attributable to Owners of the Company (sen):		
-Basic	(2.11)	(9.95)
-Diluted	(2.11)	(9.95)
Net assets per share (RM)		0.19

Note:

- 1) 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.
- 2) The Company changed its financial year end from 31 August to 31 December on 22 July 2020. Hence, no comparative information is presented for the financial period ending 31 December 2020.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 NOVEMBER 2020**

	Unaudited 30/11/20 RM'000	Audited 31/08/19 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	63,697	75,434
Right-of-use assets	1,627	-
Goodwill on consolidation	13,000	13,000
Investment in associates	4,565	11,353
Club memberships	205	205
Total non-current assets	<u>83,094</u>	<u>99,992</u>
Current assets		
Inventories	28,153	34,609
Trade and other receivables	104,008	160,094
Prepayments	2,633	2,356
Contract assets	39,472	69,111
Tax recoverable	1,290	3,365
Short term deposits, cash and bank balances	30,313	42,282
Total current assets	<u>205,869</u>	<u>311,817</u>
TOTAL ASSETS	<u>288,963</u>	<u>411,809</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	242,813	232,583
Reserves	(145,222)	(94,742)
	<u>97,591</u>	<u>137,841</u>
Non-controlling interests	327	1,377
Total equity	<u>97,918</u>	<u>139,218</u>
Non-current liabilities		
Borrowings	9,112	13,343
Deferred tax liabilities	5,437	5,325
Lease liabilities	749	-
Total non-current liabilities	<u>15,298</u>	<u>18,668</u>
Current liabilities		
Trade and other payables	54,777	122,288
Contract liabilities	39,875	25,516
Borrowings	79,676	106,119
Provision for liabilities	480	-
Lease liabilities	939	-
Total current liabilities	<u>175,747</u>	<u>253,923</u>
TOTAL EQUITY AND LIABILITIES	<u>288,963</u>	<u>411,809</u>
Net assets per share attributable to the owners of the Company (RM)	<u>0.19</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 QUARTER ENDED 30 NOVEMBER 2020**

<----- 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
15 months ended 30 November 2020						
At 1 September 2019	232,583	16,627	(111,369)	137,841	1,377	139,218
Loss for the period	-	-	(50,480)	(50,480)	(1,050)	(51,530)
Total comprehensive expense	-	-	(50,480)	(50,480)	(1,050)	(51,530)
Changes in revaluation reserve	-	(238)	238	-	-	-
Issuance of shares pursuant to private placement	10,230	-	-	10,230	-	10,230
At 30 November 2020	242,813	16,389	(161,611)	97,591	327	97,918

Note:

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

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER ENDED 30 NOVEMBER 2020**

15 Months
Ended
30/11/20
RM'000

Cash Flows From Operating Activities

Loss before taxation	(50,538)
Adjustments for non-cash items	28,324
	<u>(22,214)</u>
Changes in working capital	
Net change in assets	91,590
Net change in liabilities	(53,159)
	<u>16,217</u>
Interest paid	(8,400)
Interest received	799
Net taxes refunded	1,313
Net Operating Cash Flows	<u>9,929</u>

Cash Flows From Investing Activities

Investment in an associate	(600)
Release of deposits pledged to licensed banks	1,014
Purchase of property, plant and equipment	(2,785)
Proceeds from disposal of plant and equipment	4,108
Net Investing Cash Flows	<u>1,737</u>

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER ENDED 30 NOVEMBER 2020 (CONT'D)**

15 Months
Ended
30/11/20
RM'000

Cash Flows From Financing Activities

Proceeds from private placement	10,230
Repayment of finance lease liabilities	(7,389)
Repayment of lease liabilities	(919)
Repayment of bank borrowings	(20,898)
Net Financing Cash Flows	(18,976)
Net change in cash and cash equivalents	(7,310)
Cash and cash equivalents at beginning of the financial period	24,467
Effect of the exchange rate fluctuations	(10)
Cash and cash equivalents at end of the financial period	17,147

Notes:

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

Cash on hand and at banks	13,171
Deposits with licensed banks	17,142
Cash and bank balances	30,313
Less: Bank overdrafts	(12,243)
Less: Deposits pledged to licensed banks	(923)
Cash and cash equivalents	17,147

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

Notes To The Interim Financial Report
For The Quarter Ended 30 November 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 has adopted the following new MFRS and amendments/improvements to MFRSs that are mandatory for the current financial period:

New MFRS
MFRS 16 Leases

Amendments/Improvements to MFRSs
MFRS 3 Business Combinations
MFRS 7 Financial Instruments: Disclosures
MFRS 9 Financial Instruments
MFRS 101 Presentation of Financial Statements
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139 Financial Instruments: Recognition and Measurement

The adoption of the above new MFRS and 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.

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2022 [^] / 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023 [#]
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022 [^] / 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred

Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)

2 Accounting Policies (cont'd)

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs 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 2023#
MFRS 16 Leases	1 June 2020/ 1 January 2021/ 1 January 2022^
MFRS 101 Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107 Statements of Cash Flows	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 139 Financial Instruments: Recognition and Measurement	1 January 2021
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
For The Quarter Ended 30 November 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 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

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 Quarter Ended 30 November 2020
(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	154,388	(11,817)	142,571
Oil and gas	73,533	-	73,533
Manufacturing	55,840	-	55,840
Investment and others	7,886	(701)	7,185
Total	291,647	(12,518)	279,129

Results

	RM'000
Civil engineering and construction	(27,558)
Oil and gas	6,523
Manufacturing	2,933
Investment and others	(16,277)
Less: elimination	(675)
Loss from operations	<u>(35,054)</u>
Finance cost	(8,400)
Share of results of associates, net of tax	(7,084)
Taxation	(992)
Loss for the period	<u><u>(51,530)</u></u>

Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)

9 Segmental Reporting (cont'd)

Assets and Liabilities

	Segment <u>Assets</u> RM'000
Civil engineering and construction	220,928
Oil and gas	40,844
Manufacturing	88,247
Investment and others	198,243
Less: elimination	(259,299)
Total	<u>288,963</u>

	Segment <u>Liabilities</u> RM'000
Civil engineering and construction	279,681
Oil and gas	24,503
Manufacturing	33,902
Investment and others	22,854
Less: elimination	(169,895)
Total	<u>191,045</u>

**Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)**

10 Loss Before Taxation

	3 Months Ended	15 Months Ended
	30/11/20	30/11/20
	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):		
Bad debts written off	1	8
Deposits written off	-	3
Depreciation for property, plant and equipment	2,073	12,145
Depreciation of rights-of-use assets	75	1,019
Gain on disposal of plant and equipment	(426)	(553)
Impairment loss on investment in an associate	-	304
Interest expense	1,451	8,400
Interest income	(75)	(799)
Plant and equipment written off	9	56
Provision for liabilities and charges	480	480
Impairment loss on receivables	169	201
Share of results of associates	3,570	7,084
Unrealised gain on foreign exchange	(9)	(24)
	<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 Quarter Ended 30 November 2020
(Unaudited)

14 Changes In Contingent Liabilities And Assets

The contingent liabilities as at 30 November 2020 were as follows:

	Group	
	30/11/20	31/08/19
	RM'000	RM'000
Guarantees in favour of third parties	48,672	62,852
Guarantees given to financial institutions in respect of credit facilities utilised by an associate	-	904
	<u>48,672</u>	<u>63,756</u>

15 Capital Commitments

The capital commitments as at 30 Nov 2020 were as follows:

	RM'000
(i) Contracted and not provided for	380
(ii) Authorised and not contracted for	-
	<u>380</u>

Analysed as follows:

Acquisition of plant and equipment	<u>380</u>
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**Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)**

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

1 Review Of Performance

Current Period Quarter

	Individual Quarter
	3 Months Ended
	30/11/20
	RM'000
Revenue	44,740
Loss before taxation	<u>(11,098)</u>

The Group registered a revenue of RM44.7 million in the current quarter. Civil engineering and construction ("CEC"), manufacturing, oil and gas ("OG") and the remaining segments contributed RM21.0 million, RM14.5 million, RM7.4 million and RM1.8 million, respectively.

The Group registered a loss before taxation of RM11.1 million in the current quarter. The loss before taxation was mainly due to the losses before taxation of RM4.4 million, RM3.5 million and RM1.6 million registered in the CEC, mining and OG segments, respectively. This was offset by a profit before taxation of RM1.3 million in the manufacturing segment. The remaining segments registered a loss before taxation of RM2.9 million.

Current Period-To-Date

	Cumulative Quarter
	15 Months Ended
	30/11/20
	RM'000
Revenue	279,129
Loss before taxation	<u>(50,538)</u>

The Group registered a revenue of RM279.1 million in the current period-to-date. CEC, OG, manufacturing and the remaining segments contributed RM142.6 million, RM73.5 million, RM55.8 million and RM7.2 million, respectively.

The Group registered a loss before taxation of RM50.5 million in the current period-to-date. The loss before taxation was mainly due to losses before taxation of RM39.3 million and RM6.6 million registered in the CEC and mining segments, respectively. This was offset by profit before taxation of RM4.6 million and RM0.9 million in the OG and manufacturing segments, respectively. The remaining segments registered a loss before taxation of RM10.1 million.

WZ Satu Berhad

[Registration No: 200401027590 (666098-X)]

**Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)**

2 Variation Of Results Against Preceding Quarter

	3 Months Ended	
	30/11/20	31/08/20
	RM'000	RM'000
Revenue	44,740	60,604
Loss before taxation	(11,098)	(10,613)

The Group registered a lower revenue of RM44.7 million in this quarter compared to RM60.6 million in the preceding quarter. The decrease in revenue of RM15.9 million was mainly due to lower revenues of RM10.9 million and RM6.7 million in the OG and CEC segments, respectively. This was offset by a higher revenue of RM1.7 million in the remaining segments.

The current quarter registered a marginally higher loss before taxation of RM11.1 million compared to RM10.6 million in the preceding quarter. The higher loss before taxation of RM0.5 million was mainly due to the loss before taxation of RM1.6 million in the current quarter compared to the profit before taxation of RM5.7 million in the preceding quarter of the OG segment. This was followed by a higher loss before taxation of RM2.7 million in the mining segment. However, this was offset by the lower loss before taxation of RM9.6 million in the CEC segment. The remaining segments registered a higher loss before taxation of RM0.1 million.

**Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)**

3 Prospects

Outlook

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

The Covid-19 pandemic continues to negatively impact and dampen the business confidence and the Malaysian economy. Against this backdrop, the road to full recovery remains challenging. However, with several business initiatives already instituted and the recent contract awards as announced in the months of July and October 2020 in the Group's OG segment, the Group is cautiously optimistic of its immediate prospects.

The current order book of RM746 million will ensure the Group is kept busy for the current financial period and the next financial year. However, the uncertainty on commencement date of a construction project may affect the Group's results and the current challenging business environment in our bauxite mining operations has delayed the full resumption of the mining operations.

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

Cost Optimisation and Resource Rationalisation

In view of the challenging times, 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 against expected challenging business conditions.

Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)

4 Variance Between Actual Profit And Forecast Profit

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

5 Taxation

Breakdown of taxation is as follow:

	3 Months Ended	15 Months Ended
	30/11/20	30/11/20
	RM'000	RM'000
Current taxation	299	880
Movement in deferred taxation	44	112
	<u>343</u>	<u>992</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 18 November 2019, the board of directors of WZ Satu Berhad ("Board") announced to Bursa Securities that 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.

On 4 August 2020, the shareholders of the Company duly passed all resolutions as set out in the Notice of the postponed Extraordinary General Meeting of the Company dated 13 July 2020.

On 24 August 2020, Bursa Securities has resolved to grant WZ Satu an extension of time until 18 February 2021 to complete the implementation of the Proposed Rights Issue of ICPS with Warrants. On 18 January 2021, the Company has submitted an application to Bursa Securities for a second extension of time to complete the Proposed Rights Issue of ICPS with Warrants. On 20 January 2021, Bursa Securities granted the Company a further extension of time until 18 August 2021 to complete the implementation of the Proposed Rights Issue of ICPS with Warrants.

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.

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 Quarter Ended 30 November 2020
(Unaudited)

7 Borrowings And Debts Securities

The Group's borrowings were as follows:

	As at 30/11/20 RM'000
Current	
<u>Secured</u>	
Finance lease liabilities	2,782
Floating rate bank loan	1,088
Trade financing	8,736
<u>Unsecured</u>	
Bank overdrafts	12,243
Trade financing	54,827
	<u>79,676</u>
Non-current	
<u>Secured</u>	
Finance lease liabilities	1,449
Floating rate bank loan	7,663
	<u>9,112</u>
Total	<u>88,788</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 Quarter Ended 30 November 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) 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 trial is fixed 1, 2, 15 and 16 April 2021.

Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(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, Mr. Choi Chee Ken and Pacific Trustees Berhad
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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 Quarter Ended 30 November 2020
(Unaudited)

9 Material Litigation (cont'd)

The Plaintiff's claim against the Defendants are as follows:-

- (a) Against the 1st and 2nd Defendants, jointly and severally, the following:-
- (1) A sum of RM59,208,664.00 being the Shortfall due and owing to the Plaintiff;
 - (2) 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;
 - (3) Costs on full indemnity basis; and
 - (4) Such further and/or other reliefs that the Honourable Court deems fair and just.
- (b) Against the 3rd Defendant, the following:-
- (1) An order that the 3rd Defendant shall forthwith take steps to dispose of the Consideration Shares in accordance to the manner provided in the Stakeholder Agreement and pay the proceeds of sale to the Plaintiff to account for the Shortfall; and
 - (2) 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 period ending 31 December 2020.

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.

WZ Satu Berhad**[Registration No: 200401027590 (666098-X)]****Notes To The Interim Financial Report
For The Quarter Ended 30 November 2020
(Unaudited)****10 Dividend**

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

11 Loss Per Share

	3 Months Ended	15 Months Ended
	30/11/20	30/11/20
	RM'000	RM'000
<u>Basic</u>		
Loss attributable to owners of the Company	<u>(10,807)</u>	<u>(50,480)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>511,665</u>	<u>507,086</u>
Loss per ordinary share (sen)	<u>(2.11)</u>	<u>(9.95)</u>
<u>Diluted</u>		
Loss attributable to owners of the Company	<u>(10,807)</u>	<u>(50,480)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	511,665	507,086
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>511,665</u>	<u>507,086</u>
Loss per ordinary share (sen)	<u>(2.11)</u>	<u>(9.95)</u>

12 Approval For The Release Of Quarterly Results

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