

WCE HOLDINGS BERHAD (534368-A)
Interim financial report for the quarter ended 31 December 2019
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/12/2019 RM'000	PRECEDING YEAR QUARTER 31/12/2018 RM'000	CURRENT FINANCIAL YEAR 31/12/2019 RM'000	PRECEDING FINANCIAL YEAR 31/12/2018 RM'000
Revenue	83,189	123,296	693,280	493,071
Cost of sales	(83,697)	(122,453)	(684,961)	(493,478)
Gross (loss)/profit	(508)	843	8,319	(407)
Other income (N1)	1,140	664	1,683	2,477
Other expenses (N2)	(143)	(32)	(206)	(83)
Administrative expenses (N3)	(1,068)	(828)	(3,042)	(4,098)
(Loss)/Profit from operations	(579)	647	6,754	(2,111)
Share of results of associates	9,493	12,887	20,412	30,972
Profit before interest and tax	8,914	13,534	27,166	28,861
Finance cost	(38,811)	(2,875)	(59,227)	(5,785)
(Loss)/Profit before tax	(29,897)	10,659	(32,061)	23,076
Taxation	(220)	(322)	(1,833)	(1,363)
(Loss)/Profit for the period	(30,117)	10,337	(33,894)	21,713
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income	(30,117)	10,337	(33,894)	21,713
(Loss)/Profit for the period attributable to:				
Owners of the Company	(22,002)	10,128	(22,928)	20,838
Non-controlling Interests	(8,115)	209	(10,966)	875
	(30,117)	10,337	(33,894)	21,713
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(22,002)	10,118	(22,928)	20,828
Non-controlling Interests	(8,115)	209	(10,966)	875
	(30,117)	10,327	(33,894)	21,703
(Loss)/Earnings per share				
attributable to Owners of the Company :				
- Basic (sen)	(2.15)	1.01	(2.24)	2.08
- Diluted (sen)	(2.15)	1.01	(2.24)	2.08

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(cont'd)

INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT FINANCIAL YEAR	PRECEDING FINANCIAL YEAR
31/12/2019	31/12/2018	31/12/2019	31/12/2018
RM'000	RM'000	RM'000	RM'000

Notes: (Refer to B1 "Review of Performance" for more information)

N1) Included in Other Income

- Interest income	748	515	943	2,058
- Distribution income	321	104	430	310
- Fair value gain on other investments	(21)	3	25	15
- Others	92	42	285	94
	<u>1,140</u>	<u>664</u>	<u>1,683</u>	<u>2,477</u>

N2) Included in Other Expenses

- Depreciation	(143)	(32)	(206)	(83)
	<u>(143)</u>	<u>(32)</u>	<u>(206)</u>	<u>(83)</u>

N3) Included in Administrative Expenses

- Professional fees on bridging loan	-	-	-	(1,125)
- Stamp duty on loan agreement	-	-	-	(750)
- Other administrative expenses	(1,068)	(828)	(3,042)	(2,223)
	<u>(1,068)</u>	<u>(828)</u>	<u>(3,042)</u>	<u>(4,098)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 31 December 2019**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31/12/2019 RM'000	AUDITED AS AT 31/03/2019 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,592	2,387
Goodwill on consolidation	5,369	5,369
Infrastructure development expenditure	4,413,615	3,562,511
Investment in associates	191,263	170,850
Total Non-Current Assets	4,613,839	3,741,117
Current Assets		
Trade and other receivables	38,456	105,217
Tax recoverable	604	1,082
Other investments	79,552	23,271
Deposits placed with licenced banks	729,169	918,788
Cash and bank balances	79,761	2,346
Total Current Assets	927,542	1,050,704
TOTAL ASSETS	<u>5,541,381</u>	<u>4,791,821</u>
EQUITY AND LIABILITIES		
Share capital	1,090,841	1,045,081
Redeemable Convertible Preference Shares ("RCPS")	349,163	-
Warrant reserve	90,246	-
Accumulated losses	(367,752)	(344,824)
Attributable to Owners of the Company	<u>1,162,498</u>	<u>700,257</u>
Non-controlling interests	30,980	41,946
Total Equity	<u>1,193,478</u>	<u>742,203</u>
Non-current Liabilities		
Loans and borrowings	3,096,643	2,720,207
Deferred income	748,710	652,382
Deferred taxation	9,420	7,594
Other payables	193,418	131,000
Total Non-Current Liabilities	4,048,191	3,511,183
Current Liabilities		
Trade and other payables	299,679	388,402
Loans and borrowings	-	150,000
Tax payable	33	33
Total Current Liabilities	299,712	538,435
TOTAL LIABILITIES	<u>4,347,903</u>	<u>4,049,618</u>
EQUITY AND LIABILITIES	<u>5,541,381</u>	<u>4,791,821</u>
Net assets per share attributable to Owners of the Company (RM)	<u>0.9695</u>	<u>0.6983</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company					Non-Controlling Interests	Total Equity
	Share Capital	RCPS	Warrants Reserve	Accumulated Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>Current financial period</u>							
At 1 April 2019	1,045,081	-	-	(344,824)	700,257	41,946	742,203
Total comprehensive loss	-	-	-	(22,928)	(22,928)	(10,966)	(33,894)
Transactions with owners:							
Rights issue of RCPS with warrants	-	391,067	90,246	-	481,313	-	481,313
Transaction costs of RCPS issuance	-	(4,000)	-	-	(4,000)	-	(4,000)
Conversion of RCPS	45,760	(37,904)	-	-	7,856	-	7,856
Total transactions with owners	45,760	349,163	90,246	-	485,169	-	485,169
At 31 December 2019	1,090,841	349,163	90,246	(367,752)	1,162,498	30,980	1,193,478
<u>Preceding financial year</u>							
At 1 April 2018	1,045,081	-	-	(365,291)	679,790	40,678	720,468
Total comprehensive income	-	-	-	20,467	20,467	1,268	21,735
At 31 March 2019	1,045,081	-	-	(344,824)	700,257	41,946	742,203

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 month ended 31/12/2019 RM'000	9 month ended 31/12/2018 RM'000
OPERATING ACTIVITIES:		
(Loss)/Profit before taxation:	(32,061)	23,076
Adjustments for :		
Share of results of associates	(20,412)	(30,972)
Depreciation of property, plant and equipment	206	83
Distribution income from other investments	(430)	(310)
Fair value gain on other investment	(25)	(15)
Gain on disposal of property	(87)	-
Profit arising from IC Interpretation 12		
Services Concession Arrangements	(7,811)	(5,553)
Interest income	(943)	(2,058)
Interest expense	59,227	5,785
Operating cash flows before changes in working capital	(2,336)	(9,964)
Changes in Working Capital:		
Receivables	60,082	(13,808)
Payables	(58,372)	28,890
Net cash flows (used in)/from operations	(626)	5,118
Income tax paid	(122)	(351)
Income tax refunded	600	-
Net cash flows (used in)/from operating activities	(148)	4,767

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**(cont'd)**

	9 month ended 31/12/2019 RM'000	9 month ended 31/12/2018 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,791)	(587)
Infrastructure development expenditure	(818,811)	(707,688)
Proceeds from disposal of property	250	-
Proceeds from other investments	(55,826)	(1,150)
Changes in associate balances	(38)	12
Placement of fixed deposits	(62,473)	-
Interest received	943	860
Net cash flows used in investing activities	<u>(937,746)</u>	<u>(708,553)</u>
FINANCING ACTIVITIES		
Drawdown of government support loan	219,000	150,000
Drawdown of term loan	193,334	362,627
Repayment of term loan	(150,000)	-
Interest paid	(59,227)	(5,785)
Issuance of RCPS	481,313	-
Transaction costs from rights issuance of RCPS	(4,000)	-
Proceeds from conversion of RCPS into share capital	7,856	-
Issuance of murabahah loan stocks	7,009	-
Amount owing to a corporate shareholder	67,932	-
Net cash flows from financing activities	<u>763,217</u>	<u>506,842</u>
Net change in cash and cash equivalents	(174,677)	(196,944)
Cash and cash equivalents at beginning of financial period	745,575	1,296,218
Cash and cash equivalents at end of financial period	<u>570,898</u>	<u>1,099,274</u>

Note :

Cash and cash equivalents at the end of the financial period comprise of :

Cash and bank balances	79,761	61,667
Fixed deposits with licensed banks	729,169	1,037,607
Less: Deposits with maturity of more than 3 months	(238,032)	-
	<u>570,898</u>	<u>1,099,274</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The unaudited interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the unaudited interim financial statements.

These explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2019.

A2. Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2019, except for the adoption of the following:

New MFRS

MFRS 16 Leases

Amendments to MFRSs

MFRS 9 Financial Instruments
MFRS 112 Income Taxes
MFRS 119 Employee Benefits
MFRS 123 Borrowing Costs
MFRS 128 Investments in Associates and Joint Ventures

New IC Interpretation (“IC Int”)

IC Int 23 Uncertainty over Income Tax Treatments

The initial adoption of the above MFRS, amendments to MFRSs and new IC Int does not have any material impact on the financial statements of the Group, except as mentioned below:

MFRS 16 Leases

The adoption of MFRS 16 resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to identification of lease arrangements and accounting treatments for both lessors and lessees are amended to comply with MFRS 16.

Based on the assessment, the Group does not expect the application of MFRS 16 to have significant financial impact on the interim financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items that have material effects on the financial statements in the current quarter.

A5. Material Changes in Estimates

There were no material changes in estimates that have a material effect in the current year quarter and current financial year.

A6. Debt and Equity Securities

In the quarter under review, the Company increased its:

- (i) Redeemable Convertible Preference Shares (“RCPS”) to RM481,313,082.24 by way of rights issue of 2,005,471,176 of new RCPS at an issue price of RM0.24 per RCPS, together with 501,367,794 free detachable warrants (“warrants”), on the basis of two (2) RCPS for every one (1) existing ordinary share held and one (1) warrant for every four (4) RCPS subscribed; and
- (ii) share capital from RM1,045,081,138.00 to RM1,090,840,737.52 by way of conversion of 196,388,532 RCPS together with cash payment of RM0.04 each RCPS into 199,388,532 new shares.

There were no other issuances, cancellations, repurchases, resale and repayments of debt or equity securities in the current quarter.

A7. Dividend

No dividend has been paid in the current financial year.

A8. Segmental Results

Segmental results are included in Note B1.

A9. Material Subsequent Events

There were no material events subsequent to the financial period ended 31 December 2019.

A10. Changes in the Composition of the Group

There were no material changes in the composition of the Group in the current year quarter and financial year.

A11. Contingent Liabilities

There were no contingent liabilities at the end of this quarter and as at the date of this report.

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. Review of Performance****(a) Segmental Information**

	Current quarter				Cumulative quarter			
	31/12/2019	31/12/2018	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<u>Segmental Revenue</u>								
Toll concession	83,189	119,110	(35,921)	-30%	693,280	488,885	204,395	42%
Investment holding, management services and others *	-	4,186	(4,186)	100%	-	4,186	(4,186)	100%
	<u>83,189</u>	<u>123,296</u>	<u>(40,107)</u>	<u>-33%</u>	<u>693,280</u>	<u>493,071</u>	<u>200,209</u>	<u>41%</u>
<u>(Loss)/Profit before tax</u>								
Toll concession	(37,572)	1,329	(38,901)	-2927%	(45,245)	5,658	(50,903)	-900%
Investment holding, management services and others *	7,675	9,330	(1,655)	-18%	13,184	17,418	(4,234)	-24%
	<u>(29,897)</u>	<u>10,659</u>	<u>(40,556)</u>	<u>-380%</u>	<u>(32,061)</u>	<u>23,076</u>	<u>(55,137)</u>	<u>-239%</u>

* includes share of results of associates, including results of Radiant Pillar Sdn Bhd, a company involved in property development.

(b) Overall Results Commentary:**For the quarter:**

The Group recorded revenue of RM83.2 million in the current quarter compared to RM123.3 million in the preceding year quarter. The lower IC12 construction revenue recognised for WCE Project in the current quarter was mainly due to lower rate of construction activities further to the completion of Sections 5, 8, 9 and 10 (i.e. 4 out of 11 sections) of the Project.

The Group recorded a loss before tax of RM29.9 million in the current quarter compared to profit before tax of RM10.7 million in the preceding year quarter. During the current quarter, the loss before tax of RM29.9 million recorded in the current quarter is mainly arising from the recognition of interest expense of RM36.7 million in respect of the financing cost for completed sections which are opened for traffic. The loss before tax was cushioned by the profit arising from the share of results of associates which amounted to RM9.5 million during the current quarter. However, share of results of associates has also decreased to RM9.5 million in the current quarter compared to RM12.9 million in the preceding year quarter. This is due to lower profit registered by Bandar Rimbayu Sdn Bhd resulting from the delay in the launches due to product adjustments.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

B2. Comparison with Immediate Preceding Quarter's Results

The Group recorded revenue of RM83.2 million in the current quarter compared to RM228.5 million recorded in the immediate preceding quarter. The higher IC12 construction revenue recognised for WCE Project in the immediate preceding quarter was mainly due to higher rate of construction activities for the Project.

The Group recorded a loss before tax of RM29.9 million in the current quarter compared to a loss before tax of RM11.6 million in the immediate preceding quarter. The increase in loss before tax is mainly arising from the recognition of interest expense of RM36.7 million in respect of the financing cost for completed sections which are open for traffic. However, the loss before tax was cushioned by the profit arising from the share of results of associates which amounted to RM9.5 million during the current quarter. Share of results of associates has increased to RM9.5 million in the current quarter compared to RM2.9 million in the immediate preceding quarter mainly due to the finalisation of the development costs for completed phases.

B3. Prospects

(a) Toll concession

The West Coast Expressway (WCE) Project involves the development of a 233 kilometres tolled highway from Banting, Selangor to Taiping, Perak (including 40 kilometres of highway to be constructed later). The WCE Project is a build-operate-transfer project with a concession period of up to a maximum of 60 years. The WCE Project is divided into 11 sections of which Section 8 (Hutan Melintang - Teluk Intan) opened for traffic on 31 May 2019 followed by Sections 9 (Kampung Lekir – Changkat Cermin) and 10 (Changkat Cermin – Beraus) on 23 September 2019. On 10 December 2019, Section 5 (NNKSB to Kapar) was also opened for traffic. To-date, a total of 4 out of 11 sections have been opened for traffic.

To ensure the successful completion of the WCE Project, WCESB assembled a project management team to undertake the WCE Project and the appointment of IJMC-KEB Joint Venture as the Turnkey/Engineering and Procurement Contractor for the construction of the WCE Project has allowed our Group to leverage on the manpower, skills and technical resources of IJM, which has a proven track record in undertaking projects of this nature.

The toll concession segment has reported a loss before tax in the current quarter mainly due to interest expense incurred in relation to the project financing for completed sections of the WCE Project. In accordance with MFRS 123, an entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. The interest expense was capitalised as part of the infrastructure development expenditure prior to the completion of the construction works. Upon the completion of sectional construction, the interest expense for these sections will be charged to statement of profit or loss.

Following the gazette for tolling for Section 8, 9 and 10, West Coast Expressway Sdn Bhd has commenced tolling with effect on 30 January 2020 and correspondingly, the amortisation of infrastructure expenditure will also commence.

Going forward, the Group is expected to incur losses in the early years of toll operations due to the cessation of capitalisation of interest expenses for completed sections and the non-cash expenditure in respect of the amortisation of infrastructure development expenditure. Nevertheless, the commencement of toll operations of the West Coast Expressway is expected to improve the future financial performance of the Group in terms of cash flows and is expected to provide the Group a stable recurrent income over the concession period.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B3. Prospects (Cont'd)

(b) Property development

The property market is expected to remain challenging despite improving consumer sentiments. The key issues of price affordability, the overhang of high priced properties, rising costs of living and tight financing continues to have a dampening effect.

Nonetheless, Bandar Rimbayu is expected to maintain its performance for the coming financial year on the back of the unbilled sales and satisfactory response from new launches.

B4. Profit Forecast and Guarantee

No profit forecast or guarantee was issued in respect of the current financial year.

B5. Taxation

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Quarter	Current Year To-date	Preceding Year To-date
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
RPGT	8	-	8	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8	-	8	-
<u>Deferred Tax</u>				
Current year	212	322	1,825	1,363
Total	<hr/>	<hr/>	<hr/>	<hr/>
	220	322	1,833	1,363

The effective tax rate for the current quarter is lower than the statutory tax rate due mainly to certain non-taxable income items.

B6. Status of Corporate Proposals

(a) **Status of corporate proposals announced but not completed**

All corporate proposals announced have been completed as at the date of this announcement.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B6. Status of Corporate Proposals (cont'd)

(b) Status of utilisation of proceeds

The Company has successfully raised a total of RM481.31 million from the Rights Issue of RCPS with free detachable warrants, which was completed on 25 November 2019. The status of utilisation of proceeds is as follows:-

	Proposed utilisation	Utilisation as at 31 Dec 2019	Balance as at 31 Dec 2019	Intended timeframe for utilisation from 31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
- Injection as equity, convertible and/ or subordinated advances into WCESB	320,000	(258,558)	61,442	Within 12 months
- Repayment of the Bridging Loan				
- Principal amount	150,000	(150,000)	-	Completed
- Partial settlement of interest incurred	4,000	(4,000)	-	Completed
- General working capital	3,313	(371)	2,942	Within 12 months
- Defray Rights Issue expenses	4,000	(3,581)	419	Within 2 months
	<u>481,313</u>	<u>(416,510)</u>	<u>64,803</u>	

B7. Group Borrowings and Debt Securities

The Group's borrowings which are denominated in Ringgit Malaysia as at 30 June 2019 are as follows:

	RM'000
- secured	2,959,583
- unsecured	137,060
Total borrowings	<u>3,096,643</u>

The Group received a loan from the Malaysian government at an interest rate lower than the prevailing market rate. Using the prevailing market rate, the loan amount is adjusted to its fair value and the difference treated as deferred income.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

B8. Off Balance Sheet Risk Financial Instruments

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

B9. Material Litigation – Land Acquisition Claims

On 28 February 2019 and 19 April 2019, West Coast Expressway Sdn Bhd (“WCESB”), a 80%-owned subsidiary of the Company, has filed five (5) applications amounting to RM9.37 million in aggregate pursuant to Section 38(1) of the Land Acquisition Act 1960 (“Land Acquisition Act”) (“Applications”) with the land administrator of the Klang District and the Kuala Langat District respectively, requiring the said land administrators to refer WCESB’s objection to certain land compensation amounts awarded by them to land owners pursuant to the land acquisition for the WCE Project, to the High Court for determination. WCESB is claiming for a reduction by RM5.05 million.

In accordance with Section 38(5) of the Land Acquisition Act, the said land administrators are required to refer WCESB’s objection to the High Court within six (6) months from the receipt of the Applications. In this regard, the land administrators of the Klang District and the Kuala Langat District had on 15 May 2019 filed their respective notice of appeal dated 6 May 2019 in respect of two (2) out of the five (5) Applications. Both appeals have been fixed for case management at the Shah Alam High Court on 24 February 2020 and 18 March 2020 respectively.

The Board is of the opinion that WCESB has a fair chance of success in its Applications.

B10. Dividend

No dividend has been declared for the current and preceding financial year.

B11. Earnings Per Share

Basic

The basic earnings per share is calculated as follows :

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2019	Preceding Year Quarter 31/12/2018 (Restated)	Current Financial Year 31/12/2019	Preceding Financial Year 31/12/2018 (Restated)
Profit attributable to owners of the company (RM'000)	(22,002)	10,128	(22,928)	20,838
Weighted average number of ordinary shares ('000)	1,023,201	1,002,736	1,023,201	1,002,736
Basic earnings per share (sen)	(2.15)	1.01	(2.24)	2.08

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B12. Audit Report

The auditors' report of the financial statements for the year ended 31 March 2019 was not subject to any qualification.

B13. Authorisation for Issue

The interim financial reports were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 February 2020.

By order of the Board

Raw Koon Beng
Company Secretary