

WCE HOLDINGS BERHAD (534368-A)
Interim financial report for the quarter ended 30 September 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/9/2020 RM'000	PRECEDING YEAR QUARTER 30/9/2019 RM'000	CURRENT FINANCIAL YEAR 30/9/2020 RM'000	PRECEDING FINANCIAL YEAR 30/9/2019 RM'000
Revenue	111,877	228,549	156,403	611,742
Cost of sales (N1)	(105,873)	(225,175)	(148,780)	(601,264)
Gross profit	6,004	3,374	7,623	10,478
Other income (N2)	1,039	312	2,245	543
Other expenses (N3)	(21)	(32)	(111)	(63)
Administrative expenses (N4)	(479)	(820)	(994)	(1,974)
Profit from operations	6,543	2,834	8,763	8,984
Share of results of associates	4,596	2,949	4,290	10,919
Profit before interest and tax	11,139	5,783	13,053	19,903
Finance cost	(41,150)	(17,367)	(82,169)	(20,416)
Loss before tax	(30,011)	(11,584)	(69,116)	(513)
Taxation	(286)	(518)	(382)	(1,613)
Loss for the period	(30,297)	(12,102)	(69,498)	(2,126)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(30,297)	(12,102)	(69,498)	(2,126)
(Loss)/Profit for the period attributable to:				
Owners of the Company	(22,619)	(8,501)	(53,510)	725
Non-controlling Interests	(7,678)	(3,601)	(15,988)	(2,851)
	(30,297)	(12,102)	(69,498)	(2,126)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(22,619)	(8,501)	(53,510)	725
Non-controlling Interests	(7,678)	(3,601)	(15,988)	(2,851)
	(30,297)	(12,102)	(69,498)	(2,126)
(Loss)/Earnings per share				
attributable to Owners of the Company :				
- Basic (sen)	(1.73)	(0.85)	(4.08)	0.07
- Diluted (sen)	(1.73)	(0.85)	(4.08)	0.07

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(cont'd)**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/9/2020 RM'000	PRECEDING YEAR QUARTER 30/9/2019 RM'000	CURRENT FINANCIAL YEAR 30/9/2020 RM'000	PRECEDING FINANCIAL YEAR 30/9/2019 RM'000
Notes: (Refer to B1 "Review of Performance" for more information)				
N1) Included in Cost of Sales				
- Amortisation of infrastructure development expenditure	(1,447)	-	(2,082)	-
- Depreciation	(72)	-	(143)	-
N2) Included in Other Income				
- Interest income	309	124	564	195
- Distribution income	160	17	535	109
- Fair value gain on other investments	-	4	-	46
- Amortisation of deferred income	240	-	346	-
- Others	330	167	800	193
	<u>1,039</u>	<u>312</u>	<u>2,245</u>	<u>543</u>
N3) Included in Other Expenses				
- Bad debts written off	(18)	-	(18)	-
- Depreciation	(24)	(32)	(50)	(63)
- Fair value loss on other investments	21	-	(43)	-
	<u>(21)</u>	<u>(32)</u>	<u>(111)</u>	<u>(63)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

WCE HOLDINGS BERHAD (534368-A)**Interim financial report for the quarter ended 30 September 2020**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	AS AT	AS AT
	30/9/2020	31/03/2020
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	2,977	3,260
Goodwill on consolidation	5,369	5,369
Infrastructure development expenditure	4,716,861	4,547,715
Investment in associates	205,500	201,210
Deferred tax asset	20,310	20,310
Total Non-Current Assets	4,951,017	4,777,864
Current Assets		
Trade and other receivables	42,040	33,319
Tax recoverable	1,007	604
Other investments	27,510	53,218
Deposits placed with licenced banks	635,281	717,946
Cash and bank balances	23,868	30,752
Total Current Assets	729,706	835,839
TOTAL ASSETS	<u>5,680,723</u>	<u>5,613,703</u>
EQUITY AND LIABILITIES		
Share capital	1,119,076	1,113,583
Redeemable Convertible Preference Shares ("RCPS")	325,775	330,325
Warrant reserve	90,246	90,246
Accumulated losses	(433,256)	(379,746)
Attributable to Owners of the Company	1,101,841	1,154,408
Non-controlling interests	8,648	24,636
Total Equity	1,110,489	1,179,044
Non-current Liabilities		
Loans and borrowings	3,199,270	3,128,508
Deferred income	748,289	748,635
Deferred taxation	24,678	24,296
Other payables	258,803	214,193
Total Non-Current Liabilities	4,231,040	4,115,632
Current Liabilities		
Trade and other payables	339,134	318,962
Loans and borrowings	30	32
Tax payable	30	33
Total Current Liabilities	339,194	319,027
TOTAL LIABILITIES	4,570,234	4,434,659
EQUITY AND LIABILITIES	<u>5,680,723</u>	<u>5,613,703</u>
Net assets per share attributable to Owners of the Company (RM)	<u>0.8345</u>	<u>0.8902</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report.

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Interim financial report for the quarter ended 30 September 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company				Total	Non- Controlling Interests	Total Equity
	Share Capital	RCPS	Warrants Reserve	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000			
<u>Current financial period</u>							
At 1 April 2020	1,113,583	330,325	90,246	(379,746)	1,154,408	24,636	1,179,044
Total comprehensive loss	-	-	-	(53,510)	(53,510)	(15,988)	(69,498)
Transactions with owners:							
Conversion of RCPS	5,493	(4,550)	-	-	943	-	943
At 30 June 2020	1,119,076	325,775	90,246	(433,256)	1,101,841	8,648	1,110,489
<u>Preceding financial year</u>							
At 1 April 2019	1,045,081	-	-	(344,824)	700,257	41,946	742,203
Total comprehensive income	-	-	-	(34,922)	(34,922)	(17,310)	(52,232)
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	68,502	(56,742)	-	-	11,760	-	11,760
Total transactions with owners	68,502	330,325	90,246	-	489,073	-	489,073
At 31 March 2020	1,113,583	330,325	90,246	(379,746)	1,154,408	24,636	1,179,044

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 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

	6 month ended 30/9/2020 RM'000	6 month ended 30/9/2019 RM'000 (Restated)
OPERATING ACTIVITIES:		
Loss before taxation:	(69,116)	(513)
Adjustments for :		
Share of results of associates	(4,290)	(10,919)
Amortisation of infrastructure development expenditure	2,082	-
Amortisation of deferred income	(346)	-
Bad debts written off	18	-
Depreciation of property, plant and equipment	193	63
Distribution income from other investments	(535)	(109)
Fair value loss/(gain) on other investments	43	(46)
Profit arising from IC Interpretation 12		
Service Concession Arrangements	(1,590)	(6,927)
Interest income	(564)	(195)
Interest expense	82,169	20,416
Operating cash flows before changes in working capital	8,064	1,770
Changes in Working Capital:		
Receivables	(9,430)	43,930
Payables	23,702	(37,464)
Net cash flows from operations	22,336	8,236
Income tax paid	(406)	(120)
Net cash flows from operating activities	21,930	8,116

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(The figures have not been audited)

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

	6 month ended 30/9/2020 RM'000	6 month ended 30/9/2019 RM'000 (Restated)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5)	(1,529)
Infrastructure development expenditure	(160,868)	(362,199)
Proceeds from other investments	26,200	18,374
Changes in associate balances	(2)	(35)
(Placement)/Upliftment of fixed deposits	(235,746)	175,299
Interest received	564	195
Net cash flows used in investing activities	<u>(369,857)</u>	<u>(169,895)</u>
FINANCING ACTIVITIES		
Drawdown of government support loan	-	219,000
Drawdown of term loan	41,078	64,389
Interest paid	(27,822)	(79,795)
Proceeds from conversion of RCPS into share capital	943	-
Amount owing to a corporate shareholder	(19,067)	10,302
Net cash flows from financing activities	<u>22,632</u>	<u>213,896</u>
Net change in cash and cash equivalents	(325,295)	52,117
Cash and cash equivalents at beginning of financial period	516,241	745,575
Cash and cash equivalents at end of financial period	<u>190,946</u>	<u>797,692</u>

Note :

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

Cash and bank balances	23,868	26,990
Fixed deposits with licensed banks	635,281	770,962
Less: Deposits with maturity of more than 3 months	(468,203)	(260)
	<u>190,946</u>	<u>797,692</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2020 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 2020 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 2020.

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 2020, except for the adoption of the following:

Amendments 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 amendments to MFRSs does not have any material impact on the financial statements of the Group upon their initial application.

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.

NOTES TO CONDENSED FINANCIAL STATEMENTS

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) share capital from RM1,119,010,619.53 to RM1,119,115,005.98 by way of conversion of 448,000 RCPS together with cash payment of RM0.04 each RCPS into 448,000 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 30 September 2020.

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			
	30/9/2020	30/9/2019	Changes		30/9/2020	30/9/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<u>Segmental Revenue</u>								
Toll concession	111,877	227,723	(115,846)	-51%	156,403	610,091	(453,688)	-74%
Investment holding, management services and others *	-	826	(826)	100%	-	1,651	(1,651)	100%
	<u>111,877</u>	<u>228,549</u>	<u>(116,672)</u>	<u>-51%</u>	<u>156,403</u>	<u>611,742</u>	<u>(455,339)</u>	<u>-74%</u>
<u>(Loss)/Profit before tax</u>								
Toll concession	(35,442)	(12,507)	(22,935)	183%	(73,654)	(7,673)	(65,981)	860%
Investment holding, management services and others *	5,431	923	4,508	488%	4,538	7,160	(2,622)	-37%
	<u>(30,011)</u>	<u>(11,584)</u>	<u>(18,427)</u>	<u>159%</u>	<u>(69,116)</u>	<u>(513)</u>	<u>(68,603)</u>	<u>13373%</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 RM111.9 million in the current quarter compared to RM228.5 million in the preceding year quarter. The lower IC12 construction revenue recognised for the WCE Project in the current quarter was mainly due to a lower rate of construction activity upon the completion of Sections 5, 8, 9 and 10 (i.e. 4 out of 11 sections) of the Project. In addition, all construction activities were temporarily halted with the implementation of the Movement Control Order (“MCO”) by the Government to curb the COVID-19 pandemic.

The Group recorded a loss before tax of RM30.0 million in the current quarter compared to RM11.6 million in the preceding year quarter. During the current quarter, the loss before tax mainly arises from the recognition of interest expense of RM40.5 million in respect of the financing cost for sections which are complete and open for traffic as compared to RM14.0 million interest expense in the preceding year quarter. The loss before tax was mitigated by the share of profit from associates of RM4.6 million in the current quarter. The share of profit from associates is higher as compared to RM3.0 million in the preceding year quarter due to higher work progress achieved from the on-going projects during the current quarter.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B2. Comparison with Immediate Preceding Quarter's Results

The Group recorded higher revenue of RM111.9 million in the current quarter compared to RM44.5 million recorded in the immediate preceding quarter as the construction works have restarted after Movement Control Order ("MCO") moved into Conditional Movement Control Order ("CMCO") where the businesses have allowed to resume their activities. Construction activities were temporary stopped during the MCO and the traffic volumes on the opened sections recorded a substantial decrease.

The Group recorded a loss before tax of RM30.0 million in the current quarter compared to RM39.1 million in the immediate preceding quarter. The losses before tax are mainly arising from the recognition of interest expense of RM40.5 million (immediate preceding quarter: RM40.3 million) in respect of the financing cost for completed sections which are opened for traffic. The Group recorded a share of profit from associates of RM4.6 million in the current quarter as opposed to a share of loss of RM0.3 million in the immediate preceding quarter. The net loss recorded in the immediate preceding quarter was due to two-month disruption of site works as a result of implementation of the MCO in response to the COVID-19 pandemic.

B3. Prospects

Following the COVID-19 pandemic, the Government of Malaysia implemented a nationwide Movement Control Order ("MCO") effective from 18 March 2020. This had a severe impact on most businesses including the WCE Project. Construction activities on the uncompleted sections were temporarily stopped and traffic volumes on the opened sections recorded a substantial decrease.

With the implementation of the Conditional Movement Control Order ("CMCO") on 4 May 2020, the construction works have restarted with strict adherence to COVID-19 Standard Operating Procedures ("SOP") and Protocols. Traffic volume in the opened sections have also returned to the pre-MCO levels.

With the recent spike in cases in the country, Klang Valley was placed under a CMCO with restrictions on inter-district movement effective from 14 October 2020. The Group expects that this would impact traffic volumes on the opened sections. However, this impact, if any, would not significantly affect the financial position and financial results of the Group.

(a) Toll concession

The 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 - Beruas) on 23 September 2019. On 10 December 2019, Section 5 (Bandar Bukit Raja to Kapar) was also opened for traffic. To-date, a total of 4 out of 11 sections have been opened for traffic and commenced tolling.

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.

NOTES TO CONDENSED FINANCIAL STATEMENTS

B3. Prospects (Cont'd)

(a) Toll concession (Cont'd)

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 was charged to statement of profit or loss.

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.

(b) Property development

The property market is expected to remain challenging. The key issues of price affordability, the overhang of high priced properties, rising costs of living, tight financing and economic impact of COVID-19 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.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

B5. Taxation

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Quarter 30/9/2019 RM'000	Current Year To-date 30/9/2020 RM'000	Preceding Year To-date 30/9/2019 RM'000
<u>Deferred Tax</u>				
Current year	286	518	382	1,613
Total	<u>286</u>	<u>518</u>	<u>382</u>	<u>1,613</u>

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.

(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 RM'000	Utilisation as at 30 Sep 2020 RM'000	Balance as at 30 Sep 2020 RM'000	Intended timeframe for utilisation from 30 Sep 2020 RM'000
- Injection as equity, convertible and/ or subordinated advances into WCESB	320,000	(312,171)	7,829	Within 3 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	(3,313)	-	Completed
- Defray Rights Issue expenses	4,000	(4,000)	-	Completed
	<u>481,313</u>	<u>(473,484)</u>	<u>7,829</u>	

NOTES TO CONDENSED FINANCIAL STATEMENTS

B7. Group Borrowings and Debt Securities

The Group's borrowings which are denominated in Ringgit Malaysia as at 30 September 2020 are as follows:

	RM'000
- secured	3,001,253
- unsecured	198,047
Total borrowings	<u>3,199,300</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.

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 15 October 2018, 14 December 2018, 28 February 2019, 19 April 2019 and 17 July 2019, West Coast Expressway Sdn Bhd ("WCESB"), a 80%-owned subsidiary of the Company, has filed nine (9) applications amounting to RM28.15 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.

Out of the nine (9) applications filed, the High Court has delivered its judgement on two (2) applications where a total sum of approximately RM0.2 million of the land compensation awards were successfully reduced.

The remaining seven (7) applications have been fixed for case management/hearing at the High Court in November and December 2020 respectively.

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

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B10. Dividend

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

B11. Earnings Per Share

Basic

The basic (loss)/earnings per share is calculated as follows :

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 30/9/2020	Preceding Year Quarter 30/9/2019	Current Financial Year 30/9/2020	Preceding Financial Year 30/9/2019
(Loss)/Profit attributable to owners of the company (RM'000)	(22,619)	(8,501)	(53,510)	725
Weighted average number of ordinary shares ('000)	1,310,678	1,002,736	1,310,678	1,002,736
Basic (loss)/earnings per share (sen)	(1.73)	(0.85)	(4.08)	0.07

Diluted

The diluted earnings per share, assuming full conversion of the warrants, is equal to the basic earnings per share as the outstanding warrants are anti-dilutive due to the average market price of ordinary shares during the period being below the exercise price of the warrants.

B12. Audit Report

The auditors' report of the financial statements for the year ended 31 March 2020 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 19 November 2020.

By order of the Board

Raw Koon Beng
Company Secretary