

WMG HOLDINGS BHD.

(Company no. 1166985-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The First Quarter Ended 31 March 2018

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2018

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		3 months ended	
		31/03/2018	31/03/2017	31/03/2018	31/03/2017
		RM'000	RM'000	RM'000	RM'000
Revenue	8	3,866	N/A	3,866	N/A
Cost of sales		(3,426)	N/A	(3,426)	N/A
Gross profit		440	N/A	440	N/A
Other income	9	718	N/A	718	N/A
Other expenses		(204)	N/A	(204)	N/A
Finance costs		(882)	N/A	(882)	N/A
Distribution costs		(55)	N/A	(55)	N/A
Administrative expenses		(4,718)	N/A	(4,718)	N/A
Loss from operations		(4,701)	N/A	(4,701)	N/A
Interest on fixed deposits		94	N/A	94	N/A
Loss before tax	10	(4,607)	N/A	(4,607)	N/A
Income tax expense	12	33	N/A	33	N/A
Loss for the period		(4,574)	N/A	(4,574)	N/A
Other comprehensive income, net of tax:		-	N/A	-	N/A
Total comprehensive loss for the period		(4,574)	N/A	(4,574)	N/A
Loss attributable to owners of the Company		(4,574)	N/A	(4,574)	N/A
Total comprehensive loss attributable to owners of the Company		(4,574)	N/A	(4,574)	N/A
Loss per share attributable to owners of the Company:	13	Sen	Sen	Sen	Sen
- Basic		(1.62)	N/A	(1.62)	N/A
- Diluted		(0.39)	N/A	(0.39)	N/A

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/03/2018 RM'000	AS AT 31/12/2017 RM'000
Non-current Assets			
Property, plant and equipment		61,897	62,436
Land held for property development	14	142,795	146,916
Investment properties	23	28,251	24,272
Other investment		115	115
Deferred tax assets		2,844	2,864
		<u>235,902</u>	<u>236,603</u>
Current Assets			
Property development costs	15	41,566	36,132
Inventories	16	41,205	41,411
Trade and other receivables		12,485	19,531
Income tax refundable		4,612	3,901
Investment securities		1,103	497
Other current assets		1,741	1,305
Cash and bank balances	19	22,946	66,043
		<u>125,658</u>	<u>168,820</u>
Total Assets		<u>361,560</u>	<u>405,423</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Borrowings	18	94,059	102,526
Trade and other payables		25,423	36,951
Income tax payable		-	52
Other current liabilities		-	-
		<u>119,482</u>	<u>139,529</u>
Non-current Liabilities			
Deferred tax liabilities		3,639	3,671
Borrowings	18	20,137	14,347
		<u>23,776</u>	<u>18,018</u>
Total Liabilities		<u>143,258</u>	<u>157,547</u>
Equity attributable to owners of the			
Share capital	17	230,073	205,073
Irredeemable convertible preference shares	17	203,339	203,339
Redeemable convertible preference shares	17	149,173	173,233
Merger deficit		(312,039)	(312,039)
Accumulated losses		(52,244)	(21,730)
Total Equity		<u>218,302</u>	<u>247,876</u>
Total Equity and Liabilities		<u>361,560</u>	<u>405,423</u>
Net assets per share attributable to owners of the Company (RM)		0.51	0.58

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

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

Note

	Share capital	ICPS	RCPS	Merger deficit	Accumulated Losses	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2017	*	N/A	N/A	N/A	(15)	(15)
Total comprehensive loss for the period	N/A	N/A	N/A	N/A	N/A	N/A
At 31 March 2017	*	N/A	N/A	N/A	(15)	(15)
At 1 Jan 2018	205,073	203,339	173,233	(312,039)	(21,730)	247,876
Total comprehensive loss for the period	-	-	-	-	(4,574)	(4,574)
Transfer to share capital arising from redemption of RCPS	25,000	-	-	-	(25,000)	-
Redemption of RCPS	-	-	(24,060)	-	(940)	(25,000)
At 31 March 2018	230,073	203,339	149,173	(312,039)	(52,244)	218,302

Notes: * represents RM2.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	3 months ended	
		31/03/2018 RM'000	31/03/2017 RM'000
Cash flows from operating activities			
Loss before tax		(4,607)	N/A
Adjustments for:			
Depreciation		631	N/A
Finance costs		882	N/A
Investment income		(1)	N/A
Interest income		(94)	N/A
Gain from disposal of property, plant and equipment		(516)	N/A
Unrealised loss on foreign exchange		4	N/A
		<u>906</u>	<u>N/A</u>
Operating loss before working capital changes		(3,701)	N/A
Increase in property development costs		(5,434)	N/A
Decrease in land held for development		4,121	N/A
Decrease in inventories		206	N/A
Decrease in receivables		7,043	N/A
Increase in other current assets		(436)	N/A
Decrease in payables		<u>(11,528)</u>	<u>N/A</u>
Cash flows used in operations		(9,729)	N/A
Interest paid capitalized under development properties		(63)	N/A
Income tax refunded		4	N/A
Income tax paid		<u>(767)</u>	<u>N/A</u>
Net cash flows used in operating activities		<u>(10,555)</u>	<u>N/A</u>
Cash flows from investing activities			
Investment income		1	N/A
Interest income received		94	N/A
Increase in investment securities		(606)	N/A
Increase in investment properties		(3,979)	N/A
Purchase of property, plant and equipment		(10)	N/A
Proceeds from disposal of plant and equipment		516	N/A
Net cash flows used in investing activities		<u>(3,984)</u>	<u>N/A</u>

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Condensed Consolidated Statement of Cash Flows (Cont'd)

		3 months ended	
	Note	31/03/2018	31/03/2017
		RM'000	RM'0000
Cash flows from financing activities			
Proceeds from bankers' acceptances		1,736	N/A
Repayment of bankers' acceptances		(1,478)	N/A
Repayment of revolving credits		(6,008)	N/A
Proceeds from term loan		3,150	
Repayment of obligations under finance leases		(32)	N/A
Finance costs paid		(882)	N/A
Redemption of RCPS		(25,000)	N/A
Net cash flows used in financing activities		<u>(28,514)</u>	<u>N/A</u>
Net decrease in cash and cash equivalents		(43,053)	N/A
Cash and cash equivalents at beginning of financial year		<u>62,579</u>	<u>N/A</u>
Cash and cash equivalents at end of financial period	19	<u>19,526</u>	<u>N/A</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

(A) Notes to the interim financial statements

1) Basis of preparation

WMG Holdings Bhd. (WMG) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

The unaudited condensed consolidated interim financial statements for the period ended 31 March 2018 have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. The explanatory notes to the interim financial statements provide an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

2) Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for year ended 31 December 2017.

3) Seasonality of operations

The Group's operations are not seasonal and cyclical in nature.

4) Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period under review.

5) Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or the prior financial year that have a material effect in the interim period under review.

6) Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period under review.

7) Share capital and treasury shares

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period under review except for the partial redemption of 25,000,000 RCPS at the redemption price of RM1.00 per RCPS out of the Company's retained earnings pursuant to Section 72 (4(a)) of the Companies Act, 2016.

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8) Segment information*Business Segments*

	3 months ended 31 March 2018				
	Property development	Trading of building materials	Others	Adjustment/ Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	929	2,937	-	-	3,866
Inter-segment	-	-	-	-	-
Total	929	2,937	-	-	3,866
Results					
Depreciation	54	10	567	-	631
Interest income	73	3	18	-	94
Other non-cash expenses	-	-	-	-	-
Segment loss	(4,260)	(210)	(137)	-	(4,607)

9) Other income

Included in other income is gain from disposal of equipment of RM515,556.

10) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	94	N/A	94	N/A
(b) Other income including investment income	718	N/A	718	N/A
(c) Interest expenses	882	N/A	882	N/A
(d) Depreciation and amortization	631	N/A	631	N/A
(e) Provision for and write off of receivables	-	N/A	-	N/A
(f) Provision for and write off of inventories	-	N/A	-	N/A
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	N/A	-	N/A
(h) Impairment of assets	-	N/A	-	N/A
(i) Foreign exchange gain/(loss)	(4)	N/A	(4)	N/A
(j) Gain or loss on derivatives	-	N/A	-	N/A
(k) Exceptional items	-	N/A	-	N/A

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11) Events after the reporting period

There were no material events subsequent to the end of the interim period.

12) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	N/A	-	N/A
Reversal of deferred tax	(33)	N/A	(33)	N/A
	(33)	N/A	(33)	N/A

There is no current income tax expense for the current quarter and period under review due to loss incurred by the Group.

13) Loss per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Loss net of tax attributable to owners of the Company (RM'000)	(4,574)	N/A	(4,574)	N/A
Less: cumulative dividend on RCPS	(9,146)	N/A	(9,146)	N/A
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share (RM'000)	(13,720)	N/A	(13,720)	N/A
Add back: cumulative dividend on RCPS	9,146	N/A	9,146	N/A
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share(RM'000)	(4,574)	N/A	(4,574)	N/A
Weighted average number of ordinary shares for basic loss per share computation ('000)	848,731	N/A	848,731	N/A
Effect of dilution – RCPS ('000)	331,667	N/A	331,667	N/A
Weighted average number of ordinary shares for diluted loss per share computation ('000)	1,180,398	N/A	1,180,398	N/A
Basic loss per share (sen)	(1.62)	N/A	(1.62)	N/A
Diluted loss per share (sen)	(0.39)	N/A	(0.39)	N/A

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14) Land held for Development

	As at 31.03.2018	As at 31.12.2017
	RM'000	RM'000
At beginning of year	146,916	-
At acquisition of Target companies	-	121,809
Additions	-	13,026
Transfer (to)/from property development costs	(4,121)	12,081
At end of period	<u>142,795</u>	<u>146,916</u>

As at 31.03.2018, the Group has a total land bank of approximately 676 acres, comprising 470 acres in Sandakan and 206 acres in Kota Kinabalu, Sabah, Malaysia.

15) Property development costs

	As at	As at
	31.03.2018	31.12.2017
	RM'000	RM'000
Balance at cost	<u>41,566</u>	<u>36,132</u>

	Long-term	Development	Total
	leasehold	expenditure	RM'000
	RM'000	RM'000	RM'000
At 31.03.2018			
Cumulative property development cost			
At 01.01.2018	9,753	28,260	38,013
Cost incurred during the period	-	-	-
Transfer from land held for development	136	3,985	4,121
Cost incurred during the period	-	1,902	1,902
At 31.03.2018	<u>9,889</u>	<u>34,147</u>	<u>44,036</u>
Cumulative costs recognized in statement of comprehensive income			
At 01.01.2018	(558)	(1,323)	(1,881)
Recognised during the period	(59)	(530)	(589)
At 31.03.2018	<u>(617)</u>	<u>(1,853)</u>	<u>(2,470)</u>
Property development costs at 31.03.2018	<u>9,272</u>	<u>32,294</u>	<u>41,566</u>

As at 31.03.2018, the Group has two ongoing projects namely the commercial project, Sejati Corporate Garden at RM4.68 million, with percentage of completion of 5.5% and the residential project, Sri Indah Kondominium at RM8.88 million, with a percentage of completion of 6.0%, totalling RM13.56 million and the projects to be launched amounted to RM28.01 million.

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16) Inventories

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Completed properties	40,139	40,347
Trading inventories	1,066	1,064
Balance at cost	<u>41,205</u>	<u>41,411</u>

17) Share capital, ICPS and RCPS

The details of share capital, ICPS and RCPS of the Company are as follows:-

	No. of Ordinary Shares	Amount RM
Share capital		
As at 01.01.2018	426,167,169	205,072,913
Arising from redemption of RCPS pursuant to section 72 (4(a)) of the Companies Act, 2016	-	25,000,000
As at 31.03.2018	<u>426,167,169</u>	<u>230,072,913</u>
	No. of Preference Shares	Amount RM
Irredeemable convertible preference shares (ICPS)		
As at 01.01.2018 and 31.03.2018	<u>211,281,792</u>	<u>203,338,864</u>
Redeemable convertible preference shares (RCPS)		
As at 01.01.2018	180,000,000	173,233,080
Redeemed on 9 February 2018	(25,000,000)	(24,060,150)
As at 31.03.2018	<u>155,000,000</u>	<u>149,172,930</u>

18) Borrowings

The Group's borrowings and debt securities are as follows:

	As at first quarter ended 31.03.2018			As at first quarter ended 31.03.2017		
	Long Term	Short Term	Total borrowings	Long Term	Short Term	Total borrowings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Secured						
Bankers' acceptances (BA)	-	1,625	1,625	N/A	N/A	N/A
Revolving credits (RC)	-	92,300	92,300	N/A	N/A	N/A
Bridging loan (BL)	-	-	-	N/A	N/A	N/A
Term loan (TL)	20,117	-	20,117	N/A	N/A	N/A
Obligations under finance leases	20	134	154	N/A	N/A	N/A
	<u>20,137</u>	<u>94,059</u>	<u>114,196</u>			

The interest rates for BA, RC, BL and TL range from 1% to 2% above the cost of fund of the banks.

There are no borrowings denominated in foreign currency.

19) Cash and Cash Equivalents

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Fixed deposits	7,282	26,620
Cash on hand and at banks	15,664	39,423
Cash and bank balances	22,946	66,043
Less: deposits pledged for banking facilities	(3,420)	(3,420)
Less: bank overdrafts	-	(44)
	<u>19,526</u>	<u>62,579</u>

20) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 December 2017 to 21 May 2018, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

21) Capital Commitments

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Approved and contracted for:		
- Investment properties	51,719	54,513
	<u>51,719</u>	<u>54,513</u>

22) Dividends

For the period ended 31 March 2018, the Directors do not recommend payment of dividend. (2017:Nil).

The total dividend for the current financial year is Nil (2017: Nil).

23) Investment properties

Included in investment properties is a hypermarket and a shophouse under construction of RM24.60 million and RM1.66 million respectively.

24) Redemption of RCPS

The amount of RM939,850 representing the difference between the redemption amount RM25 million and the carrying amount RM24,060,150 of the RCPS redeemed is transferred to revenue reserve.

25) Comparative figures

Comparative figures of the preceding period/year will be presented when available commencing from the 3rd quarter of year 2018 as the Group was only formed in July 2017 upon the acquisitions of subsidiaries by the Company.

(B) Additional information required by Bursa Malaysia Securities Berhad's Listing Requirements

1. Performance review

For the current quarter and period ended 31 March 2018, the Group recorded revenue of RM3.87 million and incurred loss before tax of RM4.61 million as shown below.

	Individual Quarter				Financial Year to date			
	3 months ended		Changes		3 months ended		Changes	
	31.03.2018	31.03.2017	RM'000	%	31.03.2018	31.03.2017	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	3,866	N/A	N/A	N/A	3,866	N/A	N/A	N/A
Gross profit	440	N/A	N/A	N/A	440	N/A	N/A	N/A
Loss Before Interest and Tax	(3,725)	N/A	N/A	N/A	(3,725)	N/A	N/A	N/A
Loss Before Tax	(4,607)	N/A	N/A	N/A	(4,607)	N/A	N/A	N/A
Loss After Tax	(4,574)	N/A	N/A	N/A	(4,574)	N/A	N/A	N/A
Loss attributable to ordinary equity holders of the Company	(4,574)	N/A	N/A	N/A	(4,574)	N/A	N/A	N/A

There were no launches of new property development projects by the Group during the quarter and period under review. The Group generated a total revenue for the current quarter and period of RM3.87 million of which RM0.93 million was from property development and RM2.94 million was from trading of building materials.

Sales of residential properties amounted to RM0.93 million whereas sales of building materials to contractors engaged by the Group for its property development projects amounted to RM1.74 million, representing 59% of the total sales of building materials of RM2.94 million.

The Group recorded a gross profit of RM0.44 million. After taking into account interest income and other income totalling RM0.81 million and deducting expenses of RM5.86 million including finance cost of RM0.88 million, other expenses of RM0.20 million, administrative expenses of RM4.72 million, the Group incurred a loss before tax of RM4.61 million.

Administrative expenses of RM4.72 million comprised mainly fixed and semi-fixed costs namely staff costs, directors' remuneration, overheads and office expenses (including depreciation RM0.6 million) of approximately RM1.38 million, RM1.13 million and RM2.21 million respectively.

2. Comments on material changes in profit/(loss) before taxation

The Group recorded a loss before tax of RM4.61 million for the current quarter under review compared to loss before tax of RM3.77 million for the immediate preceding quarter as follows:-

	Current quarter	Immediate preceding quarter	Changes	
	31.03.2018	31.12.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	3,866	9,550	(5,684)	(60)
Gross profit	440	4,870	(4,430)	(91)
Loss Before Interest and Tax	(3,725)	(2,353)	(1,372)	58
Loss Before Tax	(4,607)	(3,771)	(836)	22
Loss After Tax	(4,574)	(3,764)	(810)	22
Loss attributable to ordinary equity holders of the Company	(4,574)	(3,764)	(810)	22

Revenue for the current quarter decreased by RM5.68 million or 60% and loss for the current quarter increased by RM0.84 million or 22% as compared to the immediate preceding quarter mainly due to lower sales of properties.

For the current quarter under review, revenue from the property segment and building material segment amounted to RM0.93 million and RM2.94 million respectively as compared to preceding quarter of RM6.88 million and RM2.45 million respectively.

3. Commentary on Prospects

As at 31 March 2018, the Group has unbilled sales of approximately RM28.94 million and the gross development value of unsold units of its ongoing projects amounted to approximately RM109.24 million.

After consideration of the above including the slow property market, the financing conditions faced by potential buyers and the property market sentiments, the Board expects the Group's performance for the current financial year to continue to be affected.

4. Profits forecast and profit guarantee

The above is not applicable as no profit forecast and profit guarantee were provided.

5. Income tax expense

This is stated in note 12 to the interim financial statements.

6. Corporate proposals

There were no corporate proposals announced but not completed as at 21 May 2018, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial statements.

7. Group borrowings and debt securities

This is stated in note 18 to the interim financial statements.

8. Changes in material litigation

The Group did not have any material litigation as at 21 May 2018, the latest practicable date which is not earlier than 7 days from the date of issue of these interim financial statements.

9. Dividends

This is stated in note 22 to the interim financial statements.

10. Earnings/(loss) per share

This is stated in note 13 to the interim financial statements.

11. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company for the preceding financial year ended 31 December 2017 was not subject to any qualification.

12. Profit/(loss) before tax

Disclosure of items as required under Appendix 9B, Part A(16) of Bursa Malaysia Securities Berhad listing requirements is stated in note 10 to the interim financial statements.

13. Disclosure of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2018 or the previous financial year ended 31 December 2017.

14. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2018 and 31 December 2017.

15. Breakdown of realised and unrealised profits or losses

The above disclosure in the format prescribed by Bursa Malaysia Securities Bhd is as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(52,244)	(21,730)
- Unrealised	-	-
	(52,244)	(21,730)
Less: Consolidation adjustments	-	-
Total Group accumulated losses as per consolidated accounts	(52,244)	(21,730)

(C) Authorisation for issue of interim financial statements

The Board of Directors of the Company had authorised this unaudited interim financial statements for issue on 24 May 2018.