

WMG HOLDINGS BHD.

(Company no. 1166985-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Fourth Quarter Ended 31 December 2019

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the fourth quarter ended 31 December 2019

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		12 months ended	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Revenue	8	19,568	7,672	58,080	25,203
Cost of sales		(14,055)	(5,564)	(47,931)	(20,598)
Gross profit		5,513	2,108	10,149	4,605
Other income		606	657	2,177	2,078
Other expenses		(357)	389	(955)	(1,677)
Distribution costs		(51)	64	(216)	(23)
Finance costs		(2,879)	(2,158)	(8,689)	(6,222)
Administrative expenses		(4,573)	(7,870)	(16,638)	(20,200)
Loss from operations		(1,741)	(6,810)	(14,172)	(21,439)
Interest on fixed deposits		109	89	453	426
Loss before tax	9	(1,632)	(6,721)	(13,719)	(21,013)
Income tax expense	11	(2,770)	1,165	(2,848)	(661)
Loss for the period		(4,402)	(5,556)	(16,567)	(21,674)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(4,402)	(5,556)	(16,567)	(21,674)
Loss attributable to owners of the Company		(4,402)	(5,556)	(16,567)	(21,674)
Total comprehensive loss attributable to owners of the Company		(4,402)	(5,556)	(16,567)	(21,674)
Loss per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic		(0.84)	(0.98)	(3.23)	(4.07)
- Diluted		(0.38)	(0.48)	(1.43)	(1.94)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Interim financial statements for the fourth quarter ended 31 December 2019

Condensed Consolidated Statement of Financial Position

		AS AT 31/12/2019 RM'000	AS AT 31/12/2018 RM'000
ASSETS	Note		
Non-current Assets			
Property, plant and equipment		28,963	30,346
Inventory properties	13	146,087	144,794
Investment properties	14	106,548	78,601
Other investment		47	113
Deferred tax assets		2,503	4,067
		<u>284,148</u>	<u>257,921</u>
Current Assets			
Inventory properties	13	114,487	85,177
Trading inventories		945	988
Prepayment		61	101
Trade and other receivables		24,346	22,341
Contract assets		246	758
Tax recoverable		357	2,079
Investment securities		1,159	1,133
Cash and bank balances	17	11,547	12,465
		<u>153,148</u>	<u>125,042</u>
Total Assets		<u>437,296</u>	<u>382,963</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Borrowings	16	136,726	113,844
Trade and other payables		32,151	34,868
Contract liabilities		-	-
Tax payable		48	64
		<u>168,925</u>	<u>148,776</u>
Non-current Liabilities			
Borrowings	16	79,233	29,548
Deferred tax liabilities		4,512	3,446
		<u>83,745</u>	<u>32,994</u>
Total Liabilities		<u>252,670</u>	<u>181,770</u>
Equity attributable to owners of the			
Share capital	15	229,133	229,133
Redeemable convertible preference shares	15	149,173	149,173
Irredeemable convertible preference shares	15	203,339	203,339
Merger deficit		(312,039)	(312,039)
Accumulated losses		(84,980)	(68,413)
Total Equity		<u>184,626</u>	<u>201,193</u>
Total Equity and Liabilities		<u>437,296</u>	<u>382,963</u>
Net assets per share attributable to owners of the Company (RM)		0.43	0.47

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	RCPS	ICPS	Merger deficit	Accumulated losses	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2019		229,133	149,173	203,339	(312,039)	(68,413)	201,193
Total comprehensive loss for the period		-	-	-	-	(16,567)	(16,567)
At 31 December 2019		229,133	149,173	203,339	(312,039)	(84,980)	184,626
At 1 Jan 2018		205,073	173,233	203,339	(312,039)	(21,739)	247,867
Total comprehensive loss for the period		-	-	-	-	(21,674)	(21,674)
Transfer to share capital arising from redemption of RCPS		24,060	-	-	-	(24,060)	-
Redemption of RCPS		-	(24,060)	-	-	(940)	(25,000)
At 31 December 2018		229,133	149,173	203,339	(312,039)	(68,413)	201,193

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	12 months ended	
		31/12/2019 RM'000	31/12/2018 RM'0000
Cash flows from operating activities			
Loss before tax		(13,719)	(21,013)
Adjustments for:			
Depreciation		3,540	2,442
Finance costs		8,689	6,222
Investment income		-	(30)
Interest income		(453)	(426)
Gain from disposal of property, plant and equipment		(104)	(551)
Equipment written off		5	35
Utilisation of tax credit for tax penalty		-	853
Trade receivables written off		-	9
Inventories written down		1,843	51
Net fair value gain on investment securities		-	(6)
(Reversal)/Impairment loss on receivables and other investment		(12)	63
		<u>13,508</u>	<u>8,662</u>
Operating loss before working capital changes		(211)	(12,351)
Increase in properties under development		(31,744)	(10,573)
(Increase)/decrease in land held for development		(1,293)	2,122
Decrease in inventories		487	2,836
Increase in receivables		(1,964)	(2,910)
Decrease in contract assets		512	464
Increase in contract liabilities		-	-
Decrease in payables		(2,717)	(2,082)
Cash flows used in operations		<u>(36,930)</u>	<u>(22,494)</u>
Interest paid		(179)	(311)
Interest received		300	321
Income tax refunded		2,098	1,024
Income tax paid		(608)	(2,130)
Net cash flows used in operating activities		<u>(35,319)</u>	<u>(23,590)</u>
Cash flows from investing activities			
Addition to investment properties		(28,814)	(24,240)
Investment income		-	30
Interest income received		154	105
Purchase of investment securities		(26)	(1,621)
Purchase of property, plant and equipment		(168)	(157)
Proceeds from disposal of plant and equipment		104	551
Proceeds from disposal of investment securities		-	991
Placement of fixed deposit		2,198	(64)
Return of other investment		78	-
Net cash flows used in investing activities		<u>(26,474)</u>	<u>(24,405)</u>

Condensed Consolidated Statement of Cash Flows (Cont'd)

		12 months ended	
	Note	31/12/2019	31/12/2018
		RM'000	RM'000
Cash flows from financing activities			
Proceeds from bankers' acceptances		18,013	10,569
Proceeds from revolving credits		19,800	8,500
Proceeds from bridging loan		24,166	5,275
Proceeds from term loans		60,793	14,801
Repayment of bankers' acceptances		(18,773)	(7,654)
Repayment of bridging loan		(10,809)	-
Repayment of term loan		(5,997)	-
Repayment of revolving credits		(19,300)	(6,008)
Repayment of obligations under finance leases		(282)	(215)
Finance costs paid		(9,274)	(5,986)
Redemption of RCPS		-	(25,000)
Net cash flows from/(used in) financing activities		<u>58,337</u>	<u>(5,718)</u>
Net decrease in cash and cash equivalents		(3,456)	(53,713)
Cash and cash equivalents at beginning of financial year		<u>8,865</u>	<u>62,578</u>
Cash and cash equivalents at end of financial year	17	<u>5,409</u>	<u>8,865</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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. 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 year ended 31 December 2019 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 2018. 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 2018.

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 2018.

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.

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8) Segment information*Business Segments*

	12 months ended 31 December 2019				
	Property	Building materials	Others	Adjustment/ Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	30,563	27,517	-	-	58,080
Inter-segment	-	10	-	(10)	-
Total	30,563	27,527	-	(10)	58,080
Results					
Depreciation	3,475	59	6	-	3,540
Interest income	191	262	-	-	453
Other non-cash expenses	-	-	-	-	-
Segment loss	(12,572)	(627)	(520)	-	(13,719)

9) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	109	89	453	426
(b) Other income including investment income	606	657	2,177	2,078
(c) Interest expenses	2,879	2,158	8,689	6,222
(d) Depreciation and amortization	1,159	603	3,540	2,432
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off/down of inventories	1,843	51	1,843	51
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of assets	-	-	-	-
(i) Foreign exchange gain/(loss)	-	-	-	-
(j) Gain or loss on derivatives	-	-	-	-

10) Events after the reporting period

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

11) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax	57	72	211	72
Under provision of income tax	-	122	6	2,015
Deferred tax	2,713	(1,359)	2,631	(1,426)
	<u>2,770</u>	<u>(1,165)</u>	<u>2,848</u>	<u>661</u>

Tax expenses provided for the current quarter and year under review were mainly due to deferred tax expenses.

12) Loss per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loss net of tax attributable to owners of the Company (RM'000)	(4,402)	(5,556)	(16,567)	(21,674)
Less: cumulative dividend on RCPS	(2,735)	(2,735)	(10,850)	(11,067)
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share (RM'000)	(7,137)	(8,291)	(27,417)	(32,741)
Add back: cumulative dividend on RCPS	2,735	2,735	10,850	11,067
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share (RM'000)	<u>(4,402)</u>	<u>(5,556)</u>	<u>(16,567)</u>	<u>(21,674)</u>
Weighted average number of ordinary shares for basic loss per share computation ('000)	848,731	848,731	848,731	803,580
Effect of dilution – RCPS ('000)	310,000	310,000	310,000	315,342
Weighted average number of ordinary shares for diluted loss per share computation ('000)	<u>1,158,731</u>	<u>1,158,731</u>	<u>1,158,731</u>	<u>1,118,922</u>
Basic loss per share (sen)	(0.84)	(0.98)	(3.23)	(4.07)
Diluted loss per share (sen)	(0.38)	(0.48)	(1.43)	(1.94)

13) Inventory properties

	As at 31.12.2019	As at 31.12.2018
	RM'000	RM'000
Non-current		
Land held for property development	146,087	144,794
Current		
Properties under development	78,450	46,705
Completed properties	36,037	38,472
	<u>114,487</u>	<u>85,177</u>
	<u>260,574</u>	<u>229,971</u>

(a) Land held for Development

	As at 31.12.2019	As at 31.12.2018
	RM'000	RM'000
At beginning of year	144,794	146,916
Additions	1,293	687
Transfer to properties under development	-	(2,809)
At end of year	<u>146,087</u>	<u>144,794</u>

As at 31.12.2019, the Group has a total land bank of approximately 633 acres, comprising 435 acres in Sandakan and 198 acres in Kota Kinabalu.

(b) Properties under development

	As at	As at
	31.12.2019	31.12.2018
	RM'000	RM'000
Balance at cost	78,450	46,705
	<u>78,450</u>	<u>46,705</u>
	Long-term	Development
	leasehold	expenditure
	RM'000	RM'000
Cumulative property development cost		Total
At 01.01.2019	10,152	36,553
Cost incurred during the period	-	48,129
Recognised in profit and loss	(849)	(15,535)
At 31.12.2019	<u>9,303</u>	<u>69,147</u>
	<u>9,303</u>	<u>69,147</u>
	<u>9,303</u>	<u>78,450</u>

As at 31.12.2019, the Group has three ongoing projects namely the commercial project, Sejati Corporate Garden at RM11.24 million, with percentage of completion of 94% and the residential projects, Sri Indah Kondominium at RM28.53 million, with a percentage of completion of 55%, and Parklane 1 terrace houses at RM6.42 million, with percentage of completion of 26% totalling RM46.19 million and the projects to be launched amounted to RM32.26 million.

14) Investment properties

Included is Mydin Hypermarket completed in 2019 with a net carrying amount as at 31 December 2019 of RM73.50 million. (2018: RM44.97 million)

15) Share capital, RCPS and ICPS

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

	No. of Ordinary Shares	Amount RM
Share capital		
As at 01.01.2019 and 31.12.2019	426,167,169	229,133,063
	No. of Preference Shares	Amount RM
Redeemable convertible preference shares (RCPS)		
As at 01.01.2019 and 31.12.2019	155,000,000	149,172,930
Irredeemable convertible preference shares (ICPS)		
As at 01.01.2019 and 31.12.2019	211,281,792	203,338,864

16) Borrowings

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

	As at fourth quarter ended 31.12.2019			As at fourth quarter ended 31.12.2018		
	Long Term	Short Term	Total borrowings	Long Term	Short Term	Total borrowings
Secured	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances (BA)	-	3,522	3,522	-	4,282	4,282
Revolving credits (RC)	-	101,300	101,300	-	100,800	100,800
Overdraft (OD)	-	4,852	4,852	-	116	116
Bridging loan (BL)	-	18,632	18,632	-	5,275	5,275
Term loans (TL)	78,471	8,159	86,630	28,724	3,110	31,834
Obligations under finance leases	762	261	1,023	824	261	1,085
	79,233	136,726	215,959	29,548	113,844	143,392

The increase in the Group's borrowings was for operations and working capital purposes.

The interest rates for BA, RC, TL, BL and OD range from 1% to 2% above the cost of fund of the banks. There are no borrowings denominated in foreign currency.

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17) Cash and Cash Equivalents

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Fixed deposits	1,452	3,484
Cash on hand and at banks	10,095	8,981
Cash and bank balances	<u>11,547</u>	<u>12,465</u>
Less: deposits pledged for banking facilities	(1,286)	(3,484)
Less: bank overdrafts	<u>(4,852)</u>	<u>(116)</u>
	<u>5,409</u>	<u>8,865</u>

18) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 December 2018 to 21 February 2020, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

19) Capital Commitments

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for:		
- Investment property	-	<u>33,967</u>

20) Dividends

For the period ended 31 December 2019, the Directors do not recommend payment of dividend. (2018:Nil).

The total dividend for the current financial year is Nil (2018: Nil).

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

1. Performance review

The Group's performance is as tabulated below:

	Individual Quarter				Financial Year to date			
	3 months ended		Changes		12 months ended		Changes	
	31.12.2019	31.12.2018	RM'000	%	31.12.2019	31.12.2018	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	19,568	7,672	11,896	155	58,080	25,203	32,877	130
Gross profit	5,513	2,108	3,405	162	10,149	4,605	5,544	120
Profit/(Loss)Before Interest and Tax	1,247	(4,563)	5,810	(127)	(5,030)	(14,791)	9,761	(66)
Loss Before Tax	(1,632)	(6,721)	5,089	(76)	(13,719)	(21,013)	7,294	(35)
Loss After Tax	(4,402)	(5,556)	1,154	(21)	(16,567)	(21,674)	5,107	(24)
Loss attributable to ordinary equity holders of the Company	(4,402)	(5,556)	1,154	(21)	(16,567)	(21,674)	5,107	(24)

For the current quarter and year ended 31 December 2019, the Group recorded revenue of RM19.57 million and RM58.08 million and incurred loss before tax of RM1.63 million and RM13.72 million as compared to the corresponding quarter and year's revenue of RM7.67 million and RM25.20 million and loss before tax of RM6.72 million and RM21.01 million.

The Group generated a total revenue for the current year of RM58.08 million. RM30.56 million (53%) was from property segment and RM27.52 million (47%) was from building materials segment. The total revenue generated for the current quarter was RM19.57 million of which RM14.21 million (73%) was from property segment and RM5.36 million (27%) was from building materials segment.

Sales of residential properties were at RM24.31 million, sales of commercial properties at RM1.18 million, property management at RM0.15 million, property letting at RM4.92 million for the current year under review.

Sales of building materials to contractors engaged by the Group for its property development projects amounted to RM12.47 million, representing 45% of the total sales of building materials of RM27.52 million for the current year under review.

The Group recorded a gross profit of RM10.15 million for the year under review. After taking into account interest income and other income totalling RM2.63 million and deducting expenses of RM26.50 million including finance cost of RM8.69 million, other expenses of RM0.95 million, administrative expenses of RM16.64 million, the Group incurred a loss before tax of RM13.72 million.

Administrative expenses of RM16.64 million comprised mainly fixed and semi-fixed costs namely staff costs, directors' remuneration, overheads and office expenses (including depreciation RM1.11 million) of approximately RM5.25 million, RM4.77 million and RM6.62 million respectively.

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

The Group recorded a loss before tax of RM1.63 million for the current quarter under review compared to loss before tax of RM3.82 million for the immediate preceding quarter as follows:-.

	Current quarter	Immediate preceding quarter	Changes	
	31.12.2019	30.09.2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	19,568	16,241	3,327	20
Gross profit	5,513	1,027	4,486	437
Profit/(Loss) Before Interest and Tax	1,247	(1,485)	2,732	(184)
Loss Before Tax	(1,632)	(3,823)	2,191	(57)
Loss After Tax	(4,402)	(3,952)	(450)	11
Loss attributable to ordinary equity holders of the Company	(4,402)	(3,952)	(450)	11

Revenue for the current quarter is higher than the immediate preceding quarter by RM3.33 million or 20% and loss before tax for the current quarter decreased by RM2.19 million or 57% as compared to immediate preceding quarter mainly due to higher revenue from property segment in the current quarter under review.

For the current quarter under review, revenue from the property segment and building material segment amounted to RM14.21 million and RM5.36 million respectively as compared to preceding quarter of RM8.01 million and RM8.23 million respectively.

3. Commentary on Prospects

As at 31 December 2019, the Group has unbilled sales of approximately RM53.16 million and the gross development value of unsold units of its ongoing projects amounted to approximately RM130.74 million.

Barring any unforeseen circumstances, the Board expects the Group's operating environment for the coming financial year to remain challenging due to the slow property market and the financing conditions.

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 11 to the interim financial statements.

6. Corporate proposals

There were no corporate proposals announced but not completed as at 21 February 2020, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial statements other than the proposed voluntary liquidation/de-registration of non-operating subsidiaries as announced on 3 December 2018 and the proposal to comply with the Bumiputra Equity condition as announced on 31 January 2020.

7. Group borrowings and debt securities

This is stated in note 16 to the interim financial statements.

8. Changes in material litigation

The Group did not have any material litigation as at 21 February 2020, 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 20 to the interim financial statements.

10. Earnings/(loss) per share

This is stated in note 12 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 2018 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 9 to the interim financial statements.

13. Disclosure of derivatives

The Group did not enter into any derivatives during the period ended 31 December 2019 or the previous financial year ended 31 December 2018.

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 December 2019 and 31 December 2018.

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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(84,980)	(68,413)
- Unrealised	-	-
	(84,980)	(68,413)
Less: Consolidation adjustments	-	-
Total Group accumulated losses as per consolidated accounts	(84,980)	(68,413)

(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 26 February 2020.