

WMG HOLDINGS BHD.

(Company no. 1166985-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The First Quarter Ended 31 March 2019

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2019

Index	page
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash flows	6 - 7
Notes to the interim financial statements	8 – 13
Additional information required by the Bursa Malaysia Securities Berhad	14 - 16
Authorisation for issue of the interim financial statements	16

Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		3 months ended	
		31/03/2019	31/03/2018	31/03/2019	31/03/2018
		RM'000	RM'000	RM'000	RM'000
Revenue	8	7,656	3,866	7,656	3,866
Cost of sales		(6,765)	(3,426)	(6,765)	(3,426)
Gross profit		891	440	891	440
Other income	9	886	718	886	718
Other expenses	10	(460)	(204)	(460)	(204)
Finance costs		(1,352)	(882)	(1,352)	(882)
Distribution costs		(84)	(55)	(84)	(55)
Administrative expenses		(4,891)	(4,718)	(4,891)	(4,718)
Loss from operations		(5,010)	(4,701)	(5,010)	(4,701)
Interest on fixed deposits		78	94	78	94
Loss before tax	11	(4,932)	(4,607)	(4,932)	(4,607)
Income tax expense	13	28	33	28	33
Loss for the period		(4,904)	(4,574)	(4,904)	(4,574)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(4,904)	(4,574)	(4,904)	(4,574)
Loss attributable to owners of the Company		(4,904)	(4,574)	(4,904)	(4,574)
Total comprehensive loss attributable to owners of the Company		(4,904)	(4,574)	(4,904)	(4,574)
Loss per share attributable to owners of the Company:	14	Sen	Sen	Sen	Sen
- Basic		(0.89)	(0.88)	(0.89)	(0.88)
- Diluted		(0.42)	(0.39)	(0.42)	(0.39)

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.

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2019

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/03/2019 RM'000	AS AT 31/12/2018 RM'000
Non-current Assets			
Property, plant and equipment		30,107	30,346
Inventory properties	15	145,089	144,794
Investment properties	22	84,316	78,601
Other investment		113	113
Deferred tax assets		4,038	4,067
		<u>263,663</u>	<u>257,921</u>
Current Assets			
Inventory properties	15	89,894	85,177
Trading inventories	16	978	988
Prepayment		163	101
Trade and other receivables		17,379	22,341
Contract assets		1,690	758
Tax recoverable		2,181	2,079
Investment securities		1,139	1,133
Cash and bank balances	19	13,531	12,465
		<u>126,955</u>	<u>125,042</u>
Total Assets		<u>390,618</u>	<u>382,963</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Borrowings	18	115,586	113,844
Trade and other payables		27,121	34,868
Tax payable		50	64
		<u>142,757</u>	<u>148,776</u>
Non-current Liabilities			
Borrowings	18	48,184	29,548
Deferred tax liabilities		3,388	3,446
		<u>51,572</u>	<u>32,994</u>
Total Liabilities		<u>194,329</u>	<u>181,770</u>
Equity attributable to owners of the			
Share capital	17	229,133	229,133
Redeemable convertible preference shares	17	149,173	149,173
Irredeemable convertible preference shares	17	203,339	203,339
Merger deficit		(312,039)	(312,039)
Accumulated losses		(73,317)	(68,413)
Total Equity		<u>196,289</u>	<u>201,193</u>
Total Equity and Liabilities		<u>390,618</u>	<u>382,963</u>
Net assets per share attributable to owners of the Company (RM)		0.46	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		-	-	-	-	(4,904)	(4,904)
At 31 March 2019		<u>229,133</u>	<u>149,173</u>	<u>203,339</u>	<u>(312,039)</u>	<u>(73,317)</u>	<u>196,289</u>
At 1 Jan 2018		205,073	173,233	203,339	(312,039)	(21,739)	247,867
Total comprehensive loss for the period		-	-	-	-	(4,574)	(4,574)
Transfer to share capital arising from redemption of RCPS		24,060	-	-	-	(24,060)	-
Redemption of RCPS		-	(24,060)	-	-	(940)	(25,000)
At 31 March 2018		<u>229,133</u>	<u>149,173</u>	<u>203,339</u>	<u>(312,039)</u>	<u>(51,313)</u>	<u>218,293</u>

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

	3 months ended	
	31/03/2019	31/03/2018
Note	RM'000	RM'0000
Cash flows from operating activities		
Loss before tax	(4,932)	(4,607)
Adjustments for:		
Depreciation	630	631
Finance costs	1,352	882
Investment income	(4)	(1)
Interest income	(78)	(94)
Gain from disposal of property, plant and equipment	(103)	(516)
Unrealised loss on exchange differences	-	4
	<u>1,797</u>	<u>906</u>
Operating loss before working capital changes	(3,135)	(3,701)
Increase in properties under development	(4,717)	(5,434)
(Increase)/decrease in land held for development	(295)	4,121
Decrease in trading inventories	10	206
Decrease in receivables	4,900	7,043
Increase in contract assets	(932)	(436)
Decrease in payables	(7,747)	(11,528)
Cash flows used in operations	<u>(11,916)</u>	<u>(9,729)</u>
Interest paid	(70)	(63)
Interest on current and overdue accounts received	72	-
Income tax refunded	122	4
Income tax paid	(238)	(767)
Net cash flows used in operating activities	<u>(12,030)</u>	<u>(10,555)</u>
Cash flows from investing activities		
Addition to investment properties	(5,811)	(3,979)
Investment income	4	1
Interest income received	6	94
Purchase of investment securities	(6)	(606)
Purchase of property, plant and equipment	(29)	(10)
Proceeds from disposal of plant and equipment	103	516
Net cash flows used in investing activities	<u>(5,733)</u>	<u>(3,984)</u>

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2019

Condensed Consolidated Statement of Cash Flows (Cont'd)

	Note	3 months ended	
		31/03/2019 RM'000	31/03/2018 RM'0000
Cash flows from financing activities			
Proceeds from bankers' acceptances		3,819	1,736
Proceeds from revolving credits		1,000	-
Proceeds from bridging loan		2,317	-
Proceeds from term loans		21,750	3,150
Repayment of bankers' acceptances		(3,826)	(1,478)
Repayment of bridging loan		(1,029)	-
Repayment of term loan		(696)	-
Repayment of revolving credits		(6,000)	(6,008)
Repayment of obligations under finance leases		(94)	(32)
Finance costs paid		(1,536)	(882)
Redemption of RCPS		-	(25,000)
Net cash flows from/(used in) financing activities		<u>15,705</u>	<u>(28,514)</u>
Net decrease in cash and cash equivalents		(2,058)	(43,053)
Cash and cash equivalents at beginning of financial year		<u>8,865</u>	<u>62,579</u>
Cash and cash equivalents at end of financial period	19	<u>6,807</u>	<u>19,526</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 period ended 31 March 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.

8) Segment information

Business Segments

	3 months ended 31 March 2019				
	Property development	Trading of building materials	Others	Adjustment/ Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	2,476	5,180	-	-	7,656
Inter-segment	-	-	-	-	-
Total	2,476	5,180	-	-	7,656
Results					
Depreciation	171	10	412	-	593
Interest income	23	55	-	-	78
Other non-cash expenses	-	-	-	-	-
Segment loss	(4,765)	(130)	(37)	-	(4,932)

9) Other income

Included in other income for the current quarter and period is rental income of RM0.36 million from letting of factory buildings and warehouse.

10) Other expenses

Included in other expenses for the current quarter and period is upgrading works on completed commercial properties of RM0.40 million.

11) 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	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	78	94	78	94
(b) Other income including investment income	886	718	886	718
(c) Interest expenses	1,352	882	1,352	882
(d) Depreciation and amortization	630	631	630	631
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of assets	-	-	-	-
(i) Foreign exchange gain/(loss)	-	(4)	-	(4)
(j) Gain or loss on derivatives	-	-	-	-

12) Events after the reporting period

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

13) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Current income tax	-	-	-	-
Reversal of deferred tax	(28)	(33)	(28)	(33)
	<u>(28)</u>	<u>(33)</u>	<u>(28)</u>	<u>(33)</u>

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

14) Loss per share

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Loss net of tax attributable to owners of the Company (RM'000)	(4,904)	(4,574)	(4,904)	(4,574)
Less: cumulative dividend on RCPS	(2,675)	(2,862)	(2,675)	(2,862)
	<u>(7,579)</u>	<u>(7,436)</u>	<u>(7,579)</u>	<u>(7,436)</u>
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share (RM'000)	(4,904)	(4,574)	(4,904)	(4,574)
Add back: cumulative dividend on RCPS	2,675	2,862	2,675	2,862
	<u>(2,229)</u>	<u>(1,712)</u>	<u>(2,229)</u>	<u>(1,712)</u>
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share (RM'000)	(4,904)	(4,574)	(4,904)	(4,574)
Weighted average number of ordinary shares for basic loss per share computation ('000)	848,731	848,731	848,731	848,731
Effect of dilution – RCPS ('000)	310,000	331,667	310,000	331,667
	<u>1,158,731</u>	<u>1,180,398</u>	<u>1,158,731</u>	<u>1,180,398</u>
	<u>1,158,731</u>	<u>1,180,398</u>	<u>1,158,731</u>	<u>1,180,398</u>
Basic loss per share (sen)	(0.89)	(0.88)	(0.89)	(0.88)
Diluted loss per share (sen)	(0.42)	(0.39)	(0.42)	(0.39)

15) Inventory properties

	As at 31.03.2019	As at 31.12.2018
	RM'000	RM'000
Non-current		
Land held for property development	145,089	144,794
Current		
Properties under development	51,554	46,706
Completed properties	38,340	38,471
	<u>89,894</u>	<u>85,177</u>
	<u>234,983</u>	<u>229,971</u>

(a) Land held for Development

	As at 31.03.2019	As at 31.12.2018
	RM'000	RM'000
At beginning of year	144,794	146,916
Additions	295	687
Transfer to properties under development	-	(2,809)
At end of period	<u>145,089</u>	<u>144,794</u>

As at 31.03.2019, the Group has a total land bank of approximately 638 acres, comprising 431 acres in Sandakan and 207 acres in Kota Kinabalu.

(b) Properties under development

	As at	As at
	31.03.2019	31.12.2018
	RM'000	RM'000
Balance at cost	<u>51,554</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	-	6,451
Recognised in profit and loss	(174)	(1,428)
At 31.03.2019	<u>9,978</u>	<u>41,576</u>
		<u>51,554</u>

As at 31.03.2019, the Group has two ongoing projects namely the commercial project, Sejati Corporate Garden at RM6.51 million, with percentage of completion of 35% and the residential project, Sri Indah Kondominium at RM15.81 million, with a percentage of completion of 25%, totalling RM22.32 million and the projects to be launched amounted to RM29.23 million.

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2019

16) Trading inventories

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Building inventories	978	988

17) 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 31.03.2019	426,167,169	229,133,063
	No. of Preference Shares	Amount RM
Redeemable convertible preference shares (RCPS) As at 01.01.2019 and 31.03.2019	155,000,000	149,172,930
Irredeemable convertible preference shares (ICPS) As at 01.01.2019 and 31.03.2019	211,281,792	203,338,864

18) Borrowings

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

	As at first quarter ended 31.03.2019			As at first quarter ended 31.03.2018		
	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)	-	4,275	4,275	-	1,625	1,625
Revolving credits (RC)	-	95,800	95,800	-	92,300	92,300
Overdraft (OD)	-	3,240	3,240	-	-	-
Bridging loan (BL)	-	6,564	6,564	-	-	-
Term loans (TL)	47,413	5,475	52,888	20,117	-	20,117
Obligations under finance leases	771	232	1,003	20	134	154
	48,184	115,586	163,770	20,137	94,059	114,196

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.

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the first quarter ended 31 March 2019

19) Cash and Cash Equivalents

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Fixed deposits	4,054	3,484
Cash on hand and at banks	9,477	8,981
Cash and bank balances	<u>13,531</u>	<u>12,465</u>
Less: deposits pledged for banking facilities	(3,484)	(3,484)
Less: bank overdrafts	<u>(3,240)</u>	<u>(116)</u>
	<u>6,807</u>	<u>8,865</u>

20) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 December 2018 to 20 May 2019, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

21) Capital Commitments

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for:		
- Investment property	<u>28,267</u>	<u>33,967</u>

22) Investment properties

Included in investment properties is a hypermarket under construction of RM48.96 million.

23) Dividends

For the period ended 31 March 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				3 months ended			
	31.03.2019	31.03.2018	Changes		31.03.2019	31.03.2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	7,656	3,866	3,790	98	7,656	3,866	3,790	98
Gross profit	891	440	451	103	891	440	451	103
Loss Before Interest and Tax	(3,580)	(3,725)	(145)	(4)	(3,580)	(3,725)	(145)	(4)
Loss Before Tax	(4,932)	(4,607)	325	7	(4,932)	(4,607)	325	7
Loss After Tax	(4,904)	(4,574)	330	7	(4,904)	(4,574)	330	7
Loss attributable to ordinary equity holders of the Company	(4,904)	(4,574)	330	7	(4,904)	(4,574)	330	7

For the current quarter and period ended 31 March 2019, the Group recorded revenue of RM7.66 million and incurred loss before tax of RM4.93 million. For the corresponding period, the Group recorded revenue of RM3.87 million and loss before tax of RM4.61 million.

The Group has launched 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu known as Parklane 1 during the quarter and period under review. The Group generated a total revenue for the current quarter and period of RM7.66 million. RM2.48 million (32%) was from property development and RM5.18 million (68%) was from trading of building materials for the current quarter and period.

Sales of residential properties amounted to RM2.20 million for the current quarter and period while the balance of RM0.28 million was from sale of commercial properties (RM0.24 million) and property management (RM0.04 million) for the current quarter and period.

Sales of building materials to contractors engaged by the Group for its property development projects amounted to RM2.75 million, representing 53% of the total sales of building materials of RM5.18 million for the current quarter and period.

The Group recorded a gross profit of RM0.89 million for the period under review. After taking into account interest income and other income totalling RM0.96 million and deducting expenses of RM6.79 million including finance cost of RM1.35 million, other expenses of RM0.46 million, administrative expenses of RM4.89 million, the Group incurred a loss before tax of RM4.93 million.

Administrative expenses of RM4.89 million comprised mainly fixed and semi-fixed costs namely staff costs, directors' remuneration, overheads and office expenses (including depreciation RM0.63 million) of approximately RM1.24 million, RM1.18 million and RM2.47 million respectively.

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

The Group recorded a loss before tax of RM4.93 million for the current quarter under review compared to loss before tax of RM5.59 million for the immediate preceding quarter as follows:-.

	Current quarter	Immediate preceding quarter	Changes	
	31.03.2019	31.12.2018	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	7,656	7,667	(11)	(0.1)
Gross profit	891	1,073	(182)	(17)
Loss Before Interest and Tax	(3,580)	(4,002)	(422)	(11)
Loss Before Tax	(4,932)	(5,590)	(658)	(12)
Loss After Tax	(4,904)	(6,495)	(1,591)	(24)
Loss attributable to ordinary equity holders of the Company	(4,904)	(6,495)	(1,591)	(24)

Revenue for the current quarter is slightly lower than the immediate preceding quarter whereas loss before tax for the current quarter decreased by RM0.66 million or 12% as compared to the immediate preceding quarter loss before tax mainly due to higher administrative expenses in the preceding quarter.

For the current quarter under review, revenue from the property segment and building material segment amounted to RM2.48 million and RM5.18 million respectively as compared to preceding quarter of RM2.14 million and RM5.53 million respectively.

3. Commentary on Prospects

As at 31 March 2019, the Group has unbilled sales of approximately RM26.67 million and the gross development value of unsold units of its ongoing projects amounted to approximately RM179.32 million.

Barring any unforeseen circumstances, the Board expects the Group's operating environment for the current financial year to remain difficult due to the slow property market, the financing conditions faced by potential buyers and the property market sentiments.

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 13 to the interim financial statements.

6. Corporate proposals

There were no corporate proposals announced but not completed as at 20 May 2019, 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.

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 20 May 2019, 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 23 to the interim financial statements.

10. Earnings/(loss) per share

This is stated in note 14 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 11 to the interim financial statements.

13. Disclosure of derivatives

The Group did not enter into any derivatives during the period ended 31 March 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 March 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 31.03.2019 RM'000	As at 31.12.2018 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(73,317)	(68,413)
- Unrealised	-	-
	(73,317)	(68,413)
Less: Consolidation adjustments	-	-
Total Group accumulated losses as per consolidated accounts	(73,317)	(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 24 May 2019.