

WMG HOLDINGS BHD.

(Company no. 1166985-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Third Quarter Ended 30 September 2019

WMG HOLDINGS BHD. (1166985-X)

Interim financial statements for the third quarter ended 30 September 2019

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
		RM'000	RM'000	RM'000	RM'000
Revenue	8	16,241	8,034	38,512	17,531
Cost of sales		(15,214)	(7,123)	(33,876)	(15,034)
Gross profit		1,027	911	4,636	2,497
Other income		602	372	1,571	1,421
Other expenses		(86)	(1,635)	(598)	(2,066)
Finance costs		(2,338)	(1,448)	(5,810)	(4,064)
Distribution costs		(51)	36	(165)	(87)
Administrative expenses		(3,143)	(3,975)	(12,065)	(12,330)
Loss from operations		(3,989)	(5,739)	(12,431)	(14,629)
Interest on fixed deposits		166	115	344	337
Loss before tax	9	(3,823)	(5,624)	(12,087)	(14,292)
Income tax expense	11	(129)	(1,879)	(78)	(1,826)
Loss for the period		(3,952)	(7,503)	(12,165)	(16,118)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(3,952)	(7,503)	(12,165)	(16,118)
Loss attributable to owners of the Company		(3,952)	(7,503)	(12,165)	(16,118)
Total comprehensive loss attributable to owners of the Company		(3,952)	(7,503)	(12,165)	(16,118)
Loss per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic		(0.79)	(1.21)	(2.39)	(2.88)
- Diluted		(0.34)	(0.65)	(1.05)	(1.38)

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 third quarter ended 30 September 2019

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/09/2019 RM'000	AS AT 31/12/2018 RM'000
Non-current Assets			
Property, plant and equipment		29,400	30,346
Inventory properties	13	146,272	144,794
Investment properties		110,237	78,601
Other investment		47	113
Deferred tax assets		3,973	4,067
		<u>289,929</u>	<u>257,921</u>
Current Assets			
Inventory properties	13	101,462	85,177
Trading inventories	14	1,027	988
Prepayment		71	101
Trade and other receivables		27,460	22,341
Contract assets		-	758
Tax recoverable		1,629	2,079
Investment securities		1,150	1,133
Cash and bank balances	17	11,414	12,465
		<u>144,213</u>	<u>125,042</u>
Total Assets		<u>434,142</u>	<u>382,963</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Borrowings	16	126,474	113,844
Trade and other payables		34,724	34,868
Contract liabilities		1,623	-
Tax payable		107	64
		<u>162,928</u>	<u>148,776</u>
Non-current Liabilities			
Borrowings	16	78,914	29,548
Deferred tax liabilities		3,272	3,446
		<u>82,186</u>	<u>32,994</u>
Total Liabilities		<u>245,114</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		(80,578)	(68,413)
Total Equity		<u>189,028</u>	<u>201,193</u>
Total Equity and Liabilities		<u>434,142</u>	<u>382,963</u>
Net assets per share attributable to owners of the Company (RM)		0.44	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		-	-	-	-	(12,165)	(12,165)
At 30 September 2019		229,133	149,173	203,339	(312,039)	(80,578)	189,028
At 1 Jan 2018		205,073	173,233	203,339	(312,039)	(21,739)	247,867
Total comprehensive loss for the period		-	-	-	-	(16,118)	(16,118)
Transfer to share capital arising from redemption of RCPS		24,060	-	-	-	(24,060)	-
Redemption of RCPS		-	(24,060)	-	-	(940)	(25,000)
At 30 September 2018		229,133	149,173	203,339	(312,039)	(62,857)	206,749

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

	9 months ended	
	30/09/2019	30/09/2018
Note	RM'000	RM'0000
Cash flows from operating activities		
Loss before tax	(12,087)	(14,292)
Adjustments for:		
Depreciation	2,381	1,829
Finance costs	5,810	4,064
Investment income	(6)	(22)
Interest income	(344)	(337)
Gain from disposal of property, plant and equipment	(103)	(521)
Equipment scrapped	5	35
Other expenses	-	853
Reversal of impairment loss	(12)	-
	<u>7,731</u>	<u>5,901</u>
Operating loss before working capital changes	(4,356)	(8,391)
Increase in properties under development	(17,217)	(5,155)
Increase in land held for development	(1,477)	(382)
Decrease in inventories	892	2,014
(Increase)/decrease in receivables	(5,089)	1,914
Decrease/(increase) in contract assets	758	(1,803)
Increase in contract liabilities	1,623	-
Decrease in payables	(145)	(9,410)
Cash flows used in operations	<u>(25,011)</u>	<u>(21,213)</u>
Interest paid	(47)	(368)
Interest on current and overdue accounts received	219	225
Income tax refunded	819	1,015
Income tax paid	(485)	(1,979)
Net cash flows used in operating activities	<u>(24,505)</u>	<u>(22,320)</u>
Cash flows from investing activities		
Addition to investment properties	(31,748)	(14,690)
Investment income	6	22
Interest income received	126	112
Purchase of investment securities	(17)	(622)
Purchase of property, plant and equipment	(344)	(153)
Proceeds from disposal of plant and equipment	103	521
Return of other investment	78	-
Net cash flows used in investing activities	<u>(31,796)</u>	<u>(14,810)</u>

Condensed Consolidated Statement of Cash Flows (Cont'd)

	Note	9 months ended	
		30/09/2019 RM'000	30/09/2018 RM'000
Cash flows from financing activities			
Proceeds from bankers' acceptances		15,593	6,553
Proceeds from revolving credits		6,700	3,000
Proceeds from bridging loan		15,158	-
Proceeds from term loans		57,366	10,297
Repayment of bankers' acceptances		(12,882)	(3,743)
Repayment of bridging loan		(7,768)	-
Repayment of term loan		(3,943)	-
Repayment of revolving credits		(10,200)	(6,008)
Repayment of obligations under finance leases		(225)	(131)
Finance costs paid		(6,527)	(4,064)
Redemption of RCPS		-	(25,000)
Net cash flows from/(used in) financing activities		<u>53,273</u>	<u>(19,096)</u>
Net decrease in cash and cash equivalents		(3,028)	(56,226)
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	17	<u>5,837</u>	<u>6,353</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 30 September 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*

	9 months ended 30 September 2019				
	Property	Building materials	Others	Adjustment/ Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	16,353	22,159	-	-	38,512
Inter-segment	-	-	-	-	-
Total	16,353	22,159	-	-	38,512
Results					
Depreciation	2,331	46	4	-	2,381
Interest income	159	185	-	-	344
Other non-cash expenses	-	-	-	-	-
Segment loss	(11,808)	(115)	(242)	-	(12,165)

9) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	166	115	344	337
(b) Other income including investment income	602	372	1,571	1,421
(c) Interest expenses	2,338	1,448	5,810	4,064
(d) Depreciation and amortization	1,209	648	2,381	1,829
(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)	-	-	-	-
(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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax	154	-	154	-
Under provision of tax in prior years	6	-	6	-
Reversal of deferred tax	(31)	(14)	(82)	(67)
Tax review	-	1,893	-	1,893
	<u>129</u>	<u>1,879</u>	<u>78</u>	<u>1,826</u>

Income tax expenses provided for the current quarter and period under review was attributable to gain from property letting of certain subsidiaries.

12) Loss per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Loss net of tax attributable to owners of the Company (RM'000)	(3,952)	(7,503)	(12,165)	(16,118)
Less: cumulative dividend on RCPS	(2,735)	(2,735)	(8,115)	(8,302)
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share (RM'000)	(6,687)	(10,238)	(20,280)	(24,420)
Add back: cumulative dividend on RCPS	2,735	2,735	8,115	8,302
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share(RM'000)	<u>(3,952)</u>	<u>(7,503)</u>	<u>(12,165)</u>	<u>(16,118)</u>
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	310,000	310,000	317,143
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>1,165,874</u>
Basic loss per share (sen)	(0.79)	(1.21)	(2.39)	(2.88)
Diluted loss per share (sen)	(0.34)	(0.65)	(1.05)	(1.38)

13) Inventory properties

	As at 30.09.2019	As at 31.12.2018
	RM'000	RM'000
Non-current		
Land held for property development	146,272	144,794
Current		
Properties under development	63,922	46,705
Completed properties	37,540	38,472
	<u>101,462</u>	<u>85,177</u>
	<u>247,734</u>	<u>229,971</u>

(a) Land held for Development

	As at 30.09.2019	As at 31.12.2018
	RM'000	RM'000
At beginning of year	144,794	146,916
Additions	1,478	687
Transfer to properties under development	-	(2,809)
At end of period	<u>146,272</u>	<u>144,794</u>

As at 30.09.2019, 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
	30.09.2019	31.12.2018
	RM'000	RM'000
Balance at cost	63,922	46,705
	<u>63,922</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	-	26,972
Recognised in profit and loss	(561)	(9,194)
At 30.09.2019	<u>9,591</u>	<u>54,331</u>
	<u>9,591</u>	<u>63,922</u>

As at 30.09.2019, the Group has three ongoing projects namely the commercial project, Sejati Corporate Garden at RM8.06 million, with percentage of completion of 60% and the residential projects, Sri Indah Kondominium at RM23.11 million, with a percentage of completion of 45%, and Parklane 1 terrace houses at RM8.50 million, with percentage of completion of 15% totalling RM39.67 million and the projects to be launched amounted to RM24.25 million.

14) Trading inventories

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Building inventories	<u>1,027</u>	<u>988</u>

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 30.09.2019	<u>426,167,169</u>	<u>229,133,063</u>
	No. of Preference Shares	Amount RM
Redeemable convertible preference shares (RCPS) As at 01.01.2019 and 30.09.2019	<u>155,000,000</u>	<u>149,172,930</u>
Irredeemable convertible preference shares (ICPS) As at 01.01.2019 and 30.09.2019	<u>211,281,792</u>	<u>203,338,864</u>

16) Borrowings

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

	As at third quarter ended 30.09.2019			As at third quarter ended 30.09.2018		
	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)	-	6,993	6,993	-	4,177	4,177
Revolving credits (RC)	-	97,300	97,300	-	95,300	95,300
Overdraft (OD)	-	2,093	2,093	2,470	884	3,354
Bridging loan (BL)	-	12,665	12,665	-	-	-
Term loans (TL)	78,087	7,171	85,258	25,727	1,538	27,265
Obligations under finance leases	827	252	1,079	877	292	1,169
	<u>78,914</u>	<u>126,474</u>	<u>205,388</u>	<u>29,074</u>	<u>102,191</u>	<u>131,265</u>

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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Interim financial statements for the third quarter ended 30 September 2019

17) Cash and Cash Equivalents

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Fixed deposits	1,432	3,484
Cash on hand and at banks	9,982	8,981
Cash and bank balances	<u>11,414</u>	<u>12,465</u>
Less: deposits pledged for banking facilities	(3,484)	(3,484)
Less: bank overdrafts	<u>(2,093)</u>	<u>(116)</u>
	<u>5,837</u>	<u>8,865</u>

18) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 December 2018 to 19 November 2019, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

19) Capital Commitments

	As at 30.09.2019 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 30 September 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		9 months ended		Changes	
	30.09.2019	30.09.2018	RM'000	%	30.09.2019	30.09.2018	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,241	8,034	8,207	102	38,512	17,531	20,981	120
Gross profit	1,027	911	116	13	4,636	2,497	2,139	86
Loss Before Interest and Tax	(1,485)	(4,176)	2,691	(64)	(6,277)	(10,228)	3,951	(39)
Loss Before Tax	(3,823)	(5,624)	1,801	(32)	(12,087)	(14,292)	2,205	(15)
Loss After Tax	(3,952)	(7,503)	3,551	(47)	(12,165)	(16,118)	3,953	(25)
Loss attributable to ordinary equity holders of the Company	(3,952)	(7,503)	3,551	(47)	(12,165)	(16,118)	3,953	(25)

For the current quarter and period ended 30 September 2019, the Group recorded revenue of RM16.24 and RM38.51 million and incurred loss before tax of RM3.82 million and RM12.09 million as compared to the corresponding quarter and period's revenue of RM8.03 million and RM17.53 million and loss before tax of RM5.62 million and RM14.29 million.

The Group generated a total revenue for the current period of RM38.51 million. RM16.35 million (42%) was from property segment and RM22.16 million (58%) was from building materials segment. The total revenue generated for the current quarter was RM16.24 million of which RM8.01 million (49%) was from property segment and RM8.23 million (51%) was from building materials segment.

Sales of residential properties were at RM6.33 million, sale of commercial properties at RM0.66 million, property management at RM0.04 million and RM0.98 million was from property letting for the current period.

Sales of building materials to contractors engaged by the Group for its property development projects amounted to RM3.68 million and RM9.08 million, representing 45% and 41% of the total sales of building materials of RM8.23 million and RM22.16 million for the current quarter and period respectively.

The Group recorded a gross profit of RM4.64million for the period under review. After taking into account interest income and other income totalling RM1.92 million and deducting expenses of RM18.64 million including finance cost of RM5.81 million, other expenses of RM0.60 million, administrative expenses of RM12.07 million, the Group incurred a loss before tax of RM12.09 million.

Administrative expenses of RM12.07 million comprised mainly fixed and semi-fixed costs namely staff costs, directors' remuneration, overheads and office expenses (including depreciation RM0.71 million) of approximately RM3.72 million, RM3.47 million and RM4.88 million respectively.

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

The Group recorded a loss before tax of RM3.82 million for the current quarter under review compared to loss before tax of RM3.33 million for the immediate preceding quarter as follows:-

	Current quarter	Immediate preceding quarter	Changes	
	30.09.2019	30.06.2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	16,241	14,615	1,626	11
Gross profit	1,027	2,718	(1,691)	(62)
Loss Before Interest and Tax	(1,485)	(1,212)	(273)	23
Loss Before Tax	(3,823)	(3,332)	(491)	15
Loss After Tax	(3,952)	(3,309)	(643)	19
Loss attributable to ordinary equity holders of the Company	(3,952)	(3,309)	(643)	19

Revenue for the current quarter is higher than the immediate preceding quarter by RM1.63 million or 11% due to higher sales in the current quarter under review and loss before tax for the current quarter increased by RM0.49 million or 15% as compared to immediate preceding quarter mainly due to depreciation charges of a completed investment property in the quarter under review.

For the current quarter under review, revenue from the property segment and building material segment amounted to RM8.01 million and RM8.23 million respectively as compared to preceding quarter of RM5.86 million and RM8.75 million respectively.

3. Commentary on Prospects

As at 30 September 2019, the Group has unbilled sales of approximately RM49.90 million and the gross development value of unsold units of its ongoing projects amounted to approximately RM141.40 million.

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 11 to the interim financial statements.

6. Corporate proposals

There were no corporate proposals announced but not completed as at 19 November 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 16 to the interim financial statements.

8. Changes in material litigation

The Group did not have any material litigation as at 19 November 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 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 30 September 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 30 September 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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(80,578)	(68,413)
- Unrealised	-	-
	(80,578)	(68,413)
Less: Consolidation adjustments	-	-
Total Group accumulated losses as per consolidated accounts	(80,578)	(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 22 November 2019.