

WMG HOLDINGS BHD.

201501041664(1166985-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Third Quarter Ended 30 September 2020

WMG HOLDINGS BHD.

201501041664 (1166985-X)

Interim financial statements for the third quarter ended 30 September 2020

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		30/09/2020	30/09/2019	30/09/2020	30/09/2019
		RM'000	RM'000	RM'000	RM'000
Revenue	8	16,635	16,241	33,789	38,512
Cost of sales		(13,194)	(15,214)	(26,980)	(33,876)
Gross profit		3,441	1,027	6,809	4,636
Other income	9	815	602	3,318	1,571
Other expenses		137	(86)	(758)	(598)
Distribution costs		(17)	(51)	(99)	(165)
Finance costs		(2,278)	(2,338)	(6,878)	(5,810)
Administrative expenses		(2,742)	(3,143)	(9,709)	(12,065)
Loss from operations		(644)	(3,989)	(7,317)	(12,431)
Interest on fixed deposits		19	166	77	344
Loss before tax	10	(625)	(3,823)	(7,240)	(12,087)
Income tax expense	12	(7)	(129)	(113)	(78)
Loss for the period		(632)	(3,952)	(7,353)	(12,165)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(632)	(3,952)	(7,353)	(12,165)
Loss attributable to owners of the Company		(632)	(3,952)	(7,353)	(12,165)
Total comprehensive loss attributable to owners of the Company		(632)	(3,952)	(7,353)	(12,165)
Loss per share attributable to owners of the Company:	13	Sen	Sen	Sen	Sen
- Basic		(0.40)	(0.79)	(1.83)	(2.39)
- Diluted		(0.05)	(0.34)	(0.63)	(1.05)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 30/09/2020 RM'000	AS AT 31/12/2019 RM'000
Non-current Assets			
Property, plant and equipment		27,905	29,212
Investment properties	15	104,646	106,693
Other investment		35	34
Deferred tax assets		2,412	2,797
Inventory properties	14	146,897	146,002
		<u>281,895</u>	<u>284,738</u>
Current Assets			
Inventory properties	14	109,896	105,333
Trading inventories		422	1,008
Trade and other receivables		28,523	26,935
Prepayment		54	48
Contract assets		13,745	7,342
Income tax refundable		375	317
Investment securities		1,199	1,172
Cash and bank balances	18	11,062	11,558
		<u>165,276</u>	<u>153,713</u>
Total Assets		<u>447,171</u>	<u>438,451</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Loans and borrowings	17	140,568	133,101
Lease liabilities		407	386
Trade and other payables		23,798	32,711
Tax payable		11	49
		<u>164,784</u>	<u>166,247</u>
Net current assets/(liabilities)		<u>492</u>	<u>(12,534)</u>
Non-current Liabilities			
Loan and borrowings	17	99,949	81,938
Lease liabilities		774	912
Deferred tax liabilities		4,322	4,659
		<u>105,045</u>	<u>87,509</u>
Total Liabilities		<u>269,829</u>	<u>253,756</u>

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Condensed Consolidated Statement of Financial Position (cont'd)**EQUITY AND LIABILITIES (cont'd)**

	Note	AS AT 30/09/2020 RM'000	AS AT 31/12/2019 RM'000
Equity attributable to owners of the Company			
Share capital	16	229,133	229,133
Redeemable convertible preference shares	16	149,173	149,173
Irredeemable convertible preference shares	16	203,339	203,339
Merger deficit		(312,039)	(312,039)
Accumulated losses		(92,264)	(84,911)
Total Equity		<u>177,342</u>	<u>184,695</u>
Total Equity and Liabilities		<u>447,171</u>	<u>438,451</u>
Net assets per share attributable to owners of the Company (RM)		0.42	0.43

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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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 2020		229,133	149,173	203,339	(312,039)	(84,911)	184,695
Total comprehensive loss for the period		-	-	-	-	(7,353)	(7,353)
At 30 September 2020		<u>229,133</u>	<u>149,173</u>	<u>203,339</u>	<u>(312,039)</u>	<u>(92,264)</u>	<u>177,342</u>
At 1 Jan 2019		205,073	149,173	203,339	(312,039)	(68,413)	201,193
Total comprehensive loss for the period		-	-	-	-	(12,165)	(12,165)
At 30 September 2019		<u>229,133</u>	<u>149,173</u>	<u>203,339</u>	<u>(312,039)</u>	<u>(80,578)</u>	<u>189,028</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flows

	Note	9 months ended	
		30/09/2020 RM'000	30/09/2019 RM'0000
Cash flows from operating activities			
Loss before tax		(7,240)	(12,087)
Adjustments for:			
Depreciation		3,361	2,381
Finance costs		6,878	5,810
Investment income		(5)	(6)
Interest income		(77)	(344)
Gain from disposal of property, plant and equipment		(1)	(103)
Equipment scrapped		-	5
Reversal of impairment loss		-	(12)
		<u>10,156</u>	<u>7,731</u>
Operating profit/(loss) before working capital changes		2,916	(4,356)
Increase in properties under development		(7,409)	(17,217)
Increase in land held for development		(895)	(1,477)
Decrease in inventories		3,432	892
Decrease/(increase) in receivables		(1,595)	(5,089)
(Increase)/decrease in contract assets		(6,402)	758
Increase/(decrease) in contract liabilities		-	1,623
(Decrease)/increase in payables		(8,913)	(145)
Cash flows used in operations		<u>(18,866)</u>	<u>(25,011)</u>
Interest paid		(716)	(47)
Interest received		44	219
Income tax refunded		-	819
Income tax paid		(161)	(485)
Net cash flows used in operating activities		<u>(19,699)</u>	<u>(24,505)</u>
Cash flows from investing activities			
Addition to investment properties		-	(31,748)
Investment income		5	6
Interest income received		33	126
Increase in fixed deposit		(14)	-
Purchase of investment securities		(26)	(17)
Purchase of property, plant and equipment		(8)	(344)
Proceeds from disposal of plant and equipment		1	103
Return of other investment		-	78
Net cash flows used in investing activities		<u>(9)</u>	<u>(31,796)</u>

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Condensed Consolidated Statement of Cash Flows (cont'd)

	Note	9 months ended	
		30/09/2020	30/09/2019
		RM'000	RM'0000
Cash flows from financing activities			
Proceeds from bankers' acceptances		6,260	15,593
Proceeds from revolving credits		48,500	6,700
Proceeds from bridging loan		23,247	15,158
Proceeds from term loans		4,463	57,366
Repayment of bankers' acceptances		(6,520)	(12,882)
Repayment of bridging loan		(16,300)	(7,768)
Repayment of term loan		(3,481)	(3,943)
Repayment of revolving credits		(29,000)	(10,200)
Repayment of obligations under finance leases		(135)	(225)
Finance costs paid		<u>(6,144)</u>	<u>(6,526)</u>
Net cash flows from financing activities		<u>20,890</u>	<u>53,273</u>
Net increase/(decrease) in cash and cash equivalents		1,182	(3,028)
Cash and cash equivalents at beginning of financial year		<u>5,254</u>	<u>8,865</u>
Cash and cash equivalents at end of financial period	18	<u>6,436</u>	<u>5,837</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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(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 2020 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 2019. 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 2019.

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 2019.

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 other than

- (i) the acquisition of a shelf company, KK Stay Sdn Bhd on 28 February 2020; and
- (ii) the dissolution of an indirect wholly owned non-operating subsidiary, Offshore Constructor (Labuan) Ltd., as announced on 10 March 2020.

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*

	9 months ended 30 September 2020				
	Property	Building materials	Others	Adjustment/ Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	23,819	9,970	-	-	33,789
Inter-segment	-	-	-	-	-
Total	23,819	9,970	-	-	33,789
Results					
Depreciation	3,320	38	3	-	3,361
Interest income	47	30	-	-	77
Other non-cash expenses	-	-	-	-	-
Segment loss	(6,287)	(599)	(354)	-	(7,240)

9) Other income

Included in other income for the period are miscellaneous receipts of RM2.68 million pertaining to rental activities.

10) 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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	19	166	77	344
(b) Other income including investment income	815	602	3,318	1,571
(c) Interest expenses	2,278	2,338	6,878	5,810
(d) Depreciation and amortization	1,101	1,209	3,361	2,381
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off/down 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	-	-	-	-

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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 3 months ended		Financial Year-to-date 9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Current income tax	24	154	65	154
(Over)/under provision of income tax	-	6	(4)	6
Deferred tax	(17)	(31)	52	(82)
	<u>7</u>	<u>129</u>	<u>113</u>	<u>78</u>

The Group's income tax expense for the current period is mainly due to losses of certain subsidiaries which cannot be set off against taxable profits of other subsidiaries within the Group and deferred taxation.

13) Loss per share

	Individual Quarter 3 months ended		Financial Year-to-date 9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Loss net of tax attributable to owners of the Company (RM'000)	(632)	(3,952)	(7,353)	(12,165)
Less: cumulative dividend on RCPS	<u>(2,735)</u>	<u>(2,735)</u>	<u>(8,145)</u>	<u>(8,115)</u>
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share (RM'000)	(3,367)	(6,687)	(15,498)	(20,280)
Add back: cumulative dividend on RCPS	<u>2,735</u>	<u>2,735</u>	<u>8,145</u>	<u>8,115</u>
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share (RM'000)	<u>(632)</u>	<u>(3,952)</u>	<u>(7,353)</u>	<u>(12,165)</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)	<u>310,000</u>	<u>310,000</u>	<u>310,000</u>	<u>310,000</u>
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>1,158,731</u>
Basic loss per share (sen)	(0.40)	(0.79)	(1.83)	(2.39)
Diluted loss per share (sen)	(0.05)	(0.34)	(0.63)	(1.05)

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14) Inventory properties

	As at 30.09.2020	As at 31.12.2019
	RM'000	RM'000
Non-current		
Land held for property development	146,897	146,002
Current		
Properties under development	76,727	69,318
Completed properties	33,169	36,015
	<u>109,896</u>	<u>105,333</u>
	<u>253,793</u>	<u>251,335</u>

(a) Land held for Development

	As at 30.09.2020	As at 31.12.2019
	RM'000	RM'000
At beginning of year	146,002	144,794
Additions	895	2,471
Transfer to properties under development	-	(1,263)
At end of year	<u>146,897</u>	<u>146,002</u>

As at 30.09.2020, 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
	30.09.2020	31.12.2019
	RM'000	RM'000
Balance at cost	<u>76,727</u>	<u>69,318</u>
	Long-term	Development
	leasehold	expenditure
	RM'000	RM'000
Cumulative property development cost		Total
At 01.01.2020	10,651	58,667
Cost incurred during the period	-	17,759
Recognised in profit and loss	(481)	(9,869)
At 30.09.2020	<u>10,170</u>	<u>66,557</u>
		<u>76,727</u>

As at 30.09.2020, the Group has three ongoing projects namely the commercial project, Sejati Corporate Garden at RM12.04 million, with percentage of completion of 95% and the residential projects, Sri Indah Kondominium at RM34.18 million, with a percentage of completion of 71%, and Parklane 1 terrace houses at RM6.32 million, with percentage of completion of 41% totalling RM52.54 million and the projects to be launched amounted to RM24.19 million.

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15) Investment properties

Included is Mydin Hypermarket completed in 2019 with a net carrying amount as at 30 September 2020 of RM72.04 million. (2019: RM73.89 million)

16) 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 01.01.2020 and 30.09.2020	<u>426,167,169</u>	<u>229,133,063</u>
	No. of Preference Shares	Amount RM
Redeemable convertible preference shares (RCPS)		
As at 01.01.2020 and 30.09.2020	<u>155,000,000</u>	<u>149,172,930</u>
Irredeemable convertible preference shares (ICPS)		
As at 01.01.2020 and 30.09.2020	<u>211,281,792</u>	<u>203,338,864</u>

17) Loan and borrowings

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

	As at second quarter ended 30.09.2020			As at fourth quarter ended 31.12.2019		
	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)	-	3,262	3,262	-	3,522	3,522
Revolving credits (RC)	-	120,800	120,800	-	101,300	101,300
Overdraft (OD)	-	3,161	3,161	-	4,852	4,852
Bridging loan (BL)	*21,003	*6,738	27,741	2,653	15,993	18,646
Term loans (TL)	78,946	6,607	85,553	79,285	7,434	86,719
	99,949	140,568	240,517	81,938	133,101	215,039

* The amounts payable have taken into account the moratorium extension of loan repayment granted by a bank.

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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18) Cash and Cash Equivalents

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Fixed deposits	1,465	1,452
Cash on hand and at banks	9,597	10,106
Cash and bank balances	11,062	11,558
Less: deposits pledged for banking facilities	(1,465)	(1,452)
Less: bank overdrafts	(3,161)	(4,852)
	<u>6,436</u>	<u>5,254</u>

19) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 December 2019 to 20 November 2020, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

20) Dividends

For the period ended 30 September 2020, the Directors do not recommend payment of dividend. (2019:Nil).

The total dividend for the current financial year is Nil (2019: Nil).

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(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				9 months ended			
	30.09.2020	30.09.2019	Changes		30.09.2020	30.09.2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,635	16,241	394	2	33,789	38,512	(4,723)	(12)
Gross profit	3,441	1,027	2,414	235	6,809	4,636	2,173	47
Profit/(Loss)Before Interest and Tax	1,653	(1,485)	3,138	(211)	(362)	(6,277)	5,915	(94)
Loss Before Tax	(625)	(3,823)	3,198	(84)	(7,240)	(12,087)	4,847	(40)
Loss After Tax	(632)	(3,952)	3,320	(84)	(7,353)	(12,165)	4,812	(40)
Loss attributable to ordinary equity holders of the Company	(632)	(3,952)	3,320	(84)	(7,353)	(12,165)	4,812	(40)

For the current quarter and period ended 30 September 2020, the Group recorded revenue of RM16.64 million and RM33.79 million and incurred loss after tax of RM0.63 million and RM7.35 million as compared to the corresponding quarter and period's revenue of RM16.24 million and RM38.51 million and loss after tax of RM3.95 million and RM12.17 million.

The Group generated a total revenue for the current quarter and period of RM16.64 million and RM33.79 million respectively. RM12.64 million (76%) and RM23.82 million (70%) were from property segment and RM4.00 million (24%) and RM9.97 million (30%) were from building materials segment for the current quarter and period respectively.

Sales of properties were at RM10.81 million and RM19.29 million, property management at RM0.03 million and 0.09 million, property letting at RM1.80 million and RM4.44 million for the current quarter and period under review.

Sales of building materials to contractors engaged by the Group for its property development projects amounted to RM1.72 million and RM5.22 million, representing 43% and 52% of the total sales of building materials of RM4.00 million and RM9.97 million for the current quarter and period under review.

The Group recorded a gross profit of RM6.81 million for the period under review. After taking into account interest income and other income totalling RM3.40 million and deducting expenses of RM17.44 million (which include finance cost of RM6.88 million, other expenses of RM0.76 million, administrative expenses of RM9.71 million) and tax expense of RM0.11 million, the Group incurred a loss after tax of RM7.35 million.

Administrative expenses of RM9.71 million comprised mainly fixed and semi-fixed costs namely staff costs, directors' remuneration, overheads and office expenses (which include depreciation RM0.71 million) of approximately RM3.22 million, RM2.78 million and RM3.71 million respectively.

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2. Current quarter compared with immediate preceding quarter

The Group recorded a loss after tax of RM0.63 million for the current quarter under review compared to loss after tax of RM1.93 million for the immediate preceding quarter as follows:-.

	Current quarter	Immediate preceding quarter	Changes	
	30.09.2020	30.06.2020	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	16,635	7,502	9,133	122
Gross profit	3,441	1,798	1,643	91
Profit/(Loss) Before Interest and Tax	1,653	300	1,353	451
Loss Before Tax	(625)	(1,962)	1,337	(68)
Loss After Tax	(632)	(1,926)	1,294	(67)
Loss attributable to ordinary equity holders of the Company	(632)	(1,926)	1,294	(67)

Revenue for the current quarter is higher than the immediate preceding quarter by RM9.13 million or 122% mainly due to higher contributions from property segment and building material segment in the current quarter under review. Loss after tax for the current quarter decreased by RM1.29 million or 67% mainly due to the increase in sale of properties for the quarter under review.

For the current quarter under review, revenue from the property segment and building material segment amounted to RM12.64 million and RM4.00 million respectively as compared to preceding quarter of RM5.76 million and RM1.74 million respectively.

3. Commentary on Prospects

As at 30 September 2020, the Group has unbilled sales of approximately RM46.50 million and the gross development value of unsold units of its ongoing projects amounted to approximately RM123.70 million.

The Board expects the Group's operating environment for the fourth quarter of the current financial year to remain challenging due to the unfavourable economic and financing conditions and the adverse impact of the Movement Control Order which further exacerbates the slow property market.

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 20 November 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 further announced on 5 November 2020 and the Proposed Special Issue to comply with the Bumiputra Equity condition as approved by the shareholders and announced on 11 November 2020.

7. Group borrowings and debt securities

This is stated in note 17 to the interim financial statements.

WMG HOLDINGS BHD.

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8. Changes in material litigation

The Group did not have any material litigation as at 20 November 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 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 2019 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 30 September 2020 or the previous financial year ended 31 December 2019.

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 2020 and 31 December 2019.

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 30.09.2020 RM'000	As at 31.12.2019 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(92,264)	(84,911)
- Unrealised	-	-
	(92,264)	(84,911)
Less: Consolidation adjustments	-	-
Total Group accumulated losses as per consolidated accounts	(92,264)	(84,911)

(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 25 November 2020.