WMG

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WMG HOLDINGS BHD. (1166985-X)

ANNUAL REPORT 2017

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **THIRD ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 25 May 2018 at 11.00 a.m to transact the following business:

AGENDA	**Resolution No.**
Ordinary Business	
1. To receive the Audited Financial Statements for the year ended 31 December 2017 and the reports of the Directors and Auditors thereon.	**(Please refer Note a)**
2. To re-elect the following Directors retiring in accordance with Article 103 of the Company's Constitution:-.	
(a) Datuk Eric Usip Juin	**1**
(b) Tan Kung Ming	**2**
(c) Hajah Shakinur Ain Binti Hj Karama	**3**
3. To re-elect the Director, Mr Lim Ted Hing retiring in accordance with Article 125 of the Company's Constitution.	**4**
4. To approve payment of Directors' fees of RM75,000 for the financial year ended 31 December 2017 *(Please see Note g)*.	**5**
5. To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 from July 2018 until June 2019. *(Please see Note g)*	**6**
6. To re-appoint Auditors and authorise the Directors to fix their remuneration.	**7**
Special Business To consider and if thought fit, to pass the following resolution:-	
7. ORDINARY RESOLUTION **Proposed ratification and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**	**8**

"That approval and authority be and are hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with the related parties ("Proposed Ratification and Proposed New Shareholders' Mandate") as set out in Part A of the attached Circular to Shareholders in relation to the Proposed Ratification and Proposed New Shareholders' Mandate, provided that such transactions are undertaken in the ordinary course of business, at arm's length and based on commercial terms and on terms not more favourable to the related party than those generally available to/from the public and are not, in the Company's opinion, detrimental to the minority shareholders and that the breakdown of the aggregate value of the recurrent related party transactions conducted/to be conducted during the financial year, including the types of recurrent related party transactions made and the names of the related parties, will be disclosed in the annual report of the Company pursuant to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and such approval shall continue to be in force until:-

(i) the conclusion of the next Annual General meeting ("AGM") of the Company following this AGM at which such Proposed Ratification and Proposed New Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(1) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting, whichever is the earlier."

8. SPECIAL RESOLUTION **9**
Proposed amendments to the Constitution of the Company

"THAT the amendments to the Constitution of the Company as set out in Appendix II of Part B of the Circular dated 30 April 2018 be hereby approved."

9. To transact any other business of an ordinary meeting of which due notice has been given.

BY ORDER OF THE BOARD

THIEN VUI HENG (MIA 5970)
CHUNG CHEN VUI (MIA 7384)
Company Secretaries

Sandakan, Sabah
30 April 2018

Notes :

a) Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

b) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

c) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.

d) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

e) The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Wisma WMG, Lot 1 & 2, Jalan Indah Jaya, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

f) For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 36(1) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 May 2018. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.

g) Directors' Remuneration
Section 230(1) of the Companies Act, 2016 provides, inter alia, that "the fees" of the directors and "any benefits" payable to directors of a listed company and its subsidiaries shall be approved at a general meeting. Hence, shareholders' approval is sought for:-
(i) Payment of Directors' fees of RM75,000 proportionately to eight (8) Directors of the Company pursuant to Ordinary Resolution 5; and
(ii) Directors' allowances payable to the three (3) Non-Executive Directors of the Company of up to RM250,000 for the 12 months from July 2018 until June 2019 pursuant to Ordinary Resolution 6.

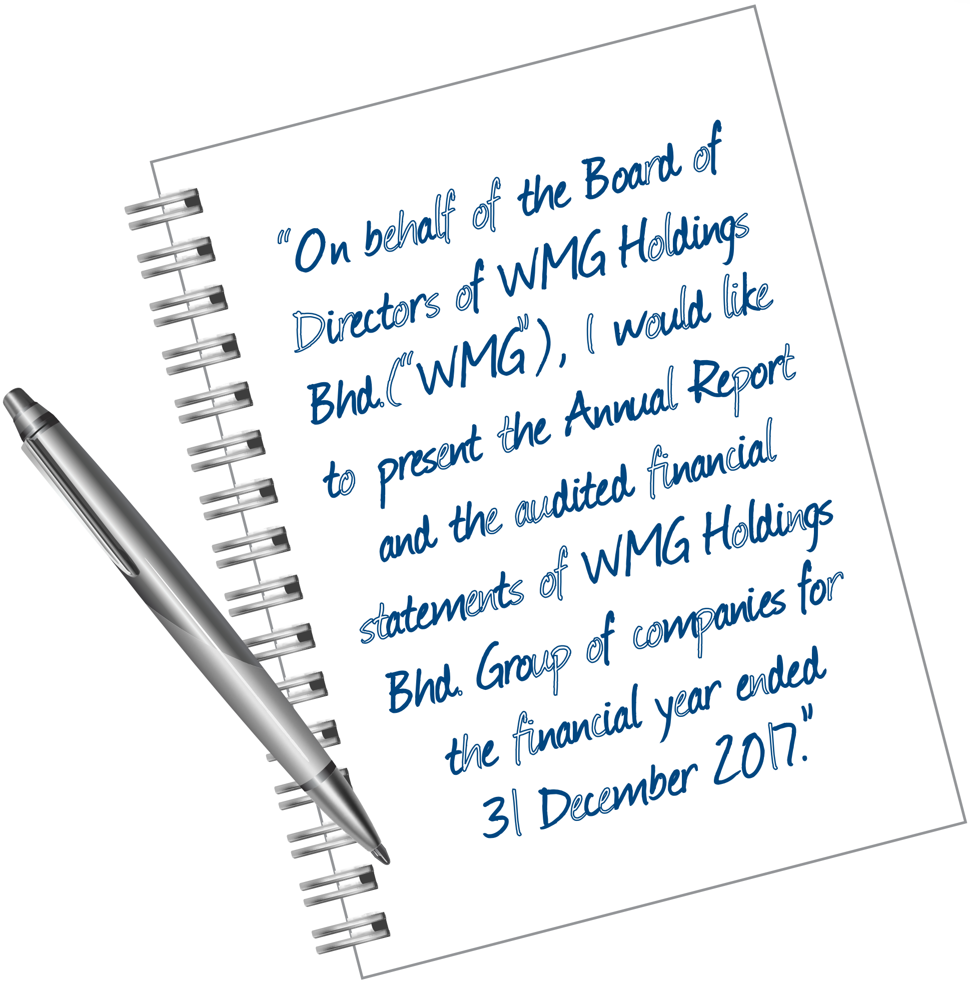
Payment of the allowances to the three (3) Non-Executive Directors of the Company will be made by the Company on a monthly basis and/or as and when it is incurred. The Company had at its last Annual General Meeting in 2017 approved the payment of allowances to Non-Executive Directors up to an amount of RM250,000 for the period from July 2017 until June 2018.

h) Explanatory notes on Special Business:-
Ordinary Resolution (Resolution 8)
Ordinary Resolution No 8, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Proposed Ratification and Proposed New Shareholders' Mandate"). This authority will expire at the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held, unless revoked or varied by an ordinary resolution of the shareholders of the Company in a general Meeting, whichever is earlier.

Further information on the Proposed Ratification and Proposed New Shareholders' Mandate is set out in the attached Circular to Shareholders dated 30 April 2018 which is despatched with the Company's 2017 Annual Report.

Special Resolution (Resolution 9)
The proposed amendments to the Constitution of the Company are to amend the Company's Constitution to be in line with the changes made to the Listing Requirements of Bursa Malaysia Securities Berhad arising from the implementation of the Companies Act, 2016.

CHAIRMAN'S STATEMENT



CORPORATE DEVELOPMENTS

On 3 December 2015, the Company, a newly incorporated special purpose vehicle to assume the listing status of Tekala Corporation Berhad ("Tekala"), Syarikat Kretam (Far East) Holdings Sdn Bhd ("SKHSB") and Tekala entered into agreement to facilitate the proposed reverse take-over of Tekala by WMG ("Proposals"), which involves the following:

(i) Proposed Acquisition by WMG of the equity interest in Ritai Sdn Bhd, Cosmopolitan Company Sdn Bhd, Syarikat Far East Development Sdn Bhd, Velda Development Sdn Bhd and Wah Mie Realty Sdn Bhd from SKHSB to be satisfied by the issuance of ordinary shares, redeemable convertible preference shares and irredeemable convertible preference shares in WMG;

(ii) Proposed exchange of the entire issued and paid-up share capital of Tekala for new shares in WMG pursuant to Section 176 of the Companies Act, 1965; and

(iii) Proposed transfer of listing status of Tekala to WMG.

The Proposals were completed in July 2017 and the Company was listed on Bursa Malaysia Securities Berhad on 31 July 2017.

PERFORMANCE

For the financial year under review, the Group incurred a loss after tax of RM21.72 million mainly due to the goodwill arising from the share exchange with Tekala and the soft property market. The performance is further elaborated in the Management Discussion and Analysis.

CHAIRMAN'S STATEMENT
(cont'd)

DIVIDENDS

The Board of Directors is not recommending any dividend to be paid in respect of the financial year ended 31 December 2017 at the forthcoming Annual General Meeting of the Company.

PROSPECTS

Presently, the Group has 2 ongoing property development projects namely the residential Sri Indah Kondominium project comprising 480 units and the commercial project in Sandakan known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building. It is also building a 170,000 sq ft hypermarket, to be leased to Mydin on a long-term lease. The hypermarket is expected to be completed in year 2019, contributing to the Group's future earnings.

The Group aims to launch affordable and medium cost houses in 2018. Nevertheless, the Group would be cautious in view of the soft property market in launching new projects in year 2018.

The Group has plans to diversify into specialty property development projects – the integrated senior lifestyle and aged care resident resort. To this end, it has entered into a Memorandum of Understanding with Eden-On-The-Park on 15 June 2015 with a view to form joint-venture companies ("JVCs") to undertake these projects and businesses. A written Shareholders' Agreement is expected to be put in place to regulate the relationship of the parties as shareholders in these JVCs.

DIRECTORATE

The Board on 4 July 2017 welcomed the appointment of Datuk Eric Usip Juin, Hajah Shakinur Ain Binti Hj Karama and Mr Tan Kung Ming as the Independent Directors of the Company and the appointment of Datuk Eric Usip Juin as the Company's Independent Non-Executive Chairman. They come with vast skills, knowledge and experience and the Board believes that their contribution will enhance the Board's effectiveness.

APPRECIATION

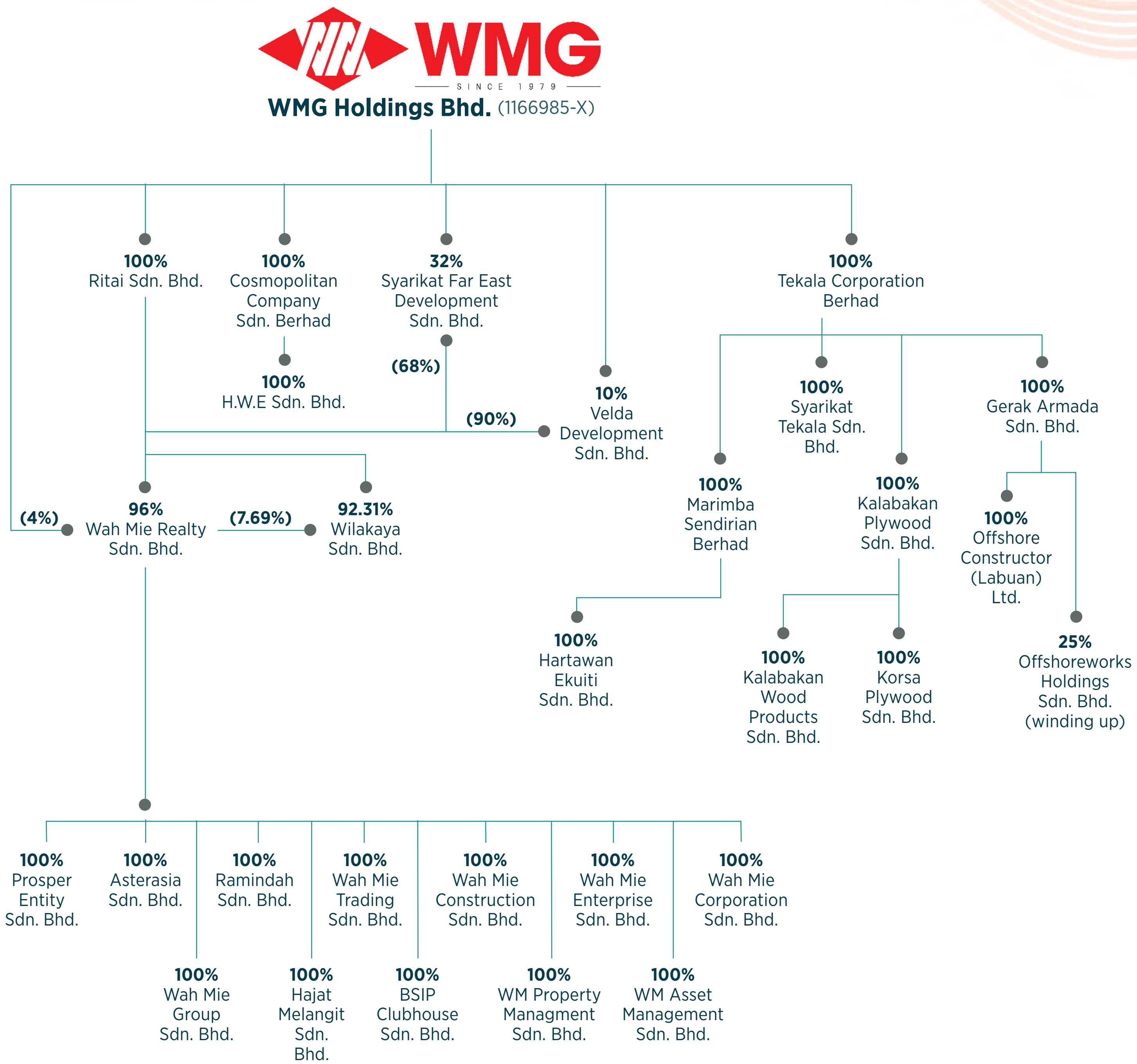
On behalf of the Board of Directors, I would like to express my heartfelt gratitude and thanks to our properties' buyers, suppliers, business associates, relevant government authorities, shareholders and our bankers for their support.

I also like to convey my appreciation to the Management and staff of the Group for their efforts and contributions.

DATUK ERIC USIP JUIN
CHAIRMAN

Sandakan
30 March 2018

CORPORATE STRUCTURE



CORPORATE AND OTHER INFORMATION

BOARD OF DIRECTORS

Datuk Eric Usip Juin	*Chairman/Senior Independent Non-Executive Director*
Quek Siew Hau	*Managing Director*
Lim Ted Hing	*Executive Director*
Fong Kin Wui	*Executive Director*
Seah Sen Onn @ David Seah	*Executive Director*
Chan Ka Tsung	*Executive Director*
Tan Kung Ming	*Independent Non-Executive Director*
Hajah Shakinur Ain Binti Hj Karama	*Independent Non-Executive Director*

KEY SENIOR MANAGEMENT

Lim Ted Hing (Exco Chairman)
Quek Siew Hau
Fong Kin Wui
Seah Sen Onn @ David Seah
Chan Ka Tsung

REGISTERED OFFICE

Wisma WMG, Lot 1 & 2, Jalan Indah Jaya
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah
Tel: 089-212177
Fax: 089-271628

REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: +6(03) 27839299
Fax: +6(03) 27839222

Customer Service Centre:-
Unit G-3, Ground Floor
Vertical Podium, Avenue 3, Bangsar South
No 8 Jalan Kerinchi
59200 Kuala Lumpur

WEBSITE

www.wmghb.com.my

COMPANY SECRETARIES

Thien Vui Heng (MIA 5970)
Chung Chen Vui (MIA 7384)

PRINCIPAL BANKERS

Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Al-Amin Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

AUDITORS

Ernst & Young (AF:0039)

SOLICITOR

CSY
Chin Lau Wong & Foo
Lau & Pang

STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

CORPORATE AND OTHER INFORMATION
(cont'd)

GENERAL INFORMATION

The company is a public limited company, incorporated and domiciled in Malaysia.

All information furnished in this Annual Report unless otherwise specified, had been made up to 30 March 2018, a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting dated 30 April 2018.

REMUNERATION OF THE DIRECTORS AND THE KEY SENIOR MANAGEMENT

Details of the remuneration of the Directors and the Key Senior Management (who are Executive Directors) for the Group and the Company for the financial year ended 31 December 2017 are disclosed in Note 11 to the finanacial statements.

NUMBER OF BOARD MEETINGS

Since the Company's listing on 31 July 2017, the Company held one (1) Board meeting on 29 November 2017 during the financial year ended 31 December 2017.

UTILISATION OF PROCEEDS

The Company did not raise any proceeds from the Company listing on Bursa Malaysia Securities Berhad on 31 July 2017.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the external auditors and its affiliated company amounted to RM397,650 and RM233,500 respectively.

MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in Note 32 to the financial statements and the agreements as disclosed in note 2 of Appendix 1 of the Circular.

RECURRENT RELATED PARTY TRANSACTIONS

The Company is seeking shareholders' ratification of the above transactions from its listing as disclosed in Note 2.3.2 of Part A of the Circular.

INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company has been out-sourced. It reports directly to the Audit Committee. Its responsibilities are, amongst others, to assist the Audit Committee in providing independent assessments of the adequacy, efficiency and effectiveness of the internal control systems to ensure compliance with the systems and standard operating procedures in the Group and to carry other tasks as specified by the Audit Committee.

The internal audit function by the independent auditors, FS Chen & Associates is in accordance with its engagement for internal audit services for the period from 1 October 2017 to 31 March 2019. FS Chen & Associates changed its name to JETA on 10 January 2018 and effective 15 February 2018, it has been converted to JETA PLT, a limited liability partnership under the Limited Liability Partnership Act 2012.

The professional fee for the internal audit function in respect of the financial year under review amounts to RM15,000.

DIRECTORS AND KEY SENIOR MANAGEMENT

The profile of the Directors and the Key Management are as follows:-

Datuk Eric Usip Juin
Chairman/Senior Independent Non-Executive Director

Male, Aged 64, a Malaysian with a Master of Science (Forestry) from Stephen F. Austin State University, Nacogdoches, East Texas, USA (1991) and a Bachelor of Science (Forestry) from Universiti Putra Malaysia (1979). He is the Chairman/Senior Independent Non-Executive Director of the Company and was appointed to the Board on 4 July 2017. He was an Independent Non-Executive Director of Tekala Corporation Berhad from 1 November 2008 to 28 February 2018. He was the Director of Environment Protection Department in the Ministry of Tourism, Culture and Environment, Sabah from 1 August 1998 prior to his retirement on 9 August 2008. Prior to that, he was with the Forestry Department for about 28 years from March 1970 to July 1998 in various capacities, responsibilities and positions, the last as Senior Assistant Director of Forestry before his transfer to the Environment Protection Department. He is a life member of the Sabah Wetlands Conservation Society and the Sabah Society. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorship in other public companies. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

Lim Ted Hing
Exco Chairman/ Key Senior Management

Male, Aged 62, a Malaysian and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is the Exco Chairman, an Executive Director and a key senior management of the Company and was appointed to the Board on 25 November 2015. He joined Ernst & Young, a public accounting firm in 1985 and was the Senior Manager in charge of its Sandakan Office before leaving to join the Group as Group Financial Controller in July 1994. He was later appointed as Executive Director/Chief Operating Officer of Tekala Corporation Berhad in June 1996 and was promoted as Group Managing Director/Chief Executive Officer in January 2013. He was appointed as Chairman of the Executive Committee of Directors on 5 September 2017. He is currently a Director of NPC Resources Berhad and several other private companies. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

DIRECTORS AND KEY SENIOR MANAGEMENT (cont'd)

Quek Siew Hau
Managing Director/
Key Senior Management

Male, Aged 62, a Malaysian with Higher National Diploma in Electrical and Electronic Engineering from Portsmouth Polytechnic, United Kingdom which he obtained in 1978 and also holds a Post Graduate Diploma in Management Studies from Brighton Polytechnic, United Kingdom, obtained in 1979. He was appointed to the Board on 25 November 2015. He is the Managing Director and a key senior management of the Company. He has been an Executive Director of the Company's subsidiaries since 1990. He has extensive experience and knowledge in the housing development and timber-related industries. His other businesses include plantation, food & beverage, retailing, beauty & health care, import and export business. He is also actively involved in a number of schools and voluntary organizations either as Chairman or committee member. He is a member of the Executive Committee of Directors. He also sits on the Board of several other private companies. He has no directorships in other public companies. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

Fong Kin Wui
Executive Director/
Key Senior Management

Male, Aged 58, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymonth Polytechnic, United Kingdom which he obtained in 1983. He is an Executive Director of the Company and a key senior management and was appointed to the Board on 25 November 2015. He has been an Executive Director of Tekala Corporation Berhad since 22 June 1996. He has extensive experience and knowledge in the construction industry and plantation business. He is the member of the Executive Committee of Directors. He currently sits on the Board of several other private companies. He has no directorships in other public companies. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

DIRECTORS AND KEY SENIOR MANAGEMENT (cont'd)

Seah Sen Onn @ David Seah
Executive Director/
Key Senior Management

Male, Aged 49, a Malaysian with degree in Business (Accounting) from Curtin University of Technology, Perth, Australia which he obtained in 1990 and also holds a Graduate Diploma in Business (Information System) from Edith Cowan University, Perth, Australia, obtained in 1992. He is a Certified Practising Accountant with CPA Australia and member of the Malaysian Institute of Accountants. He was appointed to the Board on 25 November 2015. He has been an Executive Director of the Group since 1994. He had one and a half year experience with Ernst & Young, a public accounting firm prior to his appointment as a director of the Group. He possesses extensive experience and knowledge in timber-related business, plantation and housing development. He is a member of the Executive Committee of Directors. He currently sits on the Board of several other private companies. He has no directorships in other public companies. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

Chan Ka Tsung
Executive Director/
Key Senior Management

Male, Aged 35, a Malaysian with Bachelor of Science (Hons) in Psychology from the University of Nottingham, United Kingdom which he obtained in 2004. He was appointed to the Board on 25 November 2015. He has been an Executive Director of the Group since 2008. He possesses experience in plantation, hotel and housing business. He is a member of the Executive Committee of Directors. He currently sits on the Board of several other private companies. He has no directorships in other public companies. He is the son of Chan Saik Chuen, a substantial shareholder of the Company. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

Tan Kung Ming
Independent Non-Executive Director

Male, Aged 47, a Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 4 July 2017. He was an Independent Non-Executive Director of Tekala Corporation Berhad from 1 November 2008 to 28 February 2018. He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is the Chairman of the Audit Committee, the Nominating Committee and a member of the Remuneration Committee of the Board. He is currently a director of Kretam Holdings Berhad. He has attended the Board Meeting held during the financial year ended 31 December 2017. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 5 years.

Hajah Shakinur Ain Binti Hj Karama
Independent Non-Executive Director

Female, Aged 49, a Malaysian with honours degree in Bachelor of Law (LLB) from University of Malaya which she obtained in 1991. She is an Independent Non-Executive Director of the Company and was appointed to the Board on 4 July 2017. She Chambered at Messrs Peter Lo & Co from May 1991 to June 1992 and was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak in June 1992. Thereafter, she served as a legal assistant at the firm until 2005, when she was made a partner. In October 1996, she was allowed by the Sabah Chief Syar'ie Judge to practice as a Syar'ie Lawyer in the Syariah Courts of Sabah. She was the Secretary of the Inquiry Committee from 1 September 2006 to 31 August 2008. During that time, she, together with the Chairman and other members of the committee, presided over cases of complaints against Advocates in Sabah. Currently, she is in charge of conventional and Islamic conveyancing and banking matters at Messrs Peter Lo & Co. Her experience encompasses general banking matters, corporate loan facilities, finance documentation and conventional and Islamic financing structures. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Board. She has no directorships in other public companies. She has attended the Board Meeting held during the financial year ended 31 December 2017. She has no family relationship with any director and/or major shareholder of the Company. She has not entered into any transaction which has a conflict of interest with the Company. She has no convictions for offences within the past 5 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of the Company ("Board") supports the Malaysian Code on Corporate Governance ("Code") with the aim to promote corporate governance throughout the Group.

The Board acknowledges it is responsible for compliance with the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements and all other statutory requirements.

The Company was listed on 31 July 2017 and its market capitalisation at the time of listing was below RM1 billion. Below is an overview of how the principles and practices of the Code have been applied during the financial year ended 31 December 2017. The application of each practice set out in the Code is reported in Bursa Malaysia's prescribed format ("CG Report").

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

The Board plays a primary role in the conduct and control of the Group's business affairs. It is headed by Datuk Eric Usip Juin while the Managing Director of the Company is Mr Quek Siew Hau. The Chairman provides overall leadership to the Board in decision making without limiting the principle of collective responsibility for the Board decisions while the Managing Director manages the day-to-day activities. The Board consists of 8 members namely an Independent Non-executive Chairman, a Managing Director, 4 Executive Directors and another 2 Independent Non-executive Directors. The Directors have diverse skills and a wide range of relevant business, commercial and financial experience. The 3 independent directors were appointed on 4 July 2017 and their tenure as independent directors does not exceed a cumulative term limit of 9 years. The Board has identified Datuk Eric Usip Juin as the senior independent non-executive director of the Company to whom the concerns of shareholders/investors may be conveyed.

The Board is of the opinion that the current Board balance of eight (8) directors is appropriate for the Group. The Board and the Nominating Committee will continue to regularly review the size and composition of the Board in order for the Board to function effectively. The Board is satisfied that the present three (3) independent directors fulfils the Listing Requirements and is sufficient to fairly reflect the investment of the minority shareholders. An election of directors shall take place each year. All directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

The Board meets on a quarterly basis to deliberate and review among other matters, the Group's quarterly reports and convene additional meetings as necessary. The Directors exercise independent judgement when deliberating matters concerning the Group including its strategies, operations, performance, financial and resources. Prior to each Board Meeting, the Board members are provided with the Notice of the Board Meeting and the relevant documents and information 7 days prior to the meeting. This is to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and to enable them to arrive at an informed decision.

Schedule of matters reserved for the Board's consideration and decision includes the approval of corporate plans, acquisition and disposal of major assets, major investments, changes to the management and control structure of the Group and issues in respect of key policies, procedures and authority limits.

In carrying out their duties, the Directors have complete access to all staff for information both financial and non-financial pertaining to the Group's affairs. The Directors also have full access to the advice and services of the Company Secretaries. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect. Where a potential conflict of interest may arise, it is mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

The Directors are responsible for the Group's operations and the role of the independent non-executive Directors is important to the Group in ensuring that strategies proposed by the executive Directors are deliberated, and take into account the interests of the shareholders, employees, customers, suppliers, and other stakeholders before they are implemented. The Board is satisfied with the level of objectivity and independence shown by the three Independent Directors in board deliberations and their ability to act in the best interests of the Company.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

The Directors are required to review and update their other directorships and shareholdings in the Company every half-yearly. This information is used to monitor their directorships to ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively. The Board is generally satisfied with the level of time commitment accorded by the Directors in fulfilling their respective roles and responsibilities as Directors of the Company.

In determining the training needs of the Directors, the Board has adopted a policy to encourage the directors to attend at least one day training for each financial year which will aid them in the discharge of their duties. Each hour of training session attended shall be awarded 2 CEP points. Should any Director not be able to meet the minimum CEP points in a financial year, the Board may grant such extension of time as required for the said Director to meet it.

The Board delegates certain responsibilities to the Board Committees in order to enhance business and operational efficiency as well as efficacy. All Committees have their written terms of reference. Minutes of their proceedings and deliberations at the Committee meetings are tabled at the subsequent Board meetings and are duly noted and acted on where appropriate by the Board.

On 4 July 2017, the Board set up four (4) committees namely Executive Committee, Remuneration Committee, Nominating Committee and Audit Committee.

The Executive Committee ("Exco") comprises solely of Executive Directors. Mr Lim Ted Hing was appointed on 5 September 2017 as new Chairman, replacing Seah Sen Onn @ David Seah. The members are as follows:-

- Lim Ted Hing (Chairman)
- Quek Siew Hau
- Fong Kin Wui
- Seah Sen Onn @ David Seah
- Chan Ka Tsung

The Exco undertakes tasks as assigned to it by the Board. It is vested with the same powers and authorities in respect of the management, control, and direction of the Group as the Board with the exception of:-

(i) any capital expenditure in excess RM3.0 million or such higher amount as the Board decides from time to time; and
(ii) any matter which may not, by law, be delegated by the Board or which would cause the Board to be in breach of duty.

The Remuneration Committee comprises solely of independent non-executive directors. The main function of the Committee is to review and recommend to the Board for its consideration and implementation, the remuneration packages of the Executive Directors and senior management of the Group, drawing from outside advice as necessary. The determination of remuneration for the Non-Executive Directors shall be a matter for the Board as a whole. The directors concerned abstain from discussion of their own remuneration.

The Remuneration Committee members of the Company are as follows:-

- Hajah Shakinur Ain Binti Hj Karama (Chairman)
- Datuk Eric Usip Juin
- Tan Kung Ming

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Directors' remuneration packages are approved by the Board as a whole. The Directors whose remuneration packages are being deliberated have the right to be heard during the deliberation but are not allowed to participate in decisions on their own remuneration packages. The Group reimburses expenses incurred by the Directors in the course of their duties as directors.

The level of remuneration for a Director is determined with a view to ensure experienced and capable Directors are attracted and retained to run the Group. There are no attendance fee for both executive and non-executive directors as attendance are expected of the directors in the discharge of their duties as Directors. The remuneration of each director will commensurate with the responsibilities undertaken by the respective directors.

The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Remuneration of the Directors and the key senior management (who are the executive directors) are appropriately served by the disclosure made in the financial statements.

The Nominating Committee comprises solely of independent non-executive directors. The members and the function of the Nominating Committee are disclosed in the Statement on Nominating Committee Activities.

The Audit Committee comprises solely of independent non-executive directors. The members and the function of the Audit Committee are disclosed in the Audit Committee Report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

In presenting the annual financial statements and quarterly announcements, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in reviewing information to ensure its accuracy and adequacy and ensures that the financial statements comply with all applicable financial reporting standards.

The objectivity, suitability and independence of the Group's external auditors are assessed annually by the Audit Committee. The Group's external auditors report independently to the shareholders of the company in accordance with the statutory requirements. The Group and the Directors provide full assistance to the external auditors so as to enable them to discharge their duties. The external auditors meet with the internal auditors as and when deemed necessary, without the presence of the management.

To achieve economic expectations of our shareholders, the Group would pursue business opportunities/activities involving certain degree of risk. Due consideration would be given to the balance of risks and rewards, to optimize returns from the Group's business activities. The Directors acknowledge their responsibilities and have established the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The system has been designed to meet the Group's needs and to manage the risks to which it is exposed. The Audit Committee assists the Board in reviewing the effectiveness of the risk management and internal control system.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Group recognises the importance for timely and high quality dissemination of information to its shareholders, stakeholders and investors on the Group's performance and other developments via appropriate channels of communication including information posted on its website, www.wmghb.com.my. The interim results announcements, relevant announcements, annual reports and circulars to shareholders are the primary modes of communication to report the Group's business, results and major developments to its shareholders, stakeholders and investors.

Price-sensitive and any information that may be regarded as undisclosed material information about the Group is not disclosed until after the prescribed announcement to Bursa Malaysia has been made.

The Annual General Meeting serves as a principal forum for dialogue with shareholders. Adequate notice of at least 21 days prior to the meeting will be served and accompanied by an explanatory statement for the proposed resolution to facilitate understanding and evaluation of issues involved for each item of special business.

At the Annual General Meeting, shareholders are accorded the opportunity to raise questions on the agenda items of the general meeting. All Directors (including the Chairman of the 4 Committees namely Audit, Remuneration, Nominating and Executive) and Senior Management Officers attend the meeting to provide answers and appropriate clarifications to issues raised.

The Group values dialogue with its shareholders and investors as a means of effective communication that enables the Board and management to convey information about Group's performance, corporate strategy and other matters affecting shareholders' interests.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Activities

The Company was a special purpose vehicle incorporated on 25 November 2015 to undertake a corporate exercise which was completed in July 2017.

The principal activities of the Group are property development and trading of building materials. 69% of the revenue was from property development and the balance of 31% comprised trading of building materials for the financial year ended 31 December 2017.

In 2017, the Group completed its commercial project known as Sejati Walk in Sandakan which comprises 343 units of shoplot and one 3-storey building. As at year end, ongoing projects comprised the hypermarket to be built in Sandakan and leased to Mydin on a long-term basis, residential condominium project in Sandakan known as Sri Indah Kondominium, comprising 480 units to be built in 2 phases and commercial project in Sandakan known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building.

Financial Performance

Total revenue generated by the Group amounted to RM20.99 million, comprising RM14.57 million from property development and RM6.42 million from trading of building materials.

The loss before tax incurred by the Group amounted to RM21.55 million , mainly due the lower revenue generated from the soft property market and the non-recurring charges pertaining to the corporate exercise. After deducting current year's taxation of RM0.17 million in respect of profits made by certain subsidiaries, the Group's loss after tax amounted to RM21.72 million.

The above revenue and loss before tax are analysed below:-

- Sale from property development comprise sales of commercial project, Sejati Walk of RM8 million which was completed during the financial period and the balance of RM6.57 million were from sale of residential properties.

- Sale of building materials to contractors engaged by the Group for its property development projects amounted to RM3.06 million, representing 48% of the total sale of building materials.

- The Group recorded a gross profit of RM8.12 million comprising RM7.91 million from property development segment and RM0.21 million from building materials segment. After taking into account the interest and other income of RM1.30 million and deducting expenses of RM30.96 million including finance cost of RM2.39 million, administrative expenses of RM11.52 million and non-recurring expenses pertaining to the corporate exercise of RM16.68 million, the Group incurred a loss before tax of RM21.55 million.

The corporate exercise expenses comprised goodwill on Share Exchange with Tekala Corporation Berhad of RM15.15 million and stamp duties on acquisition of Target Companies of RM1.53 million whereas the administrative expenses of RM11.52 million consisted of staff costs, directors' remuneration, depreciation, overhead and office expenses amounting to RM2.44 million, RM3.66 million, RM1.20 million and RM4.22 million respectively.

Working Capital, liquidity and Capital Expenditure

The operations of the Group are funded by shareholders' equity, cash generated from operations and borrowings from financial institutions.

As at the financial year ended 31 December 2017, the Group has net assets of RM247.88 million which includes cash and cash equivalents of RM62.58 million. The available banking facilities amounted to RM273 million, of which RM156.02 million has yet to be utilised. The unutilised amount comprises project financing of RM106.03 million, trade lines of RM29.24 million and revolving credits for general working capital requirements totalling RM20.75 million.

Since listing on 31 July 2017 to the financial year end under review, the Group incurred capital expenditure of RM9.12 million comprising additions to investment properties of RM8.98 million and properties, plant and equipment of RM0.14 million.

Prospects, challenges and Strategies

The operating environment of the Group in 2018 is expected to be challenging in view of the economic uncertainties, high household debts and stringent mortgage lending by financial institutions. Nevertheless, the Directors are optimistic the Group's performance will improve in the future after taking into account the Group's competitive strengths and strategies being pursued by the Group including its projects in the pipeline.

Further, the Group is exploring opportunities to undertake joint-venture property development projects in West Malaysia.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended and lay them before the General Meeting together with a copy of the auditors' report thereon. The financial statements are made up to a date not more than six months before the date of the meeting.

In preparing the financial statements, the Directors have:

* adopted suitable accounting policies and apply them consistently unless a change is required by statute or by an approved accounting standard or if the change will result in a more appropriate presentation of events or transactions in the financial statements;

* exercised judgement and made estimates that are prudent and reasonable;

* ensured applicable approved accounting standards have been followed and material departures, if any, have been disclosed and explained in the financial statements; and

* prepared the financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Company will continue in business in the foreseeable future.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

The Directors are also responsible for ensuring that proper accounting and other records are kept as will sufficiently explain the transactions and financial position of the Group and of the Company and enable true and fair financial statements be prepared which comply with approved accounting standards and the Companies Act, 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they are responsible for the Group's system of internal control and risk management and ensuring its adequacy and integrity. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance against material misstatements or losses.

A sound system of internal control provides reasonable, but not absolute assurance that a Group will not be hindered in achieving its business objectives or the orderly conduct of its business. A system of internal control cannot, however, provide protection with certainty against a Group failing to meet its business objectives or all material errors, losses, fraud, or breaches of laws or regulations as a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making; human errors; control processes being circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances.

The Group operates within a control environment and risk management framework developed and refined over the years. The Management is responsible for the identification and evaluation of significant risks and to formulate the design and operation of appropriate controls and procedures for its businesses. Risk assessment for the Group is carried out on a regular basis. Comprehensive reports on the Group's financial information and performance are also presented to the Directors on a regular basis.

The Audit Committee reviewed with the external auditors their audit findings, their evaluation of the Group's system of internal control and risk management, the adequacy of the scope and functions of the internal audit functions and also reviewed the quarterly reports and the audited financial statements prior to its recommendation to the Directors for consideration and approval.

The Directors assessed the Group's business risks, its control environment and risk management for the financial year under review. The Directors reviewed the audit work carried out and received assurance from the Managing Director and the Group Accountant that the Group's Risk Management and Internal Control System are operating adequately and effectively in all material aspects. The Directors observed that controls and procedures in operation were appropriate and adequate. Accordingly, the Directors were of the opinion that the system of internal control and risk management of the Group were reasonable for the financial year under review.

STATEMENT ON DIRECTORS' TRAINING

The Board assesses the training needs of the Directors to aid them in the discharge of their duties as Directors. The training includes, among others, updates/amendments on the Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

The training programmes attended by the Directors for the financial year under review since listing on 31 July 2017 are as follows:-

DATUK ERIC USIP JUIN

• Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee	1 August 2017

QUEK SIEW HAU

• Malaysian Code on Corporate Governance: New Dimension (Roadshow)	28 August 2017

LIM TED HING

• Malaysian Code on Corporate Governance: New Dimension (Roadshow)	28 August 2017
• Advocacy Sessions to Enhance Quality of Management Discussion & Analysis for CEO & CFO of Listed Issuers	23 October 2017

FONG KIN WUI

• CEO Roundtable Conference – Survival, Sustainable, Succession	10 August 2017
• 5th Sabah International Surveyors' Congress "Property Investment Breakthroughs"	21-22 August 2017
• Shareda Half-Day Talk – New Flow Chart for Quick Fix and Impact of Malaysia Standard (MS) EN 1998-1:2015 EUROCODE 8	28 October 2017

SEAH SEN ONN @ DAVID SEAH

• 5th Sabah International Surveyors' Congress "Property Investment Breakthroughs"	21-22 August 2017
• Malaysian Code on Corporate Governance: New Dimension (Roadshow)	28 August 2017
• 2018 Budget and Tax Conference	14 November 2017

CHAN KA TSUNG

• 5th Sabah International Surveyors' Congress "Property Investment Breakthroughs"	21-22 August 2017
• Malaysian Code on Corporate Governance: New Dimension (Roadshow)	28 August 2017

TAN KUNG MING

• Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee	1 August 2017
• Malaysian Code on Corporate Governance: New Dimension (Roadshow)	28 August 2017
• GST Conference 2017	18-19 September 2017
• Seminar Percukaian Kebangsaan 2017 (National Tax Seminar 2017)	15 November 2017
• Independent Directors Programme: The Essence of Independence	20 November 2017

HAJAH SHAKINUR AIN BINTI HJ KARAMA

• Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee	1 August 2017
• Mandatory Accreditation Programme	13 & 16 October 2017

STATEMENT ON NOMINATING COMMITTEE ACTIVITIES

The members of the Nominating Committee are as follows:-

- Tan Kung Ming (Chairman)
- Datuk Eric Usip Juin
- Hajah Shakinur Ain Binti Hj Karama

The Nominating Committee carries out functions in accordance with its terms of reference as follows:-

(i) consider and recommend to the Board, board candidates for directorship;
(ii) consider, in making its recommendation, candidates' skills, knowledge, expertise and experience, time, commitment, professionalism and integrity. For the position of independent non-executive directors, the Committee shall also evaluate the candidates' ability to discharge such responsibilities as expected from independent non-executive directors;
(iii) recommend to the Board, directors to fill seats on Board committees;
(iv) at least annually review the required mix of skills and experience and other qualities of the Board;
(v) annually assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director;
(vi) annually review the term of office and performance of the audit committee and each of its members to determine whether such audit committee members have carried out their duties in accordance with their terms of reference; and
(vii) provide orientation and education programme for new Board members.

For the financial year under review, the Committee assessed the training programmes attended by the Directors and reviewed the size, composition and effectiveness of the Board of the Company and its subsidiaries and the Board committees as well as the expertise and the experience of the Board members of the Company and its subsidiaries including their duties and responsibilities.

SUSTAINABILITY STATEMENT

The market capitalization of the Company was below RM1 billion when it was listed on Bursa Malaysia Securities Berhad on 31 July 2017. In line with the listing requirements on sustainability reporting, the annual report of the Company is to contain a sustainability statement of the Company's management of material economic, environmental and social risks and opportunities.

The Directors acknowledge they are responsible for the preparation of the statement. The Group would be looking into how best it could embed sustainability considerations in its business strategies to mitigate risks and tap business opportunities while enhancing profitability.

In terms of priorities, the Directors have identified the timely approval of the development plan of property development projects, followed by their successful implementation and sales of the properties developed as material sustainability matters. Going forward, the Directors together with the management would continue to identify and manage other relevant sustainability matters.

The Group is an established property developer in Sabah with a track record of over 30 years. It has a total land bank of approximately 676.01 acres, comprising 469.93 acres in Sandakan and 206.08 acres in Kota Kinabalu and will continue to acquire land bank in prime locations with good potential for sustained future development.

In 2017, the Group completed its shopping mall known as Sejati Walk, comprising 343 units of shoplots and one 3-storey building. As at the end of the financial year under review, the Group has two ongoing projects namely the residential project, Sri Indah Kondominium comprising 480 units of condominium and the commercial project in Sandakan known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building. It is also building a 170,000 sq ft hypermarket, to be leased to Mydin on a 20 year lease.

Projects in the pipeline include corporate buildings, condominiums and terrace house. It has plans to diversify into specialty property development namely the integrated senior lifestyle and aged care resident resorts.

The Group supports benevolent and charitable causes through monetary assistance and sponsorship to promote community activities.

The Group maintains a working environment where employees who perform are recognised, rewarded and promoted accordingly. It also pursues a non-discriminatory policy with regard to gender, ethnicity and age of employees joining the Group. Appointments are based on merits, skills, qualifications and experience.

AUDIT COMMITTEE REPORT

The Directors are pleased to present the Audit Committee Report of the Company in respect of the financial year under review.

(A) COMPOSITION

The members of the Audit Committee are as follows:

CHAIRMAN

Tan Kung Ming (MIA 21364)	*Independent Non-Executive Director*

COMMITTEE MEMBERS

Datuk Eric Usip Juin	*Independent Non-Executive Director*
Hajah Shakinur Ain Binti Hj Karama	*Independent Non-Executive Director*

(B) MEETINGS

The audit committee held a meeting during the financial year under review. The meeting was attended by all the 3 members.

(C) FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee carries out functions in accordance with its terms of reference as follows:-

(i) review the following and report the same to the Board:-

- (a) with the external auditors, the audit plan, the evaluation of the system of internal controls and the audit report;
- (b) the assistance given by the employees to the external auditors;
- (c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;
- (d) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (e) the quarterly results and year end financial statements, before the approval by the Board, focusing particularly on:-
  - (1) changes in or implementation of major accounting policy changes;
  - (2) significant and unusual events; and
  - (3) compliance with accounting standards and other legal requirements;
- (f) any related party transaction and conflict of interests situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) any letter of resignation from the external auditors; and
- (h) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

(ii) recommend the nomination of a person or persons as external auditors.

(D) SUMMARY OF WORK OF THE AUDIT COMMITTEE

For the financial year under review, the Audit Committee reviewed the quarterly reports prior to submission to the Board for consideration and approval, reviewed with the external auditors the Group's accounting and audit issues, reviewed the draft audited accounts and related party transactions before consideration and approval by the Board. The Audit Committee also assessed the performance of the external auditors and their fees.

The Audit Committee approved the outsourcing of the internal audit function of the Company to Jeta PLT (formerly known as FS Chen & Associates) and also reviewed the suitability and independence of Ernst & Young to be re-appointed as the external auditors of the Company for the following financial year based on its audit assessment.

(E) SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The internal auditor has carried out audit work on contractor management and sales, billing and collection.

LIST OF PROPERTIES

Registered Owner	Address	Land Area (acres)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 December 2017 (RM'000)	Date of Acquisition
Properties							
Majilis Perbandaran Sandakan (beneficial owner is Wah Mie Realty Sdn Bhd)	TL 077590482 and TL 077590473 Off Km 7.6, Jalan Utara Sandakan, Sabah	1.41	3-storey corporate office building and vacant residential lot	Leasehold expiring 31.12.2081	7	8,099	21.10.2010
Kalabakan Plywood Sdn Bhd	CL 105464766 Sungai Imam, Pasir Putih, Tawau, Sabah	32.73	Factory, warehouse, office and auxiliary buildings	Leasehold expiring 02.09.2923	28	19,392	31.07.1989
Kalabakan Wood Products Sdn Bhd	CL 105463956 Sungai Imam, Pasir Putih, Tawau, Sabah	29.57	Factory building	Leasehold expiring 31.12.2088	20	10,770	05.08.1993
Korsa Plywood Sdn Bhd	CL 105421814 Sungai Imam, Pasir Putih, Tawau, Sabah	46.38	Industrial land and building	Leasehold expiring 31.12.2076	23	13,798	08.07.1994
Wah Mie Realty Sdn Bhd	CL 075543047 Lot 1, Taman Airport Phase 1A, Off Airport Road Sandakan, Sabah	0.03	Corner 3-storey shop-office building	Leasehold expiring 31.12.2104	11	363	21.12.2006
Wah Mie Realty Sdn Bhd	CL 015379487 Jalan Kolombong, Off Mile 5½ Jalan Tuaran, Kolombong Industrial Estate Kota Kinabalu, Sabah	1.15	Industrial land with 2 warehouses and 2-storey office/ showroom	Leasehold expiring 31.12.2034	36	994	20.10.1997

LIST OF PROPERTIES
(cont'd)

Registered Owner	Address	Land Area (acres)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 December 2017 (RM'000)	Date of Acquisition
Investment properties							
Wah Mie Realty Sdn Bhd	CL 075433591 Off Km 9.3, Jalan Utara Sandakan, Sabah	0.59	Single-storey market building	Leasehold expiring 26.06.2926	18	1,017	13.12.1999
Prosper Entity Sdn Bhd	Part of CL 075134360 and CL 075381789 Bokara-Karamunting Sandakan, Sabah	5.73	Purposed commercial building	CL 075134360 - Leasehold expiring 25.11.2893 CL 075381789 - Leasehold expiring 14.11.2883	-	664	09.12.2016
Wah Mie Trading Sdn Bhd	CL 105430288 TB 2934, Lot A-25, Sedco Light Industrial Estate, Km 5, Apas Road Tawau, Sabah	0.13	Single-storey semi-detached light industrial workshop	Leasehold expiring 31.12.2042	32	60	02.10.1989
Buildings under construction							
Asterasia Sdn Bhd	Part of parent title CL 075126939 and PL076144020 off Jalan Airport, Sandakan, Sabah.	4.40	Sejati Hypermarket	CL075126939 & PL076144020- leasehold expiring 13.02.2923	-	20,874	N/A
Wah Mie Trading Sdn Bhd	Part of parent title CL 015699804 Lot No. 32, Block F, Suria Inanam, Kota Kinabalu, Sabah	0.02	3-storey shop-office building	CL 015699804 leasehold expiring 31.12.2111	-	1,657	09.12.2016

SHAREHOLDING STATISTICS
AS AT 30 MARCH 2018

Paid-Up & Issued Share Capital	:	426,167,169
Type of Share	:	Ordinary share
No of Shareholders	:	7,645
Voting Rights	:	1 vote per shareholder on a show of hands 1 vote per ordinary share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No of Holders	Total Holdings#	Percentage#
1 to 99	60	2,525	0.00
100 to 1,000	58	25,726	0.01
1,001 to 10,000	6,307	17,357,078	4.07
10,001 to 100,000	1,064	28,223,054	6.62
100,001 to 21,308,357*	155	140,558,766	32.98
21,308,358 and above**	1	240,000,020	56.32
TOTAL	**7,645**	**426,167,169**	**100.00**

Notes:-

* *Less than 5% of Issued Shares*

** *5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS
[based on notifications in writing received by the Company on or before 30 March 2018]

		Ordinary Shares			
No	**Name of Substantial Shareholder**	**Direct Interest**	**%**	**Indirect interest**	**%**
1	Syarikat Kretam (Far East) Holdings Sdn Bhd	240,000,020	56.32	-	-
2	Real Paradigm Sdn Bhd	-	-	240,000,020[1]	56.32
3	Quek Chiow Yong Holdings Sdn Bhd	11,296,253	2.65	240,000,020[2]	56.32
4	Quek Siew Hau	411,620	0.10	251,296,273[3]	58.97
5	Lim Ted Hing	2,275,763[4]	0.53	240,000,020[5]	56.32
6	Fong Kin Wui	2,255,406[6]	0.53	241,289,553[7]	56.62
7	Seah Sen Onn @ David Seah	3,709,104	0.87	240,000,020[5]	56.32
8	Chan Ka Tsung	-	-	240,000,020[5]	56.32

SHAREHOLDING STATISTICS
AS AT 30 MARCH 2018 (cont'd)

DIRECTORS' INTERESTS

According to Register maintained under Section 59 of the Companies Act, 2016, the directors' interests in shares of the Company or in a related corporation are as follows:-

	Ordinary Shares			
Name of Directors	**Direct interest**	**%**	**Indirect interest**	**%**
Quek Siew Hau	411,620	0.10	251,296,273[3]	58.97
Lim Ted Hing	2,275,763[4]	0.53	240,000,020[5]	56.32
Fong Kin Wui	2,255,406[6]	0.53	241,289,553[7]	56.62
Seah Sen Onn @ David Seah	3,709,104	0.87	240,000,020[5]	56.32
Chan Ka Tsung	-	-	240,000,020[5]	56.32

The Directors by virtue of their interest in shares in the Company are also deemed to have interest in shares in all of its related corporations to the extent the Company has an interest.

Notes:-

1 *Deemed interested through Syarikat Kretam (Far East) Holdings Sdn Bhd.*
2 *Deemed interested through Syarikat Kretam (Far East) Holdings Sdn Bhd and Real Paradigm Sdn Bhd.*
3 *Deemed interested through Real Paradigm Sdn Bhd and Quek Chiow Yong Holdings Sdn Bhd.*
4 *Held directly and also via CIMSEC Nominees (Tempatan) Sdn Bhd-CIMB Bank.*
5 *Deemed interested through Real Paradigm Sdn Bhd.*
6 *Held directly and also via Maybank Nominees (Tempatan) Sdn Bhd–Amanahraya Investment Management Sdn Bhd.*
7 *Deemed interested through Real Paradigm Sdn Bhd and Fong Tham Hing Enterprise Sdn Bhd.*

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. Of Shares Held	%
1.	SYARIKAT KRETAM (FAR EAST) HOLDINGS SDN BHD	240,000,020	56.32
2.	CHAN SAIK CHUEN SDN BHD	12,644,306	2.97
3.	QUEK CHIOW YONG HOLDINGS SDN BHD	11,296,253	2.65
4.	LIE TJIE MOH @ LEE CHEE HIONG	9,161,921	2.15
5.	SEAH TEE LEAN	8,611,245	2.02
6.	TAN TONG CHEW	6,807,707	1.60
7.	KWAN PUN CHO	4,593,001	1.08
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Goik Kenzu*	4,000,000	0.94
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Pang Kim Fan (8051066)*	3,990,000	0.94
10.	SEAH SEN ONN @ DAVID SEAH	3,709,104	0.87
11.	DHAYALINI A/P P.G. DORAISAMY	3,702,587	0.87

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (cont'd)

No.	Name	No. Of Shares Held	%
12.	CHIANG YOK LENG	3,587,085	0.84
13.	T Y FONG SDN BHD	3,296,236	0.77
14.	YEOH PHEK LENG	3,101,693	0.73
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Pang Kim Fan (120012)*	2,660,000	0.62
16.	ALLIANCEGROUP NOMINESS (TEMPATAN) SDN BHD *Pledged securities account for Kwan Hung Cheong (8093908)*	2,522,780	0.59
17.	MAXIM ANTON KANNY	2,276,929	0.53
18.	Q C M SDN BHD	2,068,516	0.49
19.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *C C Ho Sdn Bhd (T- 071001)*	2,022,958	0.47
20.	SEAH TEE SUI SDN BHD	1,985,766	0.47
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *Amanahraya Investment Management Sdn Bhd For Fong Kin Wui (C346-240450)*	1,856,406	0.44
22.	UOB KAY HIAN NOMINEES (ASING) SDN BHD *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	1,634,570	0.38
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB Bank for Lim Ted Hing (MY0410)*	1,463,000	0.34
24.	RAVINTHIRAN A/L MUTHIAN	1,382,641	0.32
25.	FONG THAM HING ENTERPRISE SDN BHD	1,289,533	0.30
26.	RHB CAPITAL NOMINEES (ASING) SDN BHD *Rosalind Wong Mei Wai (T-071582)*	1,196,734	0.28
27.	DB CAPITAL NOMINEES (TEMPATAN SDN BHD *Exempt An For EFG Bank Ag (A/C Client)*	1,105,611	0.26
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account For Yeo Guik Hiang (JBU/UOB)*	1,050,000	0.25
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account For Ker Min Choo (8109400)*	1,000,040	0.23
30.	LIM NYUK SANG @ FREDDY LIM	938,088	0.22

FINANCIAL STATEMENTS

DIRECTORS' REPORT

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

Results

	Group RM	Company RM
(Loss)/profit net of tax	(21,715,140)	29,869,026
(Loss)/profit attributable to:		
Owners of the Company	(21,715,140)	29,869,026
Non-controlling interests	-	-
	(21,715,140)	29,869,026

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Quek Siew Hau **	
Lim Ted Hing **	
Fong Kin Wui **	
Seah Sen Onn @ David Seah **	
Chan Ka Tsung **	
Datuk Eric Usip Juin	(Appointed 4 July 2017)
Tan Kung Ming	(Appointed 4 July 2017)
Hajah Shakinur Ain Binti Hj Karama	(Appointed 4 July 2017)

*** These directors are also directors of the Company's subsidiaries.*

The name of a director of one of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) is:

Voon Sui Liong @ Paul Voon (Resigned on 28 February 2018)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, Redeemable Convertible Preference Shares ("RCPS") and Irredeemable Convertible Preference Shares ("ICPS") in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
Name of directors	**1.1.2017**	**Acquired**	**Sold**	**31.12.2017**
Direct interest:				
Ordinary shares of the Company				
Quek Siew Hau	-	411,620	-	411,620
Fong Kin Wui	-	2,255,406	-	2,255,406
Lim Ted Hing	-	2,275,763	-	2,275,763
Seah Sen Onn @ David Seah	-	3,709,104	-	3,709,104
Deemed interest:				
Ordinary shares of the Company				
Quek Siew Hau	20	251,296,253	-	251,296,273
Fong Kin Wui	20	241,289,533	-	241,289,553
Seah Sen Onn @ David Seah	20	240,000,000	-	240,000,020
Lim Ted Hing	20	240,000,000	-	240,000,020
Chan Ka Tsung	20	240,000,000	-	240,000,020

Directors' interests (cont'd)

Name of directors	1.1.2017	Acquired	Sold	31.12.2017
	Number of ordinary shares			
Direct interest:				
Ordinary shares of the holding company, Syarikat Kretam (Far East) Holdings Sdn. Bhd.				
Chan Ka Tsung	48,800	-	-	48,800
Deemed interest:				
Ordinary shares of the holding company, Syarikat Kretam (Far East) Holdings Sdn. Bhd.				
Quek Siew Hau	664,900	-	-	664,900
Fong Kin Wui	622,200	-	-	622,200
Seah Sen Onn @ David Seah	457,500	-	-	457,500
Lim Ted Hing	457,500	-	-	457,500
Chan Ka Tsung	457,500	-	-	457,500

Name of directors	1.1.2017	Acquired	Sold	31.12.2017
	Number of RCPS			
Deemed interest:				
Quek Siew Hau	-	180,000,000	-	180,000,000
Fong Kin Wui	-	180,000,000	-	180,000,000
Seah Sen Onn @ David Seah	-	180,000,000	-	180,000,000
Lim Ted Hing	-	180,000,000	-	180,000,000
Chan Ka Tsung	-	180,000,000	-	180,000,000

Name of directors	1.1.2017	Acquired	Sold	31.12.2017
	Number of ICPS			
Deemed interest:				
Quek Siew Hau	-	211,281,792	-	211,281,792
Fong Kin Wui	-	211,281,792	-	211,281,792
Seah Sen Onn @ David Seah	-	211,281,792	-	211,281,792
Lim Ted Hing	-	211,281,792	-	211,281,792
Chan Ka Tsung	-	211,281,792	-	211,281,792

Issue of shares

During the financial year, as considerations of the acquisition of subsidiaries, the Company

i) increased its issued and paid-up ordinary share capital from RM2 to RM213,083,577 by way of the issuance of 426,167,149 ordinary shares at an issue price of RM0.50 per ordinary share;
ii) issued RCPS amounted to RM180,000,000 by the issuance of 180,000,000 RCPS at an issue price of RM1 per RCPS; and
iii) issued ICPS amounted to RM211,281,792 by the issuance of 211,281,792 ICPS at an issue price of RM1 per ICPS.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The terms of RCPS, ICPS and other details are disclosed in Note 29 and Note 30 to the financial statements.

Holding entity

The Company is a 56.32% owned subsidiary of Syarikat Kretam (Far East) Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia.

Significant event

Details of significant event are disclosed in Note 1 to the financial statements.

Subsequent event

Details of subsequent event are disclosed in Note 38 to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

    (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd)

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which have arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2018.

Quek Siew Hau **Lim Ted Hing**

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act, 2016

We, Quek Siew Hau and Lim Ted Hing, being two of the directors of WMG Holdings Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 123 give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2018.

Quek Siew Hau **Lim Ted Hing**

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Lim Ted Hing, being the director primarily responsible for the financial management of WMG Holdings Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 123 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Lim Ted Hing
at Sandakan in the State of Sabah
on 19 April 2018

Lim Ted Hing

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of WMG Holdings Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of WMG Holdings Bhd., which comprise statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities* for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matters was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the *financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue and cost of sales from sale of properties under development

Refer to Note 4 and Note 5 to the financial statements.

For the year ended 31 December 2017, the Group recorded revenue and cost of sales from sale of properties under development amounting to RM9,001,249 and RM3,609,449, respectively. Revenue from sales of property under development is recognised on a percentage of completion basis. The percentage of completion is assessed by reference to the stage of completion of the projects based on the proportion of costs incurred and the estimated total development costs. Significant judgement is required in determining the stage of completion, the costs incurred and, the estimated costs to complete. In making the judgement and estimation, the management considers past experience and relies on the work of experts. The recognition of revenue and cost is therefore dependent on the Group's estimated total development costs. We identified revenue and cost recognition on the sale of properties under development as a key audit matter.

Our audit procedures included assessing the management's method of revenue and costs recognition relating to various development projects, that they are properly allocated and taken up in the respective development projects, and that the various stages of completion are based on costs incurred to-date over the total estimated costs of development projects. In evaluating the significant judgments and estimation made by the management, we assessed the reliability of the reports provided by specialist and the competency of the specialists. We have performed substantive procedures over the recording of cost and revenue including the estimation of cost to be incurred and ensured that revenue is only recognised for sales with properly executed sale and purchase agreements.

We also focused on the adequacy of the disclosures made in Note 3.2(b), Note 4 and Note 5 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identify above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of the auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

INDEPENDENT AUDITORS' REPORT
to the members of WMG Holdings Bhd. (Incorporated in Malaysia) (cont'd)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kwan Bitt Jing @ Winnie Kwan
3257/05/18(J)
Chartered Accountant

Kota Kinabalu, Malaysia
19 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	20,991,833	-	30,280,000	-
Cost of sales	5	(12,873,845)	-	-	-
Gross profit		8,117,988	-	30,280,000	-
Other items of income					
Interest income	6	697,377	-	-	-
Other income	7	599,369	-	-	-
Other items of expense					
Selling and marketing expenses		(197,928)	-	-	-
Administrative expenses		(11,518,742)	(9,953)	(410,974)	(9,953)
Finance costs	8	(2,387,752)	-	-	-
Other expenses		(16,857,654)	-	-	-
(Loss)/profit before tax	9	(21,547,342)	(9,953)	29,869,026	(9,953)
Income tax expense	12	(167,798)	-	-	-
(Loss)/profit net of tax		(21,715,140)	(9,953)	29,869,026	(9,953)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/ income for the year		(21,715,140)	(9,953)	29,869,026	(9,953)
(Loss)/profit net of tax attributable to:					
Owners of the Company		(21,715,140)	(9,953)	29,869,026	(9,953)
Non-controlling interests		-	-	-	-
		(21,715,140)	(9,953)	29,869,026	(9,953)
Total comprehensive (loss)/ income attributable to:					
Owner of the Company		(21,715,140)	(9,953)	29,869,026	(9,953)
Non-controlling interests		-	-	-	-
		(21,715,140)	(9,953)	29,869,026	(9,953)
Loss per ordinary share attributable to owners of the Company (sen per share):					
Basic	13	(6.75)	(49,765)		
Diluted	13	(3.65)	(49,765)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Non-current assets					
Property, plant and equipment	14	62,436,087	-	-	-
Investment properties	15	24,272,055	-	-	-
Investments in subsidiaries	16	-	-	583,178,707	-
Other investment	17	114,501	-	-	-
Deferred tax assets	18	2,863,813	-	-	-
Land held for property development	19	146,916,016	-	-	-
		236,602,472	-	583,178,707	-
Current assets					
Property development costs	20	36,131,924	-	-	-
Inventories	21	41,411,441	-	-	-
Trade and other receivables	22	19,530,738	-	25,286,500	-
Other current assets	23	1,304,859	-	-	-
Income tax refundable		3,901,266	-	-	-
Investment securities	24	496,689	-	-	-
Cash and bank balances	25	66,043,062	2	3,173,351	2
		168,819,979	2	28,459,851	2
Total assets		405,422,451	2	611,638,558	2
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	102,526,361	-	-	-
Trade and other payables	27	36,950,025	15,155	139,830	15,155
Income tax payable		52,038	-	-	-
		139,528,424	15,155	139,830	15,155
Net current assets/ (liabilities)		29,291,555	(15,153)	28,320,021	(15,153)

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non-current liabilities					
Loans and borrowings	26	14,347,200	-	-	-
Deferred tax liabilities	18	3,671,074	-	-	-
		18,018,274	-	-	-
Total liabilities		157,546,698	15,155	139,830	15,155
Net assets		247,875,753	(15,153)	611,498,728	(15,153)
Equity attributable to owners of the Company					
Share capital	28	205,072,913	2	205,072,913	2
Redeemable Convertible Preference Shares	29	173,233,080	-	173,233,080	-
Irredeemable Convertible Preference Shares	30	203,338,864	-	203,338,864	-
Merger deficit	31	(312,038,809)	-	-	-
(Accumulated losses)/retained earnings		(21,730,295)	(15,155)	29,853,871	(15,155)
Total equity		247,875,753	(15,153)	611,498,728	(15,153)
Total equity and liabilities		405,422,451	2	611,638,558	2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to owners of the Company					
	Equity, total RM	Equity attributable to owners of the Company, total RM	Share capital RM	Redeemable convertible preference shares RM	Irredeemable convertible preference shares RM	Accumulated losses RM	Merger deficit RM
Group							
Opening balance at 1 January 2017	(15,153)	(15,153)	2	-	-	(15,155)	-
Loss net of tax	(21,715,140)	(21,715,140)	-	-	-	(21,715,140)	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	(21,715,140)	(21,715,140)	-	-	-	(21,715,140)	-
Transactions with owners							
Acquisition of subsidiaries (Note 16)	(312,038,809)	(312,038,809)	-	-	-	-	(312,038,809)
Issuance of shares	581,644,855	581,644,855	205,072,911	173,233,080	203,338,864	-	-
Total transactions with owners	269,606,046	269,606,046	205,072,911	173,233,080	203,338,864	-	(312,038,809)
Closing balance at 31 December 2017	247,875,753	247,875,753	205,072,913	173,233,080	203,338,864	(21,730,295)	(312,038,809)

		Attributable to owners of the Company					
	Equity, total RM	Equity attributable to owners of the Company, total RM	Share capital RM	Redeemable convertible preference shares RM	Irredeemable convertible preference shares RM	Accumulated losses RM	Merger deficit RM
Group							
Opening balance at 1 January 2016	(5,200)	(5,200)	2	-	-	(5,202)	-
Loss net of tax	(9,953)	(9,953)	-	-	-	(9,953)	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	(9,953)	(9,953)	-	-	-	(9,953)	-
Closing balance at 31 December 2016	(15,153)	(15,153)	2	-	-	(15,155)	-

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2017 (cont'd)

	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	Retained earnings/ (accumulated losses) RM
Company					
Opening balance at 1 January 2017	(15,153)	2	-	-	(15,155)
Profit net of tax	29,869,026	-	-	-	29,869,026
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	29,869,026	-	-	-	29,869,026
Transactions with owners					
Issuance of shares	581,644,855	205,072,911	173,233,080	203,338,864	-
Closing balance at 31 December 2017	611,498,728	205,072,913	173,233,080	203,338,864	29,853,871
Opening balance at 1 January 2016	(5,200)	2	-	-	(5,202)
Loss net of tax	(9,953)	-	-	-	(9,953)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	(9,953)	-	-	-	(9,953)
Closing balance at 31 December 2016	(15,153)	2	-	-	(15,155)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Operating activities				
(Loss)/profit before tax	(21,547,342)	(9,953)	29,869,026	(9,953)
Adjustments for:				
Allowance for impairment loss on other receivables	71,853	-	-	-
Depreciation of investment properties	13,540	-	-	-
Depreciation of property, plant and equipment	1,185,233	-	-	-
Dividend income	-	-	(30,280,000)	-
Equipment written off	13	-	-	-
Finance costs	2,387,752	-	-	-
Gain on disposal of plant and equipment	(199,589)	-	-	-
Interest income	(697,377)	-	-	-
Investment income from investment securities	(13,844)	-	-	-
Impairment of goodwill	15,150,931	-	-	-
Net fair value loss on investment securities	1,567	-	-	-
Total adjustments	17,900,079	-	(30,280,000)	-
Operating cash flows before changes in working capital	(3,647,263)	(9,953)	(410,974)	(9,953)
Changes in working capital:				
Increase in land held for property development	(13,026,324)	-	-	-
Decrease in property development costs	22,744,474	-	-	-
Increase in inventories	(30,219,481)	-	-	-
Decrease/(increase) in receivables	7,747,826	-	(25,286,500)	-
Decrease in other current assets	412,052	-	-	-
Decrease in other current liabilities	(1,159,192)	-	-	-
Increase in payables	3,616,877	9,953	124,675	9,953
Total changes in working capital	(9,883,768)	9,953	(25,161,825)	9,953

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows used in operations	(13,531,031)	-	(25,572,799)	-
Interest on current, overdue and project account received	234,532	-	-	-
Income tax paid	(225,561)	-	-	-
Income tax refunded	124,268	-	-	-
Net cash flows used in operating activities	(13,397,792)	-	(25,572,799)	-
Investing activities				
Investment income from investment securities	13,844	-	-	-
Acquisition of subsidiaries (Note 16)	47,208,565	-	(1,533,852)	-
Additions to investment properties	(8,904,841)	-	-	-
Purchase of investment securities	(13,844)	-	-	-
Purchase of property, plant and equipment (Note 14)	(138,231)	-	-	-
Proceeds from disposal of investment securities	300,000	-	-	-
Proceeds from disposal of plant and equipment	200,566	-	-	-
Interest received	462,845	-	-	-
Decrease in deposits pledged	(801,920)	-	-	-
Dividends received	-	-	30,280,000	-
Net cash from investing activities	38,326,984	-	28,746,148	-

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financing activities				
Proceeds from bankers' acceptances	4,099,000	-	-	-
Proceeds from revolving credits	24,000,000	-	-	-
Proceeds from term loans	16,933,137	-	-	-
Repayment of bankers' acceptances	(4,875,000)	-	-	-
Repayment of revolving credits	(16,179)	-	-	-
Repayment of obligations under finance leases	(63,663)	-	-	-
Interest paid	(2,427,864)	-	-	-
Net cash from financing activities	37,649,431	-	-	-
Net increase in cash and cash equivalents	62,578,623	-	3,173,349	-
Cash and cash equivalents at beginning of year	2	2	2	2
Cash and cash equivalents at end of year (Note 25)	62,578,625	2	3,173,351	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. Corporate information

WMG Holdings Bhd. ("the Company") is a public limited liability company incorporated in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Wisma WMG, Lot 1 & 2, Jalan Indah Jaya, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah.

The Company is a 56.32% owned subsidiary of Syarikat Kretam (Far East) Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

During the financial year, the Company has completed the acquisition of subsidiaries, which involved:

(a) the acquisition of the equity interests in Ritai Sdn. Bhd., Cosmopolitan Company Sdn. Berhad, Syarikat Far East Development Sdn. Bhd., Velda Development Sdn. Bhd. and Wah Mie Realty Sdn. Bhd. from Syarikat Kretam (Far East) Holdings Sdn. Bhd. for a purchase consideration of RM511,281,792, satisfied by the issuance of:
   (i) 240,000,000 ordinary shares at an issue price of RM0.50 each;
   (ii) 180,000,000 redeemable convertible preference shares at an issue price of RM1 each; and
   (iii) 211,281,792 irredeemable convertible preference shares at an issue price of RM1 each.

(b) the acquisition of Tekala Corporation Berhad ("TCB") by exchanging the entire issued and paid-up share capital (excluding treasury shares) of TCB for 186,167,149 ordinary shares of the Company.

(c) the assumption of listing status of TCB by the Company.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM).

On 15 September 2016, the Companies Act, 2016 was enacted and it replaces the Companies Act, 1965 in Malaysia with effect from 31 January 2017. The key changes of the Companies Act, 2016 on the financial statement are disclosed in Note 2.2.

2.2 Changes in regulatory requirements

<u>Companies Act, 2016</u>

Amongst the key changes introduced in the Companies Act, 2016 which affect the financial statements of the Company upon the commencement of the Companies Act, 2016 on 31 January 2017 are:

- The removal of authorised share capital; and
- The ordinary shares of the Company will cease to have par or nominal value.

2. Summary of significant accounting policies (cont'd)

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following amended standards which are effective for annual periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and the Company.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective, except for MFRS 15 Revenue from Contracts with Customers. The Company early adopted MFRS 15 in the financial statements of the Company for the financial period ended 31 December 2015.

Description	Effective for annual periods beginning or after
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014–2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Lease	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments will have a significant impact on the Group's and the Company's financial statements as the Group and the Company do not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not required to be restated. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

a) Classification and measurement of financial assets

The Group and the Company do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently measured at fair value.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

b) Impairment of financial assets

The Group and the Company will apply the simplified approach and record lifetime expected credit losses on all trade receivables. The Group and the Company expects no major impact on the Group's and the Company's financial statements arising from the application of the simplified approach.

Amendments to MFRS 140 Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

Annual Improvements to MFRS Standards 2014–2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (a) the investment entity associate or joint venture is initially recognised;
  (b) the associate or joint venture becomes an investment entity; and
  (c) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

Amendments to MFRS 9 Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

<u>MFRS 3 Business Combinations – Previously held interests in a joint operation</u>

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

<u>MFRS 11 Joint Arrangements – Previously held interests in a joint operation</u>

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

<u>MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity</u>

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

Annual Improvements to MFRS Standards 2015–2017 Cycle (cont'd)

<u>MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation</u>

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

<u>MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)</u>

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. Applying the interpretation may affect the Group's consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. This standard is not applicable to the Group.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- Gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation (cont'd)

(iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation (cont'd)

Business combinations (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset and liability that is a financial instrument and within the scope of MFRS 139, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 139. Other contingent consideration that is not within the scope of MFRS 139 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding entity.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

The Group has elected no restatement of financial information in the consolidated financial statements for the periods prior to the combination of the entities under common control.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 Foreign currencies

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environments in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold land: remaining lease periods
- Buildings: remaining useful lives range from 20 to 45 years
- Motor vehicles and heavy machinery: 5 years
- Furniture, fittings and equipment: 5 to 10 years

2. Summary of significant accounting policies (cont'd)

2.9 Property, plant and equipment (cont'd)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimate useful lives of the assets as follows:

- Leasehold land : remaining lease periods
- Buildings : remaining useful lives range from 27 to 45 years

Assets under construction included in investment properties are not depreciated as these assets are not yet available for use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other asses or group of assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.14 Fair value measurement

The Group measures certain financial assets such as investment securities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) in the principal market for the asset or liability; or
(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole as described in Note 34.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits pledged to secure banking facilities.

2. Summary of significant accounting policies (cont'd)

2.16 Land held for property development and property development costs

a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost and less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

b) Property development costs

Property development costs consist of property being developed principally for sale and is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to complete and applicable variable selling expenses.

Cost comprise all costs that are directly attributable to development activities.

The property development cost for units sold during development stage is recognised in profit or loss using the stage of completion method as Note 2.23 (a). The property development costs of the unsold units are re-classed to "Inventories" when development is completed.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition comprise purchase costs and are accounted for on the first-in first-out basis.

Cost of completed properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.21 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.22 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.23 Revenue

The Group recognises revenue when it transfers control over a product or services to a customer. Revenue is measured at the fair value of consideration expected to be received or receivable, taking into account contractually defined terms of payment and excluding amounts collected on behalf of third parties.

a) Sale of properties under development

The Group develops and sells residential and commercial properties in the state of Sabah. The properties have generally no alternative use for the Group due to contractual restrictions and the Group has an enforceable right to payment for performance completed to date. Accordingly revenue from the sale of properties under development are recognised over time.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

2. Summary of significant accounting policies (cont'd)

2.23 Revenue (cont'd)

a) Sale of properties under development (cont'd)

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as contract assets within other current assets and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities within other current liabilities.

b) Sale of completed properties, hardware and building materials

Revenue is recognised when control over the goods has been transferred to the customer.

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

d) Management fee income

Management fee income is recognised as income on a time proportion and accrual basis.

e) Interest income

Interest income is recognised using the effective interest method.

2.24 Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2. Summary of significant accounting policies (cont'd)

2.24 Taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in the transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Malaysian Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Summary of significant accounting policies (cont'd)

2.26 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but it is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgement made in applying accounting policies

Except as disclosed below, there are no critical judgements made by management in the process of applying the Group's accounting policies on the amounts recognised in the financial statements.

Sale of commercial properties under development

The Group has recognised revenue amounting to RM8,009,737 (2016: nil) for sale of commercial properties under development. The buyer of commercial properties does not have the right to rescind the sales, and management has assessed that the property does not have an alternative use to the group due to legal restriction, and that the Group has contractual right to continue to perform the contract and be entitled to all the promised consideration. Therefore, these contracts entered by the Group during the financial years for commercial properties satisfied the criteria that the Group transfers control of the properties over time.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors, or default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date are disclosed in Note 22.

b) Sale of properties under development

As described in Note 2.23 (a), the Group recognises property development revenue and costs in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 20.

4. Revenue

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Property development:				
- sale of properties under development	9,001,249	-	-	-
- sale of completed properties	5,470,345	-	-	-
Administrative and management fee income	99,000	-	-	-
Sale of hardware, building materials and related goods	6,421,239	-	-	-
Dividend income	-	-	30,280,000	-
	20,991,833	-	30,280,000	-

5. Cost of sales

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Property development:				
- properties under development (Note 20)	4,031,788	-	-	-
- property development costs over accrued for projects completed in previous years	(422,339)	-	-	-
Cost of inventories sold:				
- completed properties	3,054,767	-	-	-
- hardware, building materials and related goods	6,209,629	-	-	-
	12,873,845	-	-	-

6. Interest income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from:				
- banks and short-term deposits	573,348	-	-	-
- others	124,029	-	-	-
	697,377	-	-	-

7. Other income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Gain on disposal of plant and equipment	199,589	-	-	-
Investment income from investment securities	13,844	-	-	-
Miscellaneous income	193,963	-	-	-
Net gain from rental operation	191,911	-	-	-
Realised gain on foreign exchange	62	-	-	-
	599,369	-	-	-

8. Finance costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:				
- bank overdrafts	162	-	-	-
- bankers' acceptances and trust receipts	52,825	-	-	-
- revolving credits	2,248,642	-	-	-
- term loans	154,985	-	-	-
- obligations under finance leases	5,698	-	-	-
	2,462,312	-	-	-
Less: Interest expense capitalised in investment properties (Note 15)	(74,560)	-	-	-
	2,387,752	-	-	-

9. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Employee benefits expense (Note 10)	5,688,874	-	50,000	-
Non-executive directors' remuneration (Note 11)	237,983	-	135,753	-
Auditors' remuneration:				
- statutory audit				
- current year	244,700	2,000	40,000	2,000
- under provision in respect of previous year	21,950	1,000	-	1,000
- other audit services	131,000	-	-	-
- other services	233,500	-	5,800	-
Allowance for impairment loss on other receivables (Note 22 (b))	71,853	-	-	-
Depreciation of property, plant and equipment (Note 14)	1,185,233	-	-	-
Depreciation of investment properties (Note 15)	13,540	-	-	-
Impairment of goodwill	15,150,931	-	-	-
Net fair value loss on investment securities	1,567	-	-	-
Equipment written off	13	-	-	-
Reversal of impairment loss on other receivables (Note 22 (b))	(56,536)	-	-	-
Operating lease:				
- minimum lease payments for premises	110,812	-	-	-
Unrealised loss on foreign exchange	5,993	-	-	-

10. Employee benefits expenses

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Employees Provident Fund contributions	777,447	-	-	-
Salaries, wages and bonuses	4,876,234	-	50,000	-
Social security contributions	35,193	-	-	-
	5,688,874	-	50,000	-

Included in employee benefits expenses of the Group and of the Company are executive directors' remunerations amounting to RM3,252,182 (2016: nil) and RM50,000 (2016:nil) respectively (Note 11).

11. Directors' remuneration

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors' remunerations:				
- fees	50,000	-	50,000	-
- defined contribution plan	343,113	-	-	-
- salaries and other emoluments	2,859,069	-	-	-
	3,252,182	-	50,000	-
Non-executive directors' remunerations:				
- fees	25,000	-	25,000	-
- defined contribution plan	17,148	-	12,228	-
- salaries and other emoluments	139,771	-	98,525	-
	181,919	-	135,753	-
Total directors' remuneration (excluding remuneration (excluding benefits-in-kind and indemnity given to or insurance effected)	3,434,101	-	185,753	-
Estimated money value of benefits-in-kind Indemnity given to or insurance effected for any directors	230,103	-	-	-
Total directors' remuneration	-	-	-	-
	3,664,204	-	185,753	-

11. Directors' remuneration (cont'd)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Directors' fees RM	Other emoluments RM	Total RM
Group			
2017			
Executive directors:			
Quek Siew Hau	10,000	873,120	883,120
Fong Kin Wui	10,000	597,178	607,178
Lim Ted Hing	10,000	942,690	952,690
Seah Sen Onn @ David Seah	10,000	701,307	711,307
Chan Ka Tsung	10,000	317,990	327,990
	50,000	3,432,285	3,482,285
Non-executive directors:			
Datuk Eric Usip Juin	10,000	48,905	58,905
Tan Kung Ming	10,000	32,054	42,054
Hajah Shakinur Ain Binti Hj Karama	5,000	29,794	34,794
	25,000	110,753	135,753
	75,000	3,543,038	3,618,038
2016			
Executive directors	-	-	-
Non-executive directors	-	-	-
	-	-	-

11. Directors' remuneration (cont'd)

The details of remuneration receivable by directors of the Company during the year are as follows (cont'd):

	Directors' fees RM	Other emoluments RM	Total RM
Company			
2017			
Executive directors:			
Quek Siew Hau	10,000	-	10,000
Fong Kin Wui	10,000	-	10,000
Lim Ted Hing	10,000	-	10,000
Seah Sen Onn @ David Seah	10,000	-	10,000
Chan Ka Tsung	10,000	-	10,000
	50,000	-	50,000
Non-executive directors:			
Datuk Eric Usip Juin	10,000	48,905	58,905
Tan Kung Ming	10,000	32,054	42,054
Hajah Shakinur Ain Binti Hj Karama	5,000	29,794	34,794
	25,000	110,753	135,753
	75,000	110,753	185,753
2016			
Executive directors	-	-	-
Non-executive directors	-	-	-
	-	-	-

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	842,880	-	-	-
- Under provision in respect of previous year	33,859	-	-	-
	876,739	-	-	-
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	(694,839)	-	-	-
- Over provision in respect of previous year	(14,102)	-	-	-
	(708,941)	-	-	-
Income tax expense recognised in profit or loss	167,798	-	-	-

12. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliations between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Accounting (loss)/profit before tax	(21,547,342)	(9,953)	29,869,026	(9,953)
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	(5,171,361)	2,389	7,168,566	2,389
Adjustments:				
Non-deductible expenses	5,134,910	(2,389)	98,634	(2,389)
Income not subject to tax	(43,257)	-	(7,267,200)	-
Deferred tax assets not recognised	275,811	-	-	-
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(48,062)	-	-	-
Under provision of income tax expense in respect of previous year	33,859	-	-	-
Over provision of deferred tax in respect of previous year	(14,102)	-	-	-
	167,798	-	-	-

Current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

On 24 January 2018, the Inland Revenue Board formally notified the Group that it has commenced a tax review exercise on the Group. The exercise is yet to be concluded at the date of this report.

13. Loss per share

Basic loss per share are calculated by dividing loss net of tax attributable to owners of the Company (after duducting cumulative dividend on RCPS) by the weighted average number of ordinary shares and ordinary shares that will be issued upon the conversion of mandatorily convertible ICPS outstanding during the financial year.

Diluted loss per share are calculated by dividing loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares and ordinary shares that will be issued upon the conversion of mandatorily convertible ICPS outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the loss and share data used in the computation of basic loss per share for the years ended 31 December:

	Group	
	2017 RM	**2016 RM**
Loss net of tax attributable to owners of the Company	(21,715,140)	(9,953)
Less: cumulative dividend on RCPS	(6,282,740)	-
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share	(27,997,880)	(9,953)
Add back: cumulative dividend on RCPS	6,282,740	-
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share	(21,715,140)	(9,953)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic loss per share computation*	415,041,990	20
Basic loss per ordinary share (sen)	(6.75)	(49,765)
Weighted average number of ordinary shares for basic loss per share computation	415,041,990	20
Effects of dilution:		
- RCPS	179,506,849	-
Weighted average number of ordinary shares for diluted loss per share computation	594,548,839	20
Diluted loss per ordinary share (sen)	(3.65)	(49,765)

* Included ordinary shares that will be issued upon the conversion of mandatorily convertable ICPS.

14. Property, plant and equipment

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Plant, machinery and heavy equipment RM	Total RM
Group							
Cost							
At 1 January 2016, 31 December 2016 and 1 January 2017	-	-	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	37,886,062	1,494,106	41,886,561	5,202,954	8,123,191	68,771,958	163,364,832
Additions	-	-	-	-	138,231	-	138,231
Disposals	-	-	-	-	(3,276)	(1,796,235)	(1,799,511)
Write off	-	-	-	-	(56,478)	-	(56,478)
At 31 December 2017	37,886,062	1,494,106	41,886,561	5,202,954	8,201,668	66,975,723	161,647,074

14. Property, plant and equipment (cont'd)

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Plant, machinery and heavy equipment RM	Total RM
Group (cont'd):							
Accumulated depreciation							
At 1 January 2016, 31 December 2016 and 1 January 2017	-	-	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	2,571,219	791,893	23,958,647	4,607,513	7,865,665	60,085,816	99,880,753
Depreciation charge for the year	197,495	20,055	311,314	128,243	85,408	442,718	1,185,233
Disposals	-	-	-	-	(2,321)	(1,796,213)	(1,798,534)
Write off	-	-	-	-	(56,465)	-	(56,465)
At 31 December 2017	2,768,714	811,948	24,269,961	4,735,756	7,892,287	58,732,321	99,210,987
Net carrying amount							
At 31 December 2016	-	-	-	-	-	-	-
At 31 December 2017	35,117,348	682,158	17,616,600	467,198	309,381	8,243,402	62,436,087

14. Property, plant and equipment (cont'd)

Assets held under finance leases

Net carrying amount of motor vehicles held under finance lease arrangements are as follows:

	Group 2017 RM	Group 2016 RM
Motor vehicles	283,254	-
Depreciation charge for the year		
Recognised in profit or loss (Note 9)	1,185,233	-

Assets pledged/charged as securities

Leasehold land and buildings with total carrying amount of RM9,092,436 (2016: nil) are pledged to secure the Group's loans and borrowings (Note 26).

As at the reporting date, property, plant and equipment of the Group with total carrying amount of RM60,365 (2016: nil) are charged as securities for banking facilities of two subsidiaries by way of debentures over all existing and future assets of two subsidiary (2016: nil) (Note 26).

15. Investment properties

	Short-term leasehold land RM	Long-term leasehold lands RM	Buildings RM	Properties under construction RM	Total RM
Group					
Cost					
At 1 January 2016, 31 December 2016 and 1 January 2017	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	39,299	2,199,860	1,166,236	12,020,894	15,426,289
Additions	-	-	-	8,979,401	8,979,401
At 31 December 2017	39,299	2,199,860	1,166,236	21,000,295	24,405,690
Accumulated depreciation					
At 1 January 2016, 31 December and 1 January 2017	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	19,257	12	100,826	-	120,095
Depreciation charge for the year	393	3	13,144	-	13,540
At 31 December 2017	19,650	15	113,970	-	133,635
Net carrying amount					
At 31 December 2016	-	-	-	-	-
At 31 December 2017	19,649	2,199,845	1,052,266	21,000,295	24,272,055

15. Investment properties (cont'd)

Assets pledged/charged as securities

Investment properties of the Group with a carrying amount of RM20,425,378 (2016: nil) are pledge to secure the Group's loans and borrowings (Note 26).

As at the reporting date, investment properties of the Group with a carrying amount of RM22,636,389 (2016: nil) are charged as securities for banking facilities for two subsidiaries by way of debentures over all existing and future assets of two subsidiaries (Note 26).

The directors estimated the fair values of the investment properties to be RM31,959,000 as at the reporting date.

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	**Significant unobservable inputs**	**Range**
Leasehold land (Level 3)	Comparison method	Location, size, condition*	RM300 per square meter RM750 per square meter
Leasehold land and buildings (Level 3)	Investment method	Yield	3.50% to 7.50%

* Market values are adjusted for differences in the nature, location or condition of the specific property.

Included in investment properties of the Group is an investment property under construction with a carrying amount of RM1,657,500. The fair value of this investment property (Level 2) is RM1,657,500 estimated by the directors being progress billings to-date based on Sale and Purchase Agreement dated 9 December 2016.

Included in additions of investment properties incurred during the year is:

	Group	
	2017 **RM**	**2016** **RM**
Interest expense (Note 8)	74,560	-

16. Investments in subsidiaries

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	583,178,707	-
Total cost of investment in subsidiaries		
Fair value of purchase considerations:		
- ordinary shares	205,072,911	-
- RCPS	173,233,080	-
- ICPS	203,338,864	-
	581,644,855	-
Insidental cost of acquisition of subsidiaries	1,533,852	-
	583,178,707	-

Details of the subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Principal activities	Proportion (%) of ownership interest: Held by the Group* 2017	Held by the Group* 2016	Held by non-controlling interests* 2017	Held by non-controlling interests* 2016
Held by the Company:						
Cosmopolitan Company Sdn. Berhad	Malaysia	Investment holding	100	-	-	-
Ritai Sdn. Bhd.	Malaysia	Investment holding	100	-	-	-
Tekala Corporation Berhad	Malaysia	Investment holding	100	-	-	-
Syarikat Far East Development Sdn. Bhd.	Malaysia	Property development	32**	-	-	-
Velda Development Sdn. Bhd.	Malaysia	Property development	10**	-	-	-
Wah Mie Realty Sdn. Bhd.	Malaysia	Property development and investment holding	4**	-	-	-

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name	Country of incorporation/ principal place of business	Principal activities	Proportion (%) of ownership interest			
			Held by the Group*		Held by non-controlling interests*	
			2017	2016	2017	2016
Held through Cosmopolitan Company Sdn. Berhad:						
H. W. E. Sdn. Bhd.	Malaysia	Property development	100	-	-	-
Held through Ritai Sdn. Bhd.:						
Syarikat Far East Development Sdn. Bhd.	Malaysia	Property development	68	-	-	-
Velda Development Sdn. Bhd.	Malaysia	Property development	90	-	-	-
Wah Mie Realty Sdn. Bhd.	Malaysia	Property development and investment holding	96	-	-	-
Wilakaya Sdn. Bhd.	Malaysia	Property development	92.31^	-	-	-
Held through Tekala Corporation Berhad:						
Syarikat Tekala Sdn. Bhd.	Malaysia	Provision of corporate services	100	-	-	-
Kalabakan Plywood Sdn. Bhd.	Malaysia	Investment holding and timber processing (ceased operations)	100	-	-	-
Marimba Sendirian Berhad	Malaysia	Investment holding	100	-	-	-
Gerak Armada Sdn. Bhd.	Malaysia	Investment holding	100	-	-	-

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name	Country of incorporation/ principal place of business	Principal activities	Proportion (%) of ownership interest			
			Held by the Group*		Held by non-controlling interests*	
			2017	2016	2017	2016
Held through Kalabakan Plywood Sdn. Bhd.:						
Kalabakan Wood Products Sdn. Bhd.	Malaysia	Provision of storage services (ceased operations)	100	-	-	-
Korsa Plywood Sdn. Bhd.	Malaysia	Property holding	100	-	-	-
Held through Marimba Sendirian Berhad:						
Hartawan Ekuiti Sdn. Bhd.	Malaysia	Ceased operation	100	-	-	-
Held through Gerak Armada Sdn. Bhd.:						
Offshore Constructor (Labuan) Ltd.	Malaysia	Ceased operation	100	-	-	-
Held through Wah Mie Realty Sdn. Bhd.:						
Asterasia Sdn. Bhd.	Malaysia	Property development	96	-	-	-
BSIP Clubhouse Sdn. Bhd.	Malaysia	Dormant	96	-	-	-
Hajat Melangit Sdn. Bhd.	Malaysia	Dormant	96	-	-	-
Prosper Entity Sdn. Bhd.	Malaysia	Property development, wholesaling and retailing of hardware, building materials and related goods	96	-	-	-

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name	Country of incorporation/ principal place of business	Principal activities	Proportion (%) of ownership interest			
			Held by the Group*		Held by non-controlling interests*	
			2017	2016	2017	2016
Held through Wah Mie Realty Sdn. Bhd. (cont'd):						
Ramindah Sdn. Bhd.	Malaysia	Property development	96	-	-	-
Wah Mie Construction Sdn. Bhd.	Malaysia	Dormant	96	-	-	-
Wah Mie Corporation Sdn. Bhd.	Malaysia	Investment holding	96	-	-	-
Wah Mie Enterprise Sdn. Bhd.	Malaysia	Ceased operation	96	-	-	-
Wah Mie Group Sdn. Bhd.	Malaysia	Dormant	96	-	-	-
Wah Mie Trading Sdn. Bhd.	Malaysia	Wholesaling and retailing of hardware, building materials and related goods	96	-	-	-
WM Property Management Sdn. Bhd.	Malaysia	Provision of business management services	96	-	-	-
WM Asset Management Sdn. Bhd.	Malaysia	Dormant	96	-	-	-
Wilakaya Sdn. Bhd.	Malaysia	Property development	7.38^	-	-	-

* : Equals to the proportion of voting rights held.

** : The remaining ownership interests in these companies are held through a subsidiary of the Company, Ritai Sdn. Bhd..

^ : Wilakaya Sdn. Bhd. is effectively a 100% owned subsidiary of the Group whereby 92.31% of ownership interest is held by Ritai Sdn. Bhd., and the remaining 7.69% ownership interest is held by Wah Mie Realty Sdn. Bhd.. Wah Mie Realty Sdn. Bhd. is a 96% owned subsidiary of Ritai Sdn. Bhd. and the remaining 4% equity interest is directly held by the Company.

16. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries

a) Business combination involving entities under common control

During the financial year, the Company acquired the equity interests in the following companies ("Ritai group of companies") from Syarikat Kretam (Far East) Holdings Sdn. Bhd. for a purchase consideration of RM511,281,792, satisfied by the issuance of:

(i) 240,000,000 ordinary shares with a fair value of RM0.4812 each (at an issue price of RM0.50 per ordinary share);

(ii) 180,000,000 RCPS with a fair value of RM0.9624 each (at an issue price of RM1 per RCPS); and

(iii) 211,281,792 ICPS with a fair value of RM0.9624 (at an issue price of RM1 per ICPS).

Name of subsidiaries	Country of incorporation	Date of acquisition	Equity interest %	Cost of acquisition RM
Ritai Sdn. Bhd.	Malaysia	3 July 2017	100	469,596,030
Cosmopolitan Company Sdn. Berhad	Malaysia	3 July 2017	100	2,986,353
Syarikat Far East Development Sdn. Bhd.	Malaysia	3 July 2017	32	481,203
Velda Development Sdn. Bhd.	Malaysia	3 July 2017	10	2,117,293
Wah Mie Realty Sdn. Bhd.	Malaysia	3 July 2017	4	16,879,785
				492,060,664

The carrying amounts of assets and liabilities of subsidiaries acquired as at the date of acquisition were:

	RM
Property, plant and equipment	10,187,703
Investment properties	15,306,194
Deferred tax assets	2,276,219
Land held for property development	121,808,854
Property development costs	70,957,236
Inventories	11,191,960
Trade and other receivables	27,037,919
Other current assets	1,716,911
Income tax refundable	4,628,854
Investment securities	132,570
Deposits with licenced banks pledged	2,618,136
Cash and bank balances	22,033,739
	289,896,295

16. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

a) Business combination involving entities under common control (cont'd)

	RM
Loans and borrowings	(76,717,437)
Trade and other payables	(31,978,562)
Other current liabilities	(1,159,192)
Income tax payable	(4,180)
Deferred tax liabilities	(15,069)
	(109,874,440)
Total net assets of Ritai group of companies	180,021,855
Total cost of business combination	
Fair value of purchase consideration	492,060,664
Equity of subsidiaries acquired	(180,021,855)
Merger deficit (Note 31)	312,038,809
Effect of the acquisition on cash flows	
Consideration settled in cash	-
Less: Cash and cash equivalents of subsidiaries acquired	(22,033,739)
Net cash inflow on acquisition	(22,033,739)

b) Acquisition of Tekala Corporation Berhad

During the financial year, the Company acquired the equity interests in Tekala Corporation Berhad ("TCB") by exchanging the entire issued and paid-up share capital (excluding treasury shares) of TCB for 186,167,149 ordinary shares of the Company with a fair value of RM0.4812 each (at an issue price of RM0.50 per ordinary share).

Name of subsidairy	Country of incorporation	Date of acquisition	Equity interest %	Cost of acquisition RM
Tekala Corporation Berhad	Malaysia	19 July 2017	100%	89,584,191

16. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

b) Acquisition of Tekala Corporation Berhad (cont'd)

The fair value of the identifiable assets and liabilities of TCB group of companies as at the date of acquisition were:

	Fair value RM
Property, plant and equipment	53,296,376
Other investment	114,501
Trade and other receivables	312,498
Investment securities	651,842
Cash and bank balances	25,174,826
	79,550,043
Trade and other payables	(1,339,431)
Deferred tax liabilities	(3,777,352)
	(5,116,783)
Total identifiable net assets	74,433,260

Total cost of business combination

	RM
Fair value of purchase consideration	89,584,191

As the purchase consideration for the acquisition, the Company issued 186,167,149 ordinary shares with a fair value of RM0.4812 each, being the published price of TCB's shares before suspension of trading prior to the date of acquisition.

Effect of the acquisition on cash flows

	RM
Consideration settled in cash	-
Less: Cash and cash equivalents of subsidiaries acquired	(25,174,826)
Net cash inflow on acquisition	(25,174,826)

Goodwill arising on acquisition

	RM
Fair value of net identified assets	74,433,260
Goodwill on acquisition (Note 9)	15,150,931
Cost of business combination	89,584,191

17. Other investment

	Group 2017 RM	Group 2016 RM
Non-current		
Unquoted shares in Malaysia	114,501	-

18. Deferred tax

Deferred tax as at the reporting date relates to the following:

	As at 1 January 2016 RM	Recognised in profit or loss RM	As at 31 December 2016 RM	Acquisition of subsidiaries RM	Recognised in profit or loss RM	As at 31 December 2017 RM
Group						
Deferred tax liability:						
Plant and equipment	-	-	-	(3,815,544)	135,439	(3,680,105)
Deferred tax asset:						
Accruals of development expenditure	-	-	-	1,422,076	431,595	1,853,671
Unutilised tax losses and unabsorbed capital allowances	-	-	-	877,266	141,907	1,019,173
	-	-	-	2,299,342	573,502	2,872,844
	-	-	-	(1,516,202)	708.941	(807,261)

18. Deferred tax (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	2,863,813	-	-	-
Deferred tax liabilities	(3,671,074)	-	-	-
	(807,261)	-	-	-
Unrecognised temporary differences				
Unutilised tax losses and unabsorbed capital allowances	81,822,589	-	-	-

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. Land held for property development

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
At 31 December 2017:			
Cost			
At 1 January 2017	-	-	-
Acquisition of subsidiaries	88,915,575	32,893,279	121,808,854
Additions	10,835,117	2,191,207	13,026,324
Reclassification	2,568,637	(2,568,637)	-
Transfer from property development costs (Note 20)	3,123,441	8,957,397	12,080,838
At 31 December 2017	105,442,770	41,473,246	146,916,016
At 31 December 2016:			
Cost			
At 1 January 2016 and 31 December 2016	-	-	-

As at the reporting date, several parcels of long-term leasehold land of the Group with carrying amount of RM12,080,838 (2016: nil) is registered under the name of a third party. One of a subsidiary of the Group is the beneficial owner of these parcels of land.

19. Land held for property development (cont'd)

Assets pledged/charged as securities

Long-term leasehold land and related development expenditure of the Group with carrying amount of RM39,201,371 (2016: nil) have been pledged as securities for borrowings of the Group (Note 26).

As at the reporting date, land held for property development of the Group with total carrying amount of RM7,640,932 (2016: nil) are charged as securities for banking facilities of a subsidiary by way of debentures over all existing and future assets of a subsidiary (Note 26).

20. Property development costs

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
At 31 December 2017:			
Cumulative property development costs			
At 1 January 2017	-	-	-
Acquisition of subsidiaries (Note 16)	14,882,599	75,869,183	90,751,782
Cost incurred during the year	379,276	14,459,434	14,838,710
Reclassification	439,916	(439,916)	-
Transfer to land held for property development (Note 19)	(3,123,441)	(8,957,397)	(12,080,838)
Unsold units transferred to inventories	(1,681,182)	(31,870,214)	(33,551,396)
Reversal of completed projects	(1,144,134)	(20,800,954)	(21,945,088)
At 31 December 2017	9,753,034	28,260,136	38,013,170
Cumulative costs recognised in statement of comprehensive income			
At 1 January 2017	-	-	-
Acquisition of subsidiaries (Note16)	(1,221,961)	(18,572,585)	(19,794,546)
Recognised during the year (Note 5)	(480,792)	(3,550,996)	(4,031,788)
Reversal of completed projects	1,144,134	20,800,954	21,945,088
At 31 December 2017	(558,619)	(1,322,627)	(1,881,246)
Property development costs at 31 December 2017	9,194,415	26,937,509	36,131,924

20. Property development costs (cont'd)

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
At 31 December 2016:			
Cumulative property development costs			
At 1 January 2016 and 31 December 2016	-	-	-
Cumulative costs recognised in statement of comprehensive income			
At 1 January 2016 and 31 December 2016	-	-	-
Property development costs at 31 December 2016	-	-	-

	Group 2017 RM	Group 2016 RM
Contract assets (Note 23)	1,221,930	-

As at the reporting date, several parcels of long-term leasehold land of the Group with carrying amount of RM27,559,269 (2016: nil) is registered under the name of a third party. One of a subsidiary of the Group is the beneficial owner of these parcels of land.

Assets pledged/charged as securities

Long-term leasehold land and related development expenditure of the Group with carrying amount of RM27,559,269 (2016: nil) are pledged to financial institutions as securities for borrowings of the Group (Note 26).

21. Inventories

	Group 2017 RM	Group 2016 RM
Cost		
Trading inventories	1,063,905	-
Completed properties	40,347,536	-
	41,411,441	-

Assets pledged/charged as securities

Inventories of the Group with carrying amount of RM490,173 (2016: nil) have been pledged as securities for borrowings of the Group (Note 26).

As at the reporting date, inventories of the Group with total carrying amount of RM35,135,737 (2016: nil) are charged as securities for banking facilities of two subsidiaries by way of debentures over all existing and future assets of these two subsidiaries (Note 26).

22. Trade and other receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Third parties	9,925,748	-	-	-
Amounts due from directors	188,270	-	-	-
Amounts due from companies in which certain directors of the Company have interests	12,037	-	-	-
	10,126,055	-	-	--
Less: Allowance for impairment -Third parties	(1,528,175)	-	-	-
	8,597,880	-	-	-
Other receivables				
Amounts due from subsidiaries	-	-	25,280,000	-
Amounts reimbursable from property purchasers	5,316	-	-	-
Advances to contractors	433,905	-	-	-
Deposits	4,683,259	-	-	-
Sundry receivables	6,060,966	-	6,500	-
	11,183,446	-	25,286,500	-
Less: Allowance for impairment Third parties	(250,588)	-	-	-
	10,932,858	-	25,286,500	-
Total trade and other receivables	19,530,738	-	25,286,500	-
Add: Cash and bank balances (Note 25)	66,043,062	2	3,173,351	2
Total loans and receivables	85,573,800	2	28,459,851	2

22. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM	**2016 RM**
Neither past due nor impaired	4,210,789	-
1 to 30 days past due not impaired	2,033,407	-
31 to 60 days past due not impaired	558,498	-
61 to 90 days past due not impaired	213,070	-
More than 91 days past due not impaired	1,582,116	-
	4,387,091	-
	8,597,880	-
Impaired	1,528,175	-
	10,126,055	-

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivable that is neither past due nor impaired has been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM4,387,091 (2016: nil) that are past due at the reporting date but not impaired.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 RM	**2016 RM**
Trade receivables - nominal amounts	1,528,175	-
Less: Allowance for impairment	(1,528,175)	-
	-	-
Movement in allowance accounts:		
At 1 January	-	-
Acquisition of subsidiaries	1,528,175	-
At 31 December	1,528,175	-

22. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties or have defaulted on payments.

(b) Other receivables

These amounts are non-interest bearing. Other receivables are normally settled 30 to 60 days (2016: 30 to 60 days) terms.

Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM250,588 (2016: nil) for impairment of other receivables.

Movement in allowance accounts:

	Group	
	2017 RM	**2016 RM**
At 1 January	-	-
Acquisition of subsidiaries	256,142	-
Charge for the year (Note 9)	71,853	-
Written off	(20,871)	-
Reversal (Note 9)	(56,536)	-
31 December	250,588	-

(c) Amounts due from subsidiaries

These amounts are unsecured, non-interest bearing and are repayable upon demand.

(d) Receivables charged as securities

As at reporting date, trade and other receivables of the Group amounting to RM11,167,498 (2016: nil) are charged as securities for banking facilities of two subsidiaries by way of debentures over all existing and future assets of these two subsidiaries (Note 26).

23. Other current assets

	Group	
	2017 RM	**2016 RM**
Contract assets (Note 20)	1,221,930	-
Prepaid operating expenses	82,929	-
	1,304,859	-

24. Investment securities

	Group	
	2017 RM	2016 RM
Financial assets at fair value through profit or loss:		
Unquoted unit trusts in Malaysia		
Carrying amount	496,689	-
Fair value	496,689	-

As at the reporting date, investment securities of the Group with total carrying amount of RM134,976 (2016: nil) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of a subsidiary (Note 26).

25. Cash and bank balances

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash on hand and at banks	39,422,762	2	3,173,351	2
Short-term deposits with licensed banks	24,003,060	-	-	-
Deposits with maturity more than 3 months	2,617,240	-	-	-
Cash and bank balances	66,043,062	2	3,173,351	2
Less:				
Deposits with licensed banks pledged	(3,420,056)	-	-	-
Bank overdrafts (Note 26)	(44,381)	-	-	-
Cash and cash equivalents	62,578,625	2	3,173,351	2

(a) Deposits pledged with licensed banks of the Group totalling RM3,420,056 (2016: nil) are held under lien by the respective banks to secure banking facilities granted to the Group (Note 26).

(b) Cash at banks earns interests at floating rates based on daily bank deposit rates. Short-term deposits are made for the varying periods between one month to three months, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group was 2.94% (2016: nil).

(c) Deposits with maturity more than 3 months of the Group are made for varying periods between seven months to of 1 year (2016: nil) and the weighted average effective interest as at 31 December 2017 for the Group was 3.07% (2016: nil).

25. Cash and bank balances (cont'd)

(d) Included in cash at banks of the Group are amounts of RM3,588,127 (2016: nil) held pursuant to Section 8A of the Housing Development (Control and Licensing) Enactment, 1978 and therefore restricted from use in other operation.

(e) As at the reporting date, cash and bank balances of the Group amounting to RM9,425,426 (2016: nil) are charged as securities for banking facilities of two subsidiaries by way of debentures over all existing and future assets of two subsidiaries (Note 26).

26. Loans and borrowings

	Group	
	2017 RM	**2016 RM**
Current		
Secured:		
Bank overdrafts		
- OD (i) at BLR + 1.50%	44,381	-
Bankers' acceptances		
- BA (i) at COF + 1.50%	750,000	-
- BA (ii) at COF + 1.00%	617,000	-
Revolving credits		
- RC (i) at ECOF + 1.50%	19,500,000	-
- RC (ii) at COF + 1.50%	23,300,000	-
- RC (iii) at ECOF + 2.00%	55,508,068	-
Term loan		
- TL (i) at COF + 1.25%	8,333	-
- TL (ii) at COF + 1.50%	26,115	-
- TL (iii) at KLIBOR + 1.70%	2,640,000	-
Obligations under finance leases (Note 33(d))	132,464	-
	102,526,361	-
Non-current		
Secured:		
Term loan		
- TL (i) at COF + 1.25%	2,073,134	-
- TL (ii) at COF + 1.50%	6,860,003	-
- TL (iii) at KLIBOR + 1.70%	5,360,000	-
Obligations under finance leases (Note 33(d))	54,063	-
	14,347,200	-

26. Loans and borrowings (cont'd)

	Group 2017 RM	Group 2016 RM
Total borrowings		
Secured:		
Bank overdrafts		
- OD (i) at BLR + 1.50% (Note 25)	44,381	-
Bankers' acceptances		
- BA (i) at COF + 1.50%	750,000	-
- BA (ii) at COF + 1.00%	617,000	-
Revolving credits		
- RC (i) at ECOF + 1.50%	19,500,000	-
- RC (ii) at COF + 1.50%	23,300,000	-
- RC (iii) at ECOF + 2.00%	55,508,068	-
Term loan		
- TL (i) at COF + 1.25%	2,081,467	-
- TL (ii) at COF + 1.50%	6,886,118	-
- TL (iii) at KLIBOR + 1.70%	8,000,000	-
Obligations under finance leases (Note 33(d))	186,527	-
	116,873,561	-

The remaining maturities of loans and borrowings of the Group as at the reporting date are as follows:

	Group 2017 RM	Group 2016 RM
On demand or within 1 year	102,526,361	-
More than 1 year and less than 2 years	4,767,197	-
More than 2 years and less than 5 years	2,720,000	-
More than 5 years	6,860,003	-
	116,873,561	-

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). The discount rates implicit in the leases ranged from 4.68% to 5.33% per annum (2016: nil).

The above banking facilities and other banking facilities are secured by:

(i) certain assets of the Group (Notes 14, 15, 19, 20 and 21),

(ii) debentures totaling RM72.8 million over assets of two subsidiaries, incorporating fixed and floating charge over all the assets, properties and undertakings of two subsidiaries (both movable and immovable, present and future);

26. Loans and borrowings (cont'd)

Obligations under finance leases

(iii) specific debentures amounting to RM88 million on a project of a subsidiary incorporating a fixed and floating charge over a subsidiary's fixed and floating assets, both present and future;

(iv) specific debentures incorporating fixed and floating charges over all assets in relation to investment property under construction of a subsidiary;

(v) an all 'monies' Facilities Agreement stamped to the amount of facilities advanced;

(vi) deposits with licensed banks of the Group;

(vii) joint and several guarantees from all the directors of the Company and one former director of the subsidiaries;

(viii) corporate guarantees from subsidiaries, Wah Mie Realty Sdn. Bhd. and Ritai Sdn. Bhd.; and

(ix) corporate guarantees from the Company.

A reconciliation of liabilities arising from financing activities is as follows:

	2016 RM	Cash flows RM	Non-Cash Changes Acquisition of subsidiaries RM	Accretion of interest RM	Others RM	2017 RM
Group						
Bankers' acceptances						
- current	-	(776,000)	2,143,000	-	-	1,367,000
- non-current	-	-	-	-	-	-
Revolving credits						
- current	-	23,983,821	74,324,247	-	-	98,308,068
- non-current	-	-	-	-	-	-
Term loans						
- current	-	2,640,000	-	34,448	-	2,674,448
- non-current	-	14,293,137	-	-	-	14,293,137
Obligations under finance leases						
- current	-	(63,663)	63,686	-	132,441	132,464
- non-current	-	-	186,504	-	(132,441)	54,063
Total	-	40,077,295	76,717,437	34,448	-	116,829,180

The 'others' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

27. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables				
Third parties	9,801,656	-	-	-
Accruals of development expenditure	15,770,402	-	-	-
	25,572,058	-	-	-
Other payables				
Amount due to holding company	3,433,031	13,155	-	13,155
Amounts due to subsidiaries	-	-	2,385	-
Accruals	5,459,120	2,000	130,385	2,000
Deposits received	688,887	-	-	-
Rental received in advances	62,208	-	-	-
Sundry payables	1,734,721	-	7,060	-
	11,377,967	15,155	139,830	15,155
Total trade and other payables				
Add: Loans and borrowings (Note 26)	36,950,025	15,155	139,830	15,155
Less: Rental received in advances	116,873,561	-	-	-
Total financial liabilities carried at amortised cost	(62,208)	-	-	-
	153,761,378	15,155	139,830	15,155

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2016: 30 to 60 days) terms.

(b) Amounts due to holding company

These amount is unsecured, interest-free and are repayable upon demand. Subsequent to the financial end, the Group settled the amount due to holding company of RM3,433,031 on 22 February 2018.

(c) Amounts due to subsidiaries

These amounts are unsecured, interest-free and are repayable upon demand.

28. Share capital

	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Issued and fully paid				
At 1 January	20	20	2	2
Issued during the year	426,167,149	-	205,072,911	-
At 31 December	426,167,169	20	205,072,913	2

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

In accordance with Section 74 of the Companies Act, 2016, the Company's ordinary shares no longer have a par or nominal value with effect from 31 January 2017.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM2 to RM205,072,913 by way of the issuance of 426,167,149 ordinary shares with a fair value of RM0.4812 each (at an issue price of RM0.50 per ordinary share) as part of the consideration for the acquisition of subsidiaries.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

29. Redeemable Convertible Preference Shares ("RCPS")

	Number of RCPS		Amount	
	2017	2016	2017 RM	2016 RM
At 1 January	-	-	-	-
Issued during the year	180,000,000	-	173,233,080	-
At 31 December	180,000,000	-	173,233,080	-

During the financial year, the Company issued 180,000,000 RCPS with a fair value of RM0.9624 each (at an issue price of RM1 per RCPS) as part of the consideration for the acquisition of subsidiaries.

The salient features of the RCPS are as follows:

Maturity Date	:	The last date of the Tenure or if the maturity date is not a market day, the market day immediately following such date.
Issue Price	:	RM1.00 per RCPS
Ranking	:	Rank equally among themselves but in priority to the holders of other class of shares in respect of capital repayment and dividends.

29. Redeemable Convertible Preference Shares ("RCPS") (cont'd)

The salient features of the RCPS are as follows (cont'd):

Tenure	:	10 years from the date of issuance.
Dividend	:	Cumulative dividend of 7% per annum calculated based on the Issue Price. The distribution is at the discretion of the Company's Board from time to time after the date of issue of the RCPS, out of the available profits of the Company if the Company is solvent.
Listing	:	Will not be listed nor quoted on any stock exchange.
Voting rights	:	Holders will have the same rights as ordinary shareholders on receiving notices, reports and audited accounts and attending general meetings of the Company but will not have the right to vote/ move/second any resolution at any general meeting of the Company except on: (a) reduction of the Company's share capital; (b) disposal of the whole of the Company's property, business and undertaking; (c) proposal varying or affecting rights, privileges or conditions attached to the RCPS, or the exercise of any of those rights, privileges or conditions; (d) winding-up of the Company; (e) during the winding up of the Company; and (f) during the period when the dividend or part of the divdend payable on the RCPS is in arrears for more than 6 months. The holders shall have 1 vote for each of the RCPS held.
Winding-up / reduction of capital / other return of capital (excluding redemption of RCPS)	:	(i) Rank equally with each other and in priority to the holders of other class of shares in the Company to receive cash repayment in full, and the amount of any dividend in arrears of that RCPS after repaying and discharging all debts and liabilities of the Company and the costs of winding up or such capital reduction exercise. (ii) Holders will not be entitled to participate in any profits or surplus assets of the Company beyond such rights as are expressly set out here.
Conversion	:	(a) Subject to all applicable laws, rules and regulations, each holder will be entitled during the Tenure to convert any RCPS held by them into the ordinary share of the Company at the conversion price of RM0.50 ("RCPS Conversion Price") for 1 new share of the Company ("Conversion Share"). The Conversion Shares will be listed and quoted on Bursa Securities. (b) Any RCPS not redeemed or converted will be mandatorily converted into Conversion Shares on the Maturity Date on the basis set out in Paragraph (a). (c) Fraction of Conversion Shares arising from conversion shall be disregarded. (d) The Board of the Company may adjust the RCPS Conversion Price if the Company's share capital is altered on or before Maturity Date. Any such adjustment requires certification by a professional adviser or the Company's external auditors.

29. Redeemable Convertible Preference Shares ("RCPS") (cont'd)

The salient features of the RCPS are as follows (cont'd):

Redemption	:	(a)	Subject to the Act, redeemable at the option of the Company at any time after the date of issuance of the RCPS up to the day immediately preceding the Maturity Date.
		(b)	Redemption price: RM1.00 per RCPS.
Transferability	:	Transferable.	
Liquidation – Conversion Shares	:	(a)	Rank equally with the Company's shares in issue but will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the Conversion Shares.
		(b)	Conversion Shares holders will not be entitled to participate in any dividend declared in respect of the financial year immediately preceding the date of the Conversion Notice even if the entitlement date in respect of such dividends falls after the date of the Conversion Notice.

30. Irredeemable Convertible Preference Shares ("ICPS")

	Number of ICPS		Amount	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	-	-	-	-
Issued during the year	211,281,792	-	203,338,864	-
At 31 December	211,281,792	-	203,338,864	-

During the financial year, the Company issued 211,281,792 ICPS with a fair value of RM0.9624 each (at an issue price of RM1 per ICPS) as part of the consideration for the acquisition of subsidiaries.

The Irredeemable Convertible Preference shares shall confer on the holders thereof the following rights and privileges and be subject to the following conditions that is to say:

The salient features of the ICPS are as follows:

Maturity Date	:	The last date of the Tenure or if the maturity date is not a market day, the market day immediately following such date.
Issue Price	:	RM1.00 per ICPS
Ranking	:	Rank equally among themselves but in priority to the holders of other class of shares (except the RCPS) in respect of capital repayment and dividends.
Tenure	:	10 years from the date of issuance.
Dividend	:	Not entitled to any dividend
Listing	:	Will not be listed nor quoted on any stock exchange.

30. Irredeemable Convertible Preference Shares ("ICPS") (cont'd)

The salient features of the ICPS are as follows (cont'd):

Voting rights	:	Holders will have the same rights as ordinary shareholders on receiving notices, reports and audited accounts and attending general meetings of the Company but will not have the right to vote / move / second any resolution at any general meeting of the Company except on: (a) reduction of the Company's share capital; (b) disposal of the whole of the Company's property, business and undertaking; (c) proposal varying or affecting rights, privileges or conditions attached to the ICPS, or the exercise of any of those rights, privileges or conditions; (d) winding-up of the Company; and (e) during the winding up of the Company. The holders shall have 1 vote for each of the ICPS held.
Winding-up / reduction of capital / other return of capital	:	(a) Rank equally with each other and in priority to the holders of other class of shares in the Company (except the RCPS) to receive cash repayment in full of that ICPS after repaying and discharging all debts and liabilities of the Company and the costs of winding up or such capital reduction exercise. (b) Holders will not be entitled to participate in any profits or surplus assets of the Company beyond such rights as are expressly set out here.
Conversion		(a) Subject to all applicable laws, rules and regulations, each holder will be entitled during the Tenure to convert any ICPS held by them into ordinary share of the Company at the conversion price of RM0.50 ("ICPS Conversion Price") for 1 new share of the Company ("Conversion Share"). The Conversion Shares will be listed and quoted on Bursa Securities. (b) Any ICPS not converted will be mandatorily converted into Conversion Shares on the Maturity Date on the basis set out in Paragraph (a). (c) Fraction of Conversion Shares arising from conversion shall be disregarded. (d) The Board of the Company may adjust the ICPS Conversion Price if the Company's share capital is altered on or before Maturity Date. Any such adjustment requires certification by a professional adviser or the Company's external auditors.
Redemption	:	Irredeemable.
Transferability	:	Transferable.
Liquidation – Conversion Shares	:	(a) Rank equally with the Company's shares in issue but will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the Conversion Shares. (b) Conversion Shares holders will not be entitled to participate in any dividend declared in respect of the financial year immediately preceding the date of the Conversion Notice even if the entitlement date in respect of such dividends falls after the date of the Conversion Notice.

31. Merger deficit

	Group	
	2017 RM	2016 RM
At 1 January	-	-
Issuance of shares	(312,038,809)	-
At 31 December	(312,038,809)	-

This represents the excess of the consideration paid over the equity of Ritai group of companies as at the acquisition date.

32. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group or the Company and related parties took place at terms agreed between the parties during the financial year:

	2017 RM	2016 RM
Group		
Directors:		
- Revenue from sale of properties under development	473,038	-
Companies in which certain directors have financial interests:		
- Revenue from sale of properties under development	505,747	-
Companies in which a family member of a director has interests:		
- Rental payable	69,400	-
Company		
Subsidiary:		
- Dividends received	30,280,000	-

32. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2017 RM	**2016 RM**
Short-term employee benefits	3,074,758	-
Defined contribution plan	360,261	-
Other short-term benefit	229,185	-
Total	3,664,204	-

	Company	
	2017 RM	**2016 RM**
Short-term employee benefits	173,525	-
Defined contribution plan	12,228	-
Total	185,753	-

33. Commitments

(a) Capital commitments

Capital commitments as at the reporting date are as follows:

	Group	
	2017 RM	**2016 RM**
Approved and contracted for:		
- investment properties	54,513,376	-

(b) Operating lease commitments - as lessee

The Group has entered into non-cancellable operating lease agreements for the use of office. These leases have remaining lease terms of less than 2 years.

Future minimum rental payable under non-cancellable operating lease at the reporting date are as follows:

	Group	
	2017 RM	**2016 RM**
Future minimum rentals payments		
Not later than 1 year	7,200	-
Later than 1 year and not later than 5 years	6,000	-
	13,200	-

The lease payments recognised in profit or loss during the financial year are disclosed in Note 9.

33. Commitments (cont'd)

(c) Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of less than 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2017 RM	**2016 RM**
Future minimum rentals payments		
Not later than 1 year	482,058	-
Later than 1 year and not later than 5 years	854,448	-
	1,336,506	-

(d) Finance lease commitments

The Group and the Company have finance leases for certain items of motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2017 RM	**2016 RM**
Minimum lease payments:		
Not later than 1 year	138,791	-
Later than 1 year but not later than 2 years	54,705	-
Total minimum lease payments	193,496	-
Less: Amounts representing finance charges	(6,969)	-
Present value of minimum lease payments	186,527	-
Present value of payments:		
Not later than 1 year	132,464	-
Later than 1 year but not later than 2 years	54,063	-
Present value of minimum lease payments (Note 26)	186,527	-
Less: Amount due within 12 months (Note 26)	(132,464)	-
Amount due after 12 months (Note 26)	54,063	-

34. Fair value of assets and liabilities

A. Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

The following table shows an analysis of the class of asset measured at fair value at the reporting date:

	Fair value measurements at the reporting date using			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Recurring fair value Measurements				
Asset – financial assets				
Group				
Investment securities (Note 24)				
- 2017	-	496,689	-	496,689
- 2016	-	-	-	-

C. Level 2 fair value measurement

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Investment securities

The investment securities are money market fund, where the fair values of the investment is valued based on alternative pricing sources supported by observable inputs.

34. Fair value of assets and liabilities (cont'd)

D. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the reporting date but for which fair value is disclosed:

	Fair value measurements at the reporting date using				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Carrying amount RM**
Group					
Loans and borrowings (non-current)					
- obligations under finance leases (Note 26)					
- 2017	-	51,430	-	51,430	54,063
- 2016	-	-	-	-	-

Determination of fair value

Loans and borrowings – obligations under finance leases

The fair values disclosed in the table above are estimated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

E. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	**Carrying amount RM**	**Fair value RM**
Group			
Loans and borrowings (non-current)			
- obligations under finance leases			
- 2017	26	54,063	51,430
- 2016	26	-	-

34. Fair value of assets and liabilities (cont'd)

F. Financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	22
Cash and bank balances	25
Loans and borrowings (current)	26
Loans and borrowings (non-current – excluding obligations under finance leases)	26
Trade and other payables	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the short-term maturities of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

35. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM21,467,880 (2016: nil) relating to guarantees provided by the Company to banks for banking facilities granted to subsidiaries.

Credit risk concentration profile

The Group does not have any significant exposure to individual customer or counter party nor does it have any major concentration of credit risk related to any financial assets.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Short-term deposits with licensed banks, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

35. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Group				
2017				
Financial assets:				
Trade and other receivables	19,530,738	-	-	19,530,738
Investment securities	496,689	-	-	496,689
Cash and bank balances	66,043,062	-	-	66,043,062
Total undiscounted financial assets	86,070,489	-	-	86,070,489
Financial liabilities:				
Trade and other payables	36,887,817			36,887,817
Loans and borrowings	103,262,445	10,319,146	6,054,243	119,635,834
Total undiscounted financial liabilities	140,150,262	10,319,146	6,054,243	156,523,651
Total net undiscounted financial liabilities	(54,079,773)	(10,319,146)	(6,054,243)	(70,453,162)

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Group				
2016				
Financial assets:				
Cash and bank balances	2	-	-	2
Total undiscounted financial assets	2	-	-	2
Financial liabilities:				
Trade and other payables	15,155	-	-	15,155
Total undiscounted financial liabilities	15,155	-	-	15,155
Total net undiscounted financial liabilities	(15,153)	-	-	(15,153)

35. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year	
	2017	**2016**
	RM	**RM**
Company		
Financial assets:		
Trade and other receivables	25,286,500	-
Cash and bank balances	3,173,351	2
Total undiscounted financial assets	28,459,851	2
Financial liabilities:		
Trade and other payables	139,830	15,155
Total undiscounted financial liabilities	139,830	15,155
Total net undiscounted financial assets/(liabilities)	28,320,021	(15,153)
Financial guarantee contracts	21,467,880	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 25 basis point lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM291,718 lower/higher, arising mainly as a result of lower/higher interest expense on loans and borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

36. Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a healthy capital ratios in order to support its business and maximises shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group policy is to keep the gearing ratio below 100%. The Group includes within debt, loans and borrowings. Capital includes equity attributable to the owner of the Company.

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Debt – loans and borrowings	116,873,561	-	-	-
Capital – equity attributable to the owners of the Company	247,875,753	(15,153)	634,219,240	(15,153)
Capital and debt	364,749,314	(15,153)	634,219,240	(15,153)
Gearing ratio	32%	N/A	N/A	N/A

37. Segment information

For management purpose, the Group is organised into business units based on its products and services, and has two reportable operating segments as follow:

i. Property development - development of residential and commercial properties, and property management.

ii. Hardware, building materials and related goods – wholesaling and retailing of hardware, building materials and related goods.

iii. Others – investment holdings

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the combined financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (cont'd)

The following table provides an analysis of the Group's revenue, assets, liabilities, and other information by business segment:

	Property development RM	Trading of building materials RM	Others RM	Adjustments and eliminations RM	Note	Per consolidated financial statements RM
31 December 2017						
Revenue:						
External customers	14,570,594	6,421,239	-	-		20,991,833
Inter-segment	-	-	40,412,307	(40,412,307)	A	-
Total revenue	14,570,594	6,421,239	40,412,307	(40,412,307)		20,991,833
Results:						
Interest income	1,228,899	137,494	360,644	(1,029,660)	A	697,377
Depreciation and amortisation	308,081	22,053	199,652	668,987	B	1,198,773
Other non-cash expenses	67,983	3,871	1,579	15,150,931	C	15,224,364
Segment profit/(loss)	(1,139,070)	(327,931)	47,867,289	(67,947,630)		(21,547,342)
Assets:						
Additions to non-current assets	22,101,456	42,500	-	-	D	22,143,956
Segment assets	350,034,188	9,310,234	780,000,252	(733,922,223)	E	405,422,451
Segment liabilities	168,833,755	2,578,165	32,036,390	(45,901,612)	F	157,546,698

37. Segment information (cont'd)

The following table provides an analysis of the Group's revenue, assets, liabilities, and other information by business segment (cont'd):

	Property development RM	Trading of building materials RM	Others RM	Adjustments and eliminations RM	Note	Per consolidated financial statements RM
31 December 2016						
Revenue:						
External customers	-	-	-	-		-
Inter-segment	-	-	-	-	A	-
Total revenue	-	-	-	-		-
Results:						
Interest income	-	-	-	-	A	-
Depreciation and amortisation	-	-	-	-	B	-
Other non-cash expenses	-	-	-	-	C	-
Segment loss	-	-	(9,953)	-		(9,953)
Assets:						
Additions to non-current assets	-	-	-	-	D	-
Segment assets	-	-	2	-	E	2
Segment liabilities	-	-	15,155	-	F	15,155

37. Segment information (cont'd)

Note **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

A Inter-segment revenues and interest income are eliminated on consolidation.

		2017 RM	2016 RM
B	Depreciation and amortization consist of:		
	Depreciation of:		
	- Property, plant and equipment	1,185,233	-
	- investment properties	13,540	-
		1,198,773	-

C Other non-cash expenses consist of the following items as presented in the respective notes to the consolidated financial statements:

	2017 RM	2016 RM
Allowance for impairment loss on receivables	71,853	-
Equipment written off	13	-
Fair value loss on investment securities	1,567	-
Impairment of goodwill	15,150,931	-
	15,224,364	-

D Additions to non-current assets consist of:

- Property, plant and equipment	138,231	-
- Land held for property development	13,026,324	-
- Investment properties	8,979,401	-
	22,143,956	-

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Inter-segment assets	(733,922,223)	-

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Inter-segment liabilities	(45,901,612)	-

38. Subsequent event

On 9 February 2018, the Company redeemed 25,000,000 RCPS at the redemption price of RM1.00 per RCPS out of the Company's retained earnings pursuant to Section 72 (4(a)) of the Companies Act, 2016.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 19 April 2018.

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WMG
SINCE 1979
WMG HOLDINGS BHD. (1166985-X)

PROXY FORM

I/We ____
(Full Name in Block Capitals)

of ____

being a member/members of WMG Holdings Bhd., hereby appoint ______________________

of ____

or failing him, ____

of ____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 25 May 2018 at 11.00 am at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah or at any adjournment thereof.

In the event 2 proxies are appointed, the percentage of shareholdings to be represented by each proxy is:

First proxy	%
Second proxy	%

My/our proxy is to vote as indicated below:

No.	Agenda			
1	To receive Directors' Report and Audited Financial Statements.			
		Resolution	**FOR**	**AGAINST**
	To re-elect the following Directors in accordance with Articles 103 of the Company's Constitution:-			
2(a)	- Datuk Eric Usip Juin	1		
2(b)	- Mr Tan Kung Ming	2		
2(c)	- Hajah Shakinur Ain Binti Hj Karama	3		
3	To re-elect Mr Lim Ted Hing retiring in accordance with Articles 125 of the Company's Constitution	4		
4	To approve payment of Directors' Fees of RM75,000 for the financial year ended 31 December 2017.	5		
5	To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 from July 2018 until June 2019.	6		
6	To re-appoint Auditors and to authorise the Directors to fix their remuneration.	7		
7	Proposed ratification and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	8		
8	Proposed amendments to the Constitution of the Company.	9		

Please indicate with "X" how you wish your vote to be cast. In the absence of specific directions, your Proxy will vote or abstain as he thinks fit.

Number of shares held	

____
Signature or Common Seal of Shareholder(s)

Signed this .... day of 2018

Notes:

1. *A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member.*

2. *The instrument appointing a proxy in the case of any individual shall be signed by the appointor and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.*

3. *Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*

5. *The instrument appointing a proxy must be completed and returned, either by hand or post, so as to reach the Company's registered office situated at Wisma WMG, Lot 1 & 2, Jalan Indah Jaya, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*

6. *For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 99 of the Company's constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 May 2018. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.*

Please fold along this line

Affix
Stamp
Here

The Company Secretaries
WMG HOLDINGS BHD.
Wisma WMG
Lot 1 & 2, Jalan Indah Jaya,
Taman Indah Jaya,
Jalan Lintas Selatan,
90000 Sandakan, Sabah, Malaysia.

Please fold along this line

WMG HOLDINGS BHD. (1166985-X)
Wisma WMG,
Lot 1 & 2, Jalan Indah Jaya,
Taman Indah Jaya,
Jalan Lintas Selatan,
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