



WMG HOLDINGS BHD. (1166985-X)

ANNUAL  
REPORT

2018

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **FOURTH ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 19 June 2019 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 2018 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 125 of the Company's Constitution:-  |                       |
|    | (a) Fong Kin Wui   | 1                     |
|    | (b) Chan Ka Tsung  | 2                     |
| 3. | To approve payment of Directors' fees of RM80,000 for the financial year ended 31 December 2018 ( <i>Please see Note g</i> ).  | 3                     |
| 4. | To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 for the period from July 2019 until June 2020. ( <i>Please see Note g</i> ) | 4                     |
| 5. | To re-appoint Auditors and authorise the Directors to fix their remuneration.  | 5                     |

### Special Business

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:-

- |    |  |   |
|----|--|---|
| 6. | <b>ORDINARY RESOLUTION</b>   | 6 |
|    | <b>Proposed Renewal Of Shareholders' Mandate For Recurrent Related Parties Transactions Of A Revenue Or Trading Nature</b>   |   |
|    | "That subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the recurrent related parties transactions of a revenue or trading nature and with those related parties as specified in Section 2.3.2 of the Circular to Shareholders dated 30 April 2019 subject to the following:-   |   |
|    | (i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;   |   |
|    | (ii) that disclosure is made in the annual report, of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' mandate during the financial year based on the type of recurrent transactions made and the related parties involved;  |   |
|    | (iii) that the authority conferred by such mandate shall continue to be in force from the date of this resolution, unless revoked or varied by resolution passed by shareholders of the Company at a general meeting, until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 340 (1) of the Companies Act 2016 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 340(2) of the Act; and |   |

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- (iv) that the Directors and/or any one of them be and are hereby authorised to complete and to do all such acts and things, including executing such documents as may be required, to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. ORDINARY RESOLUTION

7

**Authority To Issue And Allot New Ordinary Shares**

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new ordinary shares in the Company from time to time and upon such terms and conditions, to such persons and for such purposes as the Directors may deem fit PROVIDED THAT the aggregate number of new ordinary shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued ordinary shares of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, AND THAT the Directors are further authorised to do all such things as they deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional new ordinary shares so issued on Bursa Securities pursuant to this resolution."

8. 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 2019

# NOTICE OF ANNUAL GENERAL MEETING

## (cont'd)

### 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 12 June 2019. 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 RM80,000 for the eight (8) Directors of the Company pursuant to Ordinary Resolution 3; and
- (ii) Directors' allowances payable to the three (3) Non-Executive Directors of the Company of up to RM250,000 for 12 months from July 2019 until June 2020 pursuant to Ordinary Resolution 4.
- h) **Explanatory notes on Special Business:-**  
**Ordinary Resolution (Resolution 6)**  
Ordinary Resolution No 6, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related parties transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. 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 Renewal of the Shareholders' Mandate is set out in the attached Circular to Shareholders dated 30 April 2019 which is despatched with the Company's 2018 Annual Report.

#### Ordinary Resolution (Resolution 7)

Ordinary Resolution No 7, if passed, will authorise the Directors to issue and allot up to a maximum of 10% of the total number of issued ordinary shares in the Company for the time being for such purposes as the Directors deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

The general mandate sought for issue of shares is a new mandate. The purpose of this general mandate is for any possible fund-raising activities, including but not limited to placement of shares, for purposes of funding future investment, working capital and/or acquisitions.

# CHAIRMAN'S STATEMENT

*"On behalf of the Board of Directors of WMG Holdings Bhd. ("WMG"), I would like to present the Annual Report and the audited financial statements of WMG for the financial year ended 31 December 2018."*



## CORPORATE DEVELOPMENTS

On 3 December 2018, the Board initiated the proposed voluntary liquidation/de-registration of four wholly owned non-operating subsidiaries namely Offshore Constructor (Labuan) Ltd, Hartawan Ekuiti Sdn Bhd, Gerak Armada Sdn Bhd and Marimba Sdn Bhd, previously acquired through the reverse take-over of Tekala Corporation Berhad, which has since been converted to a private company.

There were no other significant corporate developments including landbanking activities during the financial year under review.

## PERFORMANCE

For the financial year under review, the Group incurred a loss after tax of RM21.67 million mainly due to the soft property market. The performance is elaborated in the Management Discussion and Analysis.

## DIVIDENDS

The Board of Directors is not recommending any dividend to be paid in respect of the financial year ended 31 December 2018 at the forthcoming Annual General Meeting of the Company.

## PROSPECTS

Presently, the Group has four ongoing property development projects – one in Kota Kinabalu and three in Sandakan. The Group has launched 115 units of terrace houses at Taman Bukit Sepangar, Kota

Kinabalu in the first quarter of year 2019. The three ongoing projects in Sandakan are the residential Sri Indah Kondominium project comprising 480 units, the commercial project known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building and 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 is also planning to launch more affordable and medium cost houses premised on better market demand and property market sentiments.

Barring any unforeseen circumstances, the Group expects 2019 to remain challenging.

## 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 continued support.

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

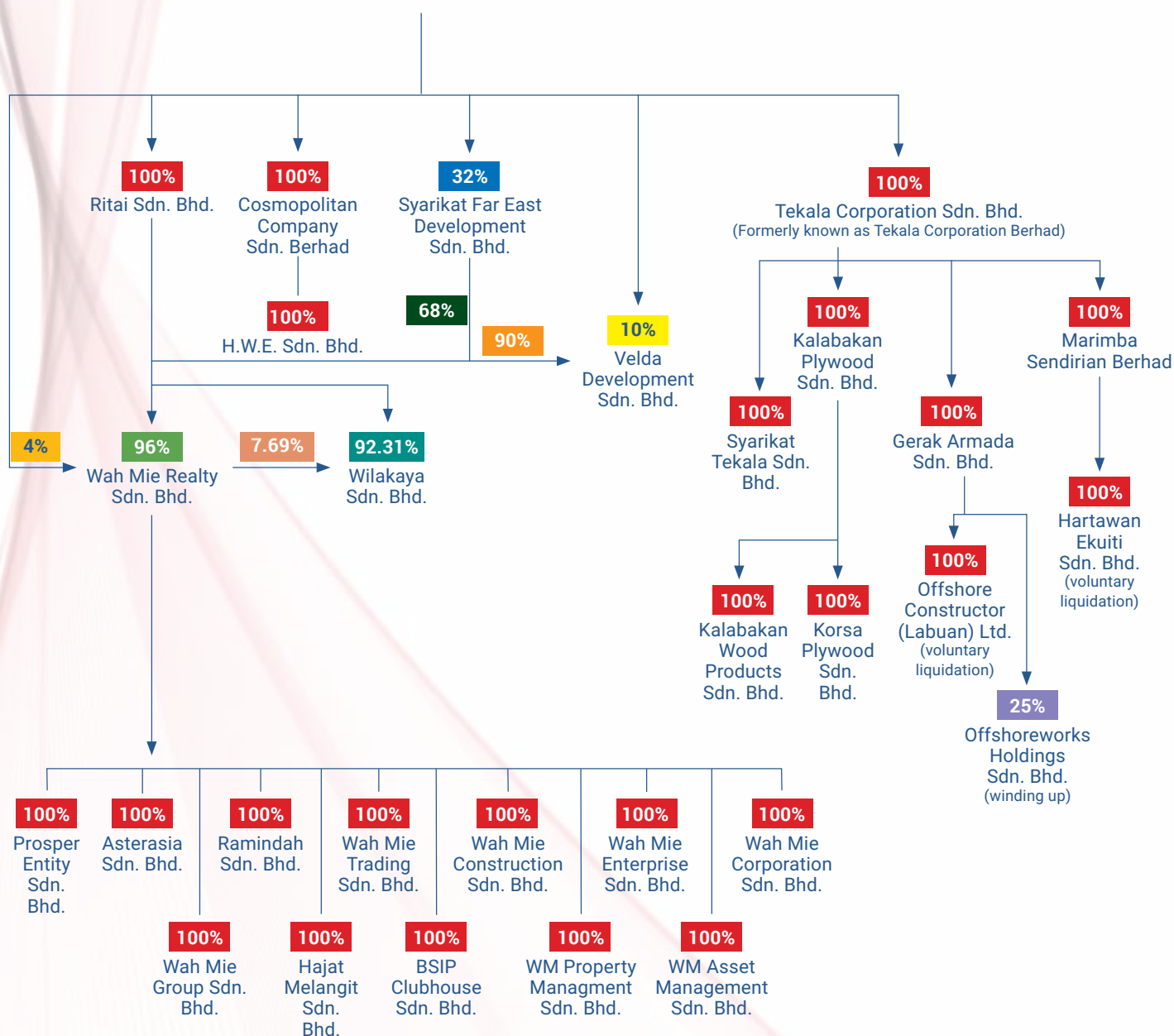
**DATUK ERIC USIP JUIN**  
**CHAIRMAN**

Sandakan  
29 March 2019

# CORPORATE STRUCTURE



WMG HOLDINGS BHD. (1166985-X)



# CORPORATE AND OTHER INFORMATION

## BOARD OF DIRECTORS

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

### KEY SENIOR MANAGEMENT

Lim Ted Hing (Exco Chairman)  
Datuk 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:** 089-212133  
**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](http://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  
Alliance Bank Malaysia Berhad

### AUDITORS

Ernst & Young (AF:0039)

### SOLICITORS

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 29 March 2019, a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting dated 30 April 2019.

### REMUNERATION OF THE DIRECTORS AND THE KEY SENIOR MANAGEMENT

Details of 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 2018 are disclosed in Note 11 to the financial statements.

### NUMBER OF BOARD MEETINGS

The Company held five Board meetings during the financial year under review.

### UTILISATION OF PROCEEDS

The Company did not raise any proceeds during the financial year under review.

### 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 RM270,650 and RM100,506 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 31 to the financial statements.

### RECURRENT RELATED PARTY TRANSACTIONS

The Company is seeking renewal of shareholders' mandate for the above transactions.

### INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company has been out-sourced to JETA PLT. 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 professional fee for the internal audit function in respect of the financial year under review amounts to RM30,000.

# 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 66, 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 all five Board Meetings held during the financial year ended 31 December 2018. 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 63, 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 all five Board Meetings held during the financial year ended 31 December 2018. 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)



**Datuk Quek Siew Hau**

*Managing Director/ Key Senior Management*

Male, Aged 63, 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 all five Board Meetings held during the financial year ended 31 December 2018. 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**

*Deputy Managing Director/  
Key Senior Management*

Male, Aged 59, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymouth Polytechnic, United Kingdom which he obtained in 1983. He was appointed to the Board on 25 November 2015. He is the Deputy Managing Director and key senior management of the Company. He has been an Executive Director of the Group since 1992. 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 all five Board Meetings held during the financial year ended 31 December 2018. 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 50, 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 all five Board Meetings held during the financial year ended 31 December 2018. 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 36, 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 all five Board Meetings held during the financial year ended 31 December 2018. 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)



**Tan Kung Ming**

*Independent Non-Executive Director*

Male, Aged 48, 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 PricewaterhouseCoopers 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 all five Board Meetings held during the financial year ended 31 December 2018. 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 50, 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 Syarie Judge to practice as a Syarie 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 all five Board Meetings held during the financial year ended 31 December 2018. 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's market capitalisation at the beginning of the financial year 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 2018. The application of each practice set out in the Code is reported in Bursa Malaysia's prescribed format ("CG Report"), accessible via the Company's website, [www.wmghb.com.my](http://www.wmghb.com.my).

## 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 Datuk 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 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## 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.

The Board has set up four (4) committees namely Executive Committee, Remuneration Committee, Nominating Committee and Audit Committee.

The Executive Committee ("Exco") comprises solely of Executive Directors. The members are as follows:-

- Lim Ted Hing (Chairman)
- Datuk 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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## **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 optimise 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## 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](http://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 28 days prior to the Annual General Meeting has been 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 principal activities of the Group are property development and trading of building materials. For the financial year ended 31 December 2018, 30% (2017: 69%) of the revenue was from property development and the balance of 70% (2017: 31%) was from trading of building materials.

During the financial year under review and as at year end, the ongoing projects are the residential condominium project in Sandakan known as Sri Indah Kondominium, comprising 480 units being built in 2 phases, the commercial project in Sandakan known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building and the hypermarket being built in Sandakan, to be leased to Mydin on a long-term basis.

In the first quarter of year 2019, the Group launched 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu.

## Financial Performance

The revenue generated by the Group for the current year amounted to RM25.20 million compared to the previous year since the formation of the Group in July 2017 of RM20.99 million. This comprised RM7.62 million (2017: RM14.57 million) from the property development segment and RM17.58 million (2017: RM6.42 million) from the trading of building materials segment.

The Group recorded a gross profit of RM4.61 million (2017: RM8.12 million) comprising RM4.07 million (2017: RM7.91 million) from property development segment and RM0.54 million (2017: RM0.21 million) from trading of building materials segment. In addition, the Group derived net rental income of RM1.26 million (2017: RM0.19 million) and interest income of RM0.43 million (2017: RM0.70 million).

The Group incurred a loss before tax of RM21.01 million (2017: RM21.55 million) after taking into account the interest, rental and other income totalling RM2.50 million (2017: RM1.30 million) and deducting expenses totalling RM28.12 million (2017: RM30.96 million) which includes finance cost of RM6.22 million (2017: RM2.39 million), administrative expenses of RM20.20 million (2017: RM11.52 million).

The revenue for 2018 consists of:-

- Sale from property development comprising sales of commercial project of RM1.02 million (2017: RM8.00 million) and the balance of RM6.60 million (2017: RM6.57 million) was from sale of residential properties.
- Sale of building materials to contractors amounted to RM17.58 million (2017: RM6.42 million).

The administrative expenses for 2018 consist of staff costs, directors' remuneration, depreciation, overhead and office expenses amounting to RM5.70 million (2017: RM2.44 million), RM5.66 million (2017: RM3.66 million), RM2.44 million (2017: RM1.20 million) and RM6.40 million (2017: RM4.22 million) respectively.

For the financial year ended 31 December 2018, the Group's loss after tax amounted to RM21.67 million, which is slightly lower than the previous year of RM21.72 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (cont'd)

### 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 2018, the Group has net assets of RM201.19 million after deducting net current liabilities of RM23.73 million compared to the previous year's net assets of RM247.88 million which included net current assets of RM29.29 million.

As at year end, the Group's outstanding borrowings (including obligations under finance leases) totalled RM143.39 million (2017: RM116.87 million). Banking facilities of RM358.90 million (2017: RM273 million) included additional banking facilities obtained in 2018 of RM85.9 million comprising project financing of RM41 million, term loans of RM33 million, bank guarantee line of RM9.9 million and overdraft of RM2 million. The unutilised amount of RM216.59 million (2017: RM156.31 million) includes project financing of RM126.89 million (2017: RM106.03 million), term loan of RM33 million (2017: Nil), trade lines of RM26.62 million (2017: RM29.53 million) and revolving credits and overdraft for general working capital requirements of RM20.18 million (2017: RM20.75 million).

During the financial year end under review, the Group incurred capital expenditure of RM25.65 million (2017: RM9.12 million) comprising additions to investment properties of RM24.38 million (2017: RM8.98 million) and property, plant and equipment of RM1.27 million (2017: RM0.14 million).

### Prospects, challenges and Strategies

The operating environment of the Group in 2019 is expected to remain challenging in view of the economic uncertainties, high household debts and mortgage lending requirements by financial institutions.

Despite the challenges, the Directors are optimistic the Group's performance would improve in a more conducive operating environment based on the strategies and measures being pursued by the Group to boost sales of properties, building materials and to explore and undertake new profitable business in the future.

# 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 the audit findings of the internal auditors, 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 Audit Committee assessed the audit work carried out by the internal auditors and the external auditors 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 internal control procedures and process had been applied to deal with all material matters disclosed in the annual report and the financial statements. The Directors observed that systematic controls and procedures were in operation for the year under review and up to the date of approval of this Statement and they 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 during the financial year under review are as follows:-

## **DATUK ERIC USIP JUIN**

- Corporate Governance Briefing Session: MSSG Reporting & CG Guide 15 March 2018
- Corporate Directors Training Programme Fundamental 2.0 4 July 2018

## **DATUK QUEK SIEW HAU**

- Corporate Governance Briefing Session: MSSG Reporting & CG Guide 15 March 2018
- Above Limit 8 July 2018
- Latest Tourism Development in Sabah, Overview of Tourism Plan for Sabah & Prospects on Eco-Tourism & Health Tourism 24 July 2018
- CEO Series 2018 Annual Property Developers Conference 24 September 2018
- Budget 2019 Commentary 13 November 2018

## **LIM TED HING**

- Corporate Directors Training Programme Fundamental 2.0 4 July 2018

## **FONG KIN WUI**

- Seminar on Being a Registered Property Manager 22 March 2018
- Latest Tourism Development in Sabah, Overview of Tourism Plan for Sabah & Prospects on Eco-Tourism & Health Tourism 24 July 2018
- Development Guidelines in Earthquake-prone Areas 12 October 2018
- Seminar Percukaian Kebangsaan 2018 (National Tax Seminar 2018) 22 November 2018

## **SEAH SEN ONN @ DAVID SEAH**

- Know the Process, Know your Rights: Tax Does Not Have to be Taxing 24 January 2018
- Tax Incentives – Latest Updates & Developments 1 February 2018
- Corporate Directors Training Programme Fundamental 2.0 4 July 2018
- Latest Tourism Development in Sabah, Overview of Tourism Plan for Sabah & Prospects on Eco-Tourism & Health Tourism 24 July 2018
- Indirect Tax Academy – The Return of SST 10 August 2018

## **CHAN KA TSUNG**

- Seminar on Being a Registered Property Manager 22 March 2018
- Corporate Directors Training Programme Fundamental 2.0 4 July 2018
- Business Opportunities in the Silk Road Economic Belt 25 September 2018

## **TAN KUNG MING**

- Malaysian Tax Conference 2018 17 & 18 April 2018
- Board Evaluation and Board Effectiveness Assessment - The Untold Story 5 September 2018
- Malaysian Business Reporting System (MBRS) for Preparers: Financial Statements 18 & 19 October 2018
- Seminar Percukaian Kebangsaan 2018 (National Tax Seminar 2018) 4 December 2018

## **HAJAH SHAKINUR AIN BINTI HJ KARAMA**

- Corporate Directors Training Programme Fundamental 2.0 4 July 2018

# 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:-

- consider and recommend to the Board, board candidates for directorship;
- 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;
- recommend to the Board, directors to fill seats on Board committees;
- at least annually review the required mix of skills and experience and other qualities of the Board;
- annually assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director;
- 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
- 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 capitalisation of the Company was below RM1 billion when it was listed on Bursa Malaysia Securities Berhad on 31 July 2017 and at the beginning of the financial year under review. 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 sustainability 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 35 years. As at 31 December 2018, it has a total land bank of approximately 638 acres comprising 431 acres in Sandakan and 207 acres in Kota Kinabalu and will continue to look for land bank in prime locations with good potential for sustained future development.

For the financial year under review, the Group has three ongoing projects in Sandakan namely the residential project, Sri Indah Kondominium comprising 480 units of condominium, the commercial project known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building and the 170,000 sq ft hypermarket, to be leased to Mydin on a 20 year lease.

In the first quarter of year 2019, the Group launched 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu. The Group is also planning to launch more affordable and medium cost houses.

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 5 meetings during the financial year under review. The five meetings were 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, where applicable:-
  - (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 policies;
    - (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.

# AUDIT COMMITTEE REPORT

## (cont'd)

### (D) SUMMARY OF WORK OF THE AUDIT COMMITTEE

For the financial year under review, the Audit Committee reviewed the quarterly reports, reviewed with the external auditors the Group's accounting and audit issues, reviewed related party transactions and draft audited accounts before consideration and approval by the Board including the following statements:-

- (i) Statement on Risk Management and Internal Control (included in the annual report of the Company); and
- (ii) Audit Committee Statement (included in the Circular to Shareholders dated 30 April 2019 in relation to Proposed Renewal of Shareholders' Mandate for Recurrent Related Parties Transactions of a Revenue or Trading Nature).

The Audit Committee assessed the internal audit function of the Company outsourced to Jeta PLT (formerly known as FS Chen & Associates), assessed the performance of the external auditors and their fees 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.

### (E) SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The internal auditor has carried out audit work on the purchase management and store management of the Building Materials division.

# LIST OF PROPERTIES

Registered Owner	Address	Land Area (acres)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 December 2018 (RM'000)	Date of Acquisition
<b>Properties</b>							
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	8	7,920	21.10.2010
Korsa Plywood Sdn. Bhd.	CL 105421814 Sungai Imam, Pasir Putih, Tawau, Sabah	46.38	Industrial land and building	Leasehold expiring 31.12.2076	24	13,566	08.07.1994
<b>Investment Properties</b>							
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	29	19,073	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	21	10,583	05.08.1993
Wah Mie Trading Sdn. Bhd.	Part of parent title CL015699804 Lot No. 32, Block F, Suria Inanam, Kota Kinabalu, Sabah	0.02	3-storey shop-office building	CL015699804-Leasehold expiring 31.12.2111	1	1,666	09.12.2016

# LIST OF PROPERTIES

(cont'd)

Registered Owner	Address	Land Area (acres)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 December 2018 (RM'000)	Date of Acquisition
<b><u>Investment properties</u></b>							
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	19	992	13.12.1999
Wah Mie Realty Sdn. Bhd.	CL 075543047 Lot 1, Taman Airport Phase 1A, Off Airport Road Sandakan, Sabah	0.003	Corner 3-storey shop-office building	Leasehold expiring 31.12.2104	12	354	21.12.2006
Prosper Entity Sdn. Bhd.	Part of CL 075134360 and CL075381789 Bokara-Karamunting, Sandakan, Sabah	5.73	Proposed commercial buildings	CL075134360- Leasehold expiring 25.11.2893 CL075381789 - Leasehold expiring 14.11.2883	-	674	20.10.1997
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	33	57	02.10.1989
<b><u>Building under construction</u></b>							
Asterasia Sdn. Bhd.	Part of parent title CL 075126939 and PL076144020 off Jalan Airport, Sandakan, Sabah.	4.40	Mydin Hypermarket	CL075126939 & PL076144020- leasehold expiring 13.02.2923	-	45,202	N/A

# SHAREHOLDING STATISTICS

## AS AT 29 MARCH 2019

Paid-Up & Issued Share Capital	:	426,167,169
Type of Share	:	Ordinary share
No of Shareholders	:	7,522
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	90	3,874	0.00
100 to 1,000	64	29,538	0.01
1,001 to 10,000	6,178	16,957,698	3.98
10,001 to 100,000	1,033	27,630,446	6.48
100,001 to 21,308,357*	156	141,545,593	33.21
21,308,358 and above**	1	240,000,020	56.32
<b>TOTAL</b>	<b>7,522</b>	<b>426,167,169</b>	<b>100.00</b>

#### Notes:-

\* Less than 5% of Issued Shares

\*\* 5% and above of Issued Shares

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

		← 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 <sup>1</sup>	56.32
3	Quek Chiow Yong Holdings Sdn Bhd	11,296,253	2.65	240,000,020 <sup>2</sup>	56.32
4	Datuk Quek Siew Hau	411,620	0.10	251,296,273 <sup>3</sup>	58.97
5	Lim Ted Hing	2,275,763 <sup>4</sup>	0.53	240,000,020 <sup>5</sup>	56.32
6	Fong Kin Wui	2,255,406 <sup>6</sup>	0.53	241,289,553 <sup>7</sup>	56.62
7	Seah Sen Onn @ David Seah	3,709,104	0.87	240,000,020 <sup>5</sup>	56.32
8	Chan Ka Tsung	-	-	240,000,020 <sup>5</sup>	56.32

# SHAREHOLDING STATISTICS

## AS AT 29 MARCH 2019 (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:-

Name of Directors	← Ordinary Shares →			
	Direct interest	%	Indirect interest	%
Datuk Quek Siew Hau	411,620	0.10	251,296,273 <sup>3</sup>	58.97
Lim Ted Hing	2,275,763 <sup>4</sup>	0.53	240,000,020 <sup>5</sup>	56.32
Fong Kin Wui	2,255,406 <sup>6</sup>	0.53	241,289,553 <sup>7</sup>	56.62
Seah Sen Onn @ David Seah	3,709,104	0.87	240,000,020 <sup>5</sup>	56.32
Chan Ka Tsung	-	-	240,000,020 <sup>5</sup>	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 CHIOU 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.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Pang Kim Fan (8051066)</i>	5,632,100	1.32
8.	KWAN PUN CHO	4,593,001	1.08
9.	SEAH SEN ONN @ DAVID SEAH	3,709,104	0.87
10.	DHAYALINI A/P P.G. DORAISAMY	3,702,587	0.87
11.	CHIANG YOK LENG	3,587,085	0.84

# SHAREHOLDING STATISTICS

## AS AT 29 MARCH 2019 (cont'd)

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

No.	Name	No. Of Shares Held	%
12.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Pang Kim Fan (120012)</i>	3,413,900	0.80
13.	T Y FONG SDN BHD	3,296,236	0.77
14.	YEOH PHEK LENG	3,101,693	0.73
15.	ALLIANCEGROUP NOMINESS (TEMPATAN) SDN BHD <i>Pledged securities account for Kwan Hung Cheong (8093908)</i>	2,522,780	0.59
16.	MAXIM ANTON KANNY	2,276,929	0.53
17.	Q C M SDN BHD	2,068,516	0.49
18.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>C C Ho Sdn Bhd (T- 071001)</i>	2,022,958	0.47
19.	SEAH TEE SUI SDN BHD	1,985,766	0.47
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>Amanahraya Investment Management Sdn Bhd For Fong Kin Wui (C346-240450)</i>	1,856,406	0.44
21.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>Pledged securities account for Lau Kiing Ho (E-SDK)</i>	1,760,000	0.41
22.	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	1,594,670	0.37
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB Bank for Lim Ted Hing (MY0410)</i>	1,463,000	0.34
24.	LAI THIAM POH	1,450,000	0.34
25.	RAVINTHIRAN A/L MUTHIAN	1,382,641	0.32
26.	FONG THAM HING ENTERPRISE SDN BHD	1,289,533	0.30
27.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account For Yeo Guik Hiang (JBU/UOB)</i>	1,232,900	0.29
28.	RHB CAPITAL NOMINEES (ASING) SDN BHD <i>Rosalind Wong Mei Wai (T-071582)</i>	1,196,734	0.28
29.	CARTABAN NOMINEES (ASING) SDN BHD <i>Exempt An for Standard Chartered Bank Singapore (EFGBHK-ASING)</i>	1,105,611	0.26
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account For Ker Min Choo (8109400)</i>	1,000,040	0.23

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# DIRECTORS' REPORT

## Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## 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 net of tax	(21,673,988)	(562,792)

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 of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend any dividend in respect of the financial year ended 31 December 2018.

## 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:

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

*\*\* 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' REPORT

## (cont'd)

### Directors' benefits

Neither at the end of the financial year, nor at any time during that financial 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 below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 31(b) to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Fees	80,000	80,000
Salaries and other emoluments	4,726,180	194,650
Defined contribution plan	538,645	24,370
Benefits-in-kind	314,855	-
	<u>5,659,680</u>	<u>299,020</u>

### Indemnities to directors or officers

There were no indemnities given or insurance effected during the financial year, or since the end of the financial year, for any person who is or has been the director or officer of the Group and of the Company.

### 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:

Name of directors	1.1.2018	Number of ordinary shares		31.12.2018
		Acquired	Sold	
The Company				
Direct interest:				
Datuk 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:				
Datuk Quek Siew Hau	251,296,273	-	-	251,296,273
Fong Kin Wui	241,289,553	-	-	241,289,553
Seah Sen Onn @ David Seah	240,000,020	-	-	240,000,020
Lim Ted Hing	240,000,020	-	-	240,000,020
Chan Ka Tsung	240,000,020	-	-	240,000,020

# DIRECTORS' REPORT

## (cont'd)

### Directors' interests (cont'd)

Name of directors	1.1.2018	Number of ordinary shares		31.12.2018
		Acquired	Sold	
Holding company, Syarikat Kretam (Far East) Holdings Sdn. Bhd.				
Direct interest:				
Chan Ka Tsung	48,800	-	-	48,800
Deemed interest:				
Datuk 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

		Number of RCPS		
Name of directors	1.1.2018	Acquired	Redeemed	31.12.2018
The Company				
Deemed interest:				
Datuk Quek Siew Hau	180,000,000	-	(25,000,000)	155,000,000
Fong Kin Wui	180,000,000	-	(25,000,000)	155,000,000
Seah Sen Onn @ David Seah	180,000,000	-	(25,000,000)	155,000,000
Lim Ted Hing	180,000,000	-	(25,000,000)	155,000,000
Chan Ka Tsung	180,000,000	-	(25,000,000)	155,000,000

Name of directors	1.1.2018	Number of ICPS		31.12.2018
		Acquired	Sold	
The Company				
Deemed interest:				
Datuk 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

None of the other directors in office at the end of the financial year had any interest in shares, RCPS and ICPS in the Company or its related corporations during the financial year.

# DIRECTORS' REPORT

## (cont'd)

### Redemption of RCPS

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

### Holding company

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

### 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance 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.
- (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 has 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 has arisen since the end of the financial year.

# DIRECTORS' REPORT

## (cont'd)

### Other statutory information (cont'd)

(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 is as follows:

	Group RM	Company RM
Ernst & Young	270,650	45,000

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 for the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2019.

**Datuk Quek Siew Hau**

**Lim Ted Hing**

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk 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 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2019.

**Datuk 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 137 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 17 April 2019

**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 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 137.

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 2018, and of their financial performance and cash flows for the financial 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 financial 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 matter 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 matter below, provide the basis of our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITORS' REPORT

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

## Report on the audit of the financial statements (cont'd)

### *Key audit matters (cont'd)*

#### **Revenue and cost of sales from sale of properties under development**

The Group recognised revenue and cost of sales from sale of properties under development of RM3,180,347 and RM2,300,821 respectively for the financial year ended 31 December 2018.

Where the Group uses percentage of completion method to recognise revenue and cost of sales from its property development activities, the amount of revenue and cost of sales recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive at the percentage of completion and total net revenue for units sold.

We identified revenue and cost of sales recognised on percentage of completion method or over time from property development activities as matters requiring audit focus as these areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).

In addressing this area of focus, we performed, amongst others, the following procedures:

- Assessed management's estimates in deriving at the stage of completion which includes verifying the certified work done such as examining, on a sampling basis, the progress claims from contractors, certificate of payment certified by architects and architect certification as at 31 December 2018;
- Agreed a sample of costs incurred to invoice and/or payment, including testing that they were allocated to the appropriate development projects. We also evaluated subsequent payments made after the reporting date to assess whether costs were accrued in the correct reporting period;
- Evaluated the assumptions applied in estimating the total property development costs for respective projects by examining documentary evidence such as letter of award issued to contractors and variation orders on a sampling basis to support the budgeted costs;
- Considered the expected handover date of ongoing development projects to determine the adequacy of provision for liquidated ascertained damages, if any; and
- Checked the mathematical accuracy of the revenue and cost of sales recognised based on the percentage of completion calculations and assessed that revenue and cost of sales are only recognised for sales with properly executed sales and purchase agreements.

The Group's accounting policies and disclosures on property development activities based on percentage of completion method are disclosed in Notes 2.16, 2.21, 3.2(b), 4, 5 and 19(b) respectively 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 auditors' 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.

# INDEPENDENT AUDITORS' REPORT

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

### Report on the audit of the financial statements (cont'd)

#### *Information other than the financial statements and auditors' report thereon (cont'd)*

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 when it becomes available 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.

#### *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.

# INDEPENDENT AUDITORS' REPORT

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

## Report on the audit of the financial statements (cont'd)

### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

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 (cont'd):

- 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 financial 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

Kuala Lumpur, Malaysia  
17 April 2019

Tseu Tet Khong @ Tsau Tet Khong  
No. 03374/06/2020 J  
Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Revenue</b>	4	25,203,460	20,991,833	-	30,280,000
Cost of sales	5	(20,598,278)	(12,873,845)	-	-
<b>Gross profit</b>		4,605,182	8,117,988	-	30,280,000
<b>Other items of income</b>					
Interest income	6	425,745	697,377	-	-
Other income	7	2,078,130	599,369	-	-
<b>Other items of expense</b>					
Selling and marketing expenses		(23,304)	(197,928)	-	-
Administrative expenses		(20,199,648)	(11,518,742)	(562,792)	(410,974)
Finance costs	8	(6,221,794)	(2,387,752)	-	-
Other expenses		(1,677,112)	(16,857,654)	-	-
<b>(Loss)/profit before tax</b>	9	(21,012,801)	(21,547,342)	(562,792)	29,869,026
Income tax expense	12	(661,187)	(167,798)	-	-
<b>(Loss)/profit net of tax, representing total comprehensive (loss)/income for the financial year</b>		(21,673,988)	(21,715,140)	(562,792)	29,869,026
<b>Loss per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	13	(4.07)	(6.75)		
Diluted	13	(1.94)	(3.65)		

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	30,345,726	62,436,087	-	-
Investment properties	15	78,601,081	24,272,055	-	-
Investments in subsidiaries	16	-	-	583,178,707	583,178,707
Other investment	17	113,008	114,501	-	-
Deferred tax assets	18	4,066,925	2,863,813	-	-
Inventory properties	19	144,794,186	146,916,016	-	-
		257,920,926	236,602,472	583,178,707	583,178,707
<b>Current assets</b>					
Inventory properties	19	85,176,587	76,479,460	-	-
Trading inventories	20	987,531	1,063,905	-	-
Prepayment		100,708	82,929	2,500	-
Trade and other receivables	21	22,341,546	19,530,738	23,304,115	25,286,500
Contract assets	22	758,285	1,221,930	-	-
Tax recoverable		2,079,018	3,901,266	-	-
Investment securities	23	1,132,672	496,689	-	-
Cash and bank balances	24	12,465,332	66,043,062	1,106,089	3,173,351
		125,041,679	168,819,979	24,412,704	28,459,851
<b>Total assets</b>		382,962,605	405,422,451	607,591,411	611,638,558
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	25	113,844,286	102,526,361	-	-
Trade and other payables	26	34,868,436	36,950,025	21,655,475	139,830
Tax payable		63,455	52,038	-	-
		148,776,177	139,528,424	21,655,475	139,830
<b>Net current (liabilities)/assets</b>		(23,734,498)	29,291,555	2,757,229	28,320,021

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018 (cont'd)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Equity and liabilities (cont'd)					
Non-current liabilities					
Loans and borrowings	25	29,547,912	14,347,200	-	-
Deferred tax liabilities	18	3,445,643	3,671,074	-	-
		32,993,555	18,018,274	-	-
Total liabilities		181,769,732	157,546,698	21,655,475	139,830
Equity attributable to owners of the Company					
Share capital	27	229,133,063	205,072,913	229,133,063	205,072,913
Redeemable Convertible Preference Shares	28	149,172,930	173,233,080	149,172,930	173,233,080
Irredeemable Convertible Preference Shares	29	203,338,864	203,338,864	203,338,864	203,338,864
Merger deficit	30	(312,038,809)	(312,038,809)	-	-
(Accumulated losses) /retained earnings		(68,413,175)	(21,730,295)	4,291,079	29,853,871
Total equity		201,192,873	247,875,753	585,935,936	611,498,728
Total equity and liabilities		382,962,605	405,422,451	607,591,411	611,638,558

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 2018

Group	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	Accumulated losses RM	Merger deficit RM
<b>Opening balance at 1 January 2018</b>	247,875,753	205,072,913	173,233,080	203,338,864	(21,730,295)	(312,038,809)
Effect of MFRS 9 adoption (Note 2.2)	(8,892)	-	-	-	(8,892)	-
	247,866,861	205,072,913	173,233,080	203,338,864	(21,739,187)	(312,038,809)
<b>Total comprehensive loss for the financial year</b>	(21,673,988)	-	-	-	(21,673,988)	-
<b>Transactions with owners</b>						
Redemption of Redeemable Convertible Preference Shares (Note 28)	(25,000,000)	-	(24,060,150)	-	(939,850)	-
Transfer to share capital arising from redemption of Redeemable Convertible Preference Shares	-	24,060,150	-	-	(24,060,150)	-
Total transactions with owners	(25,000,000)	24,060,150	(24,060,150)	-	(25,000,000)	-
<b>Closing balance at 31 December 2018</b>	201,192,873	229,133,063	149,172,930	203,338,864	(68,413,175)	(312,038,809)

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

Group (cont'd)	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	Accumulated losses RM	Merger deficit RM
Opening balance at 1 January 2017	(15,153)	2	-	-	(15,155)	-
Total comprehensive loss for the financial year	(21,715,140)	-	-	-	(21,715,140)	-
<b>Transactions with owners</b>						
Acquisition of subsidiaries (Note 16)	(312,038,809)	-	-	-	-	(312,038,809)
Issuance of shares (Notes 27, 28 and 29)	581,644,855	205,072,911	173,233,080	203,338,864	-	-
Total transactions with owners	269,606,046	205,072,911	173,233,080	203,338,864	-	(312,038,809)
<b>Closing balance at 31 December 2017</b>	<b>247,875,753</b>	<b>205,072,913</b>	<b>173,233,080</b>	<b>203,338,864</b>	<b>(21,730,295)</b>	<b>(312,038,809)</b>

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

Company	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	Retained earnings/ (accumulated losses) RM
<b>Opening balance at 1 January 2018</b>	611,498,728	205,072,913	173,233,080	203,338,864	29,853,871
<b>Total comprehensive loss for the financial year</b>	(562,792)	-	-	-	(562,792)
<b>Transactions with owners</b>					
Redemption of Redeemable Convertible Preference Shares (Note 28)	(25,000,000)	-	(24,060,150)	-	(939,850)
Transfer to share capital arising from redemption of Redeemable Convertible Preference Shares	-	24,060,150	-	-	(24,060,150)
	(25,000,000)	24,060,150	(24,060,150)	-	(25,000,000)
<b>Closing balance at 31 December 2018</b>	585,935,936	229,133,063	149,172,930	203,338,864	4,291,079
<b>Opening balance at 1 January 2017</b>	(15,153)	2	-	-	(15,155)
<b>Total comprehensive income for the financial year</b>	29,869,026	-	-	-	29,869,026
<b>Transaction with owners</b>					
Issuance of shares (Notes 27, 28 and 29)	581,644,855	205,072,911	173,233,080	203,338,864	-
<b>Closing balance at 31 December 2017</b>	611,498,728	205,072,913	173,233,080	203,338,864	29,853,871

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 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Operating activities</b>				
(Loss)/profit before tax	(21,012,801)	(21,547,342)	(562,792)	29,869,026
<u>Adjustments for:</u>				
Net allowance for impairment losses on:				
- trade and other receivables	61,447	15,317	-	-
- other investment	1,493	-	-	-
Trade receivables written off	8,694	-	-	-
Inventories written down	51,094	-	-	-
Depreciation of investment properties	237,172	13,540	-	-
Depreciation of property, plant and equipment	2,204,331	1,185,233	-	-
Dividend income	-	-	-	(30,280,000)
Property, plant and equipment written off	35,225	13	-	-
Interest expense	6,221,794	2,387,752	-	-
Gain on disposal of property, plant and equipment	(550,555)	(199,589)	-	-
Interest income	(425,745)	(697,377)	-	-
Investment income from investment securities	(29,776)	(13,844)	-	-
Impairment of goodwill	-	15,150,931	-	-
Utilisation of tax credit for tax penalty	852,636	-	-	-
Net fair value (gain)/loss on investment securities	(6,206)	1,567	-	-
Total adjustments	8,661,604	17,843,543	-	(30,280,000)

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Operating activities (cont'd)</b>				
<b>Operating loss before changes in working capital</b>	(12,351,197)	(3,703,799)	(562,792)	(410,974)
<u>Changes in working capital:</u>				
Inventory properties	(5,639,934)	(20,778,480)	-	-
Trading inventories	25,280	277,149	-	-
Trade and other receivables	(2,892,649)	7,751,844	1,979,885	(25,286,500)
Prepayment	(17,779)			
Contract assets	463,645	464,570	-	-
Contract liabilities	-	(1,159,192)	-	-
Trade and other payables	(2,081,589)	3,616,877	21,515,645	124,675
Total changes in working capital	(10,143,026)	(9,827,232)	23,495,530	(25,161,825)
<b>Cash flows (used in)/from operations</b>	(22,494,223)	(13,531,031)	22,932,738	(25,572,799)
Interest received	320,975	234,532	-	-
Interest paid	(311,289)	(162)	-	-
Income tax paid	(2,129,791)	(225,561)	-	-
Income tax refunded	1,023,898	124,268	-	-
<b>Net cash flows (used in)/from operating activities</b>	(23,590,430)	(13,397,954)	22,932,738	(25,572,799)

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Investing activities</b>				
Investment income received	29,776	13,844	-	-
Acquisition of subsidiaries	-	47,208,565	-	(1,533,852)
Additions to investment properties	(24,240,302)	(8,904,841)	-	-
Purchase of property, plant and equipment	(156,662)	(138,231)	-	-
Proceeds from disposal of investment securities	991,303	300,000	-	-
Proceeds from disposal of plant and equipment	550,567	200,566	-	-
Interest received	104,770	462,845	-	-
Purchase of investment securities	(1,621,080)	(13,844)	-	-
Placement of deposits	(63,744)	(801,920)	-	-
Dividends received	-	-	-	30,280,000
<b>Net cash flows (used in)/from investing activities</b>	<b>(24,405,372)</b>	<b>38,326,984</b>	<b>-</b>	<b>28,746,148</b>
<b>Financing activities</b>				
Drawdown of bankers' acceptances	10,569,000	4,099,000	-	-
Drawdown of bridging loan	5,275,276	-	-	-
Drawdown of revolving credits	8,500,000	24,000,000	-	-
Drawdown of term loans	14,801,288	16,933,137	-	-
Repayment of bankers' acceptances	(7,654,000)	(4,875,000)	-	-
Repayment of revolving credits	(6,008,068)	(16,179)	-	-
Repayment of obligations under finance leases	(215,087)	(63,663)	-	-
Redemption of Redeemable Convertible Preference Shares	(25,000,000)	-	(25,000,000)	-
Interest paid	(5,985,890)	(2,427,702)	-	-
<b>Net cash flows (used in)/from financing activities</b>	<b>(5,717,481)</b>	<b>37,649,593</b>	<b>(25,000,000)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(53,713,283)</b>	<b>62,578,623</b>	<b>(2,067,262)</b>	<b>3,173,349</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>62,578,625</b>	<b>2</b>	<b>3,173,351</b>	<b>2</b>
<b>Cash and cash equivalents at end of financial year (Note 24)</b>	<b>8,865,342</b>	<b>62,578,625</b>	<b>1,106,089</b>	<b>3,173,351</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 1. Corporate information

WMG Holdings Bhd. ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company 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.

## 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. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs and Interpretation which are mandatory for financial periods beginning on or after 1 January 2018 as described fully in Note 2.2.

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).

### 2.2 Changes in accounting policies

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

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs and Interpretation mandatory for annual financial periods beginning on or after 1 January 2018, except for MFRS 15 Revenue from Contracts with Customers. The Group and the Company early adopted MFRS 15.

Description	Effective for annual periods beginning or after
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018

Except for MFRS 9, the adoption of the new and amended standards and interpretation above did not have any material impact on the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.2 Changes in accounting policies (cont'd)

#### **MFRS 9 Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in opening accumulated losses and other components of equity as at 1 January 2018.

The effect of adopting MFRS 9 as at 1 January 2018 was, as follows:

#### **(a) Classification and measurement**

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. The following is the change in the classification of the Group's and the Company's financial assets:

- Trade and other receivables and other financial assets classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.2 Changes in accounting policies (cont'd)

#### MFRS 9 Financial Instruments (cont'd)

##### (a) Classification and measurement (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 January 2018.

As at 1 January 2018	MFRS 9 measurement category	
	Fair value through profit or loss RM	Amortised cost RM
<b>Group</b>		
<b>MFRS 139 measurement category</b>		
<b>Loans and receivables</b>		
Trade and other receivables *	-	19,519,038
<b>Available for sale</b>		
Investment securities	496,689	-
	<hr/> 496,689	<hr/> 19,519,038
<b>Company</b>		
<b>MFRS 139 measurement category</b>		
<b>Loans and receivables</b>		
Trade and other receivables	-	25,286,500
	<hr/>	<hr/>

\* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

##### (b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of MFRS 9 the Group recognised additional impairment on the Group's trade and other receivables of RM11,700, which resulted in an increase in accumulated losses of RM8,892 (net of tax) as at 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.2 Changes in accounting policies (cont'd)

#### MFRS 9 Financial Instruments (cont'd)

##### (b) Impairment (cont'd)

Set out below is the reconciliation of the ending impairment allowances in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9:

	Allowance for impairment under MFRS 139 as at 1 January 2018 RM	Remeasurement RM	ECL under MFRS 9 as at 1 January 2018 RM
Loans and receivables under MFRS 139 Financial assets at amortised cost under MFRS 9 (Note 21(a))	-	11,700	11,700

### 2.3 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's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning or after
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
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

Except for the new MFRS discussed below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group and on the Company in the current or future reporting periods.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.3 Standards issued but not yet effective (cont'd)

#### 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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group's operating leases. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for operating leases. A preliminary assessment indicates that the operating leases entered into by the Group will meet the definition of a lease under MFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. However, the new requirements to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's financial statements.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (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 involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement(s) with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.4 Basis of consolidation (cont'd)

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in 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 and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.4 Basis of consolidation (cont'd)

#### **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 company.
- 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.

### 2.5 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.

### 2.6 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's 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.7 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 environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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 end of 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.

### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 ranging from 20 to 45 years
- Motor vehicles: 5 years
- Furniture, fittings and equipment: 5 to 10 years
- Plant, machinery and heavy equipment: 5 years

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.8 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.

### 2.9 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and 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 ranging from 27 to 45 years

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.10 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 assessment 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 fair value less costs to sell and its value in use. 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")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.11 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15. Refer to the accounting policies in Note 2.21.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.11 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (a) Financial assets (cont'd)

##### Initial recognition and measurement (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

A financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.11 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement (cont'd)

##### *Financial assets at fair value through OCI (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

##### *Financial assets at fair value through OCI (equity instruments)*

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company have not designated any financial assets as at fair value through OCI.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.11 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement (cont'd)

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's or the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.11 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (a) Financial assets (cont'd)

##### Derecognition (cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### (b) Financial liabilities

The categories of financial liabilities, classified at initial recognition are as follows:

##### (i) Fair value through profit or loss ("FVTPL")

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the amount of change in fair value of the financial liability that is attributable to change in credit risk are recognised in the other comprehensive income and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the credit risk of the liability would create or enlarge an accounting mismatch.

##### (ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.11 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (b) Financial liabilities (cont'd)

##### (iii) Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### (c) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### (d) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

### 2.12 Impairment of financial assets

An allowance is recognised for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI, contract assets and lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, credit risk is not tracked, but instead a loss allowance is recognised based on lifetime ECLs at each reporting date. A provision matrix is established that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.13 Fair value measurement

The Group measures financial instruments 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.14 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.16 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.

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

#### Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.16 Inventories (cont'd)

#### Inventory properties (cont'd)

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less estimated costs of completion and the estimated costs necessary to make the sale, taking into account the time value of money if material.

The cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle, such inventory property is classified within non-current assets.

Non-current inventory properties is reclassified as current 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.

### 2.17 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.

### 2.18 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 and the Company incurred in connection with the borrowing of funds.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.19 Employee benefits

#### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when the absences occur.

#### (b) 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.

### 2.20 Leases

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.21 Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax or sales and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

**(a) Identify contract with a customer**

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

**(b) Identify performance obligations in the contract**

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**(c) Determine the transaction price**

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

**(d) Allocate the transaction price to the performance obligation in the contract**

For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.21 Revenue from contracts with customers (cont'd)

#### (e) Recognise revenue when (or as) the Group satisfies a performance obligation

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

- (i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance obligation completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The following describes the performance obligation in contracts with customers:

#### (a) Sale of property

The Group enters into contracts with customers to sell properties that are either complete or under development.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.21 Revenue from contracts with customers (cont'd)

#### (a) Sale of property (cont'd)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

#### (b) Contract costs

The Group incurs commissions that are incremental costs of obtaining a contract with a customer. Where the amortisation period is longer than one year, the Group capitalises the incremental costs of obtaining a contract that meet criteria in MFRS 15. Costs incurred by the Group to fulfil a contract prior to the commencement of its performance (e.g., tendering costs) are mostly general and administrative expenses that are expensed as incurred.

#### (c) Contract balances

##### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.11.

##### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

#### (d) Sale of hardware and building materials

Revenue from sale of hardware and building materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

#### (e) Administrative fee income

Administrative fee income represents a series of daily services that are satisfied over time and the Group applies a time-elapsed measure of progress.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.22 Taxes

#### (a) Current income tax

Current income tax assets and liabilities 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 by 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.

#### (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 asset 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 utilised.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.22 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

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 and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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 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.

#### (d) Sales and Service Tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

### 2.23 Preference shares

Irredeemable convertible preference shares are classified as equity.

The redeemable convertible preference shares are regarded as compound instruments, consisting of a liability component and an equity component. The component of redeemable convertible preference shares that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the redeemable convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for payables set out in Note 2.11.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 2.24 Share capital and share issuance expenses

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

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

### 2.25 Contingencies

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

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

### 2.26 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 36, 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 and the Company'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. However, 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.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### (a) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### *Identifying performance obligations*

The Group enters into contracts with customers to sell properties that are either complete or under development.

The sale of completed property is generally expected to be the only performance obligation and the Group has determined that it will be satisfied at the point in time when control transfers. For unconditional exchange of contracts, this is generally expected to be when legal title transfers to the customer. For conditional exchanges, this is expected to be when all significant conditions are satisfied.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 3.1 Judgements made in applying accounting policies (cont'd)

#### (a) Revenue from contracts with customers (cont'd)

##### *Identifying performance obligations (cont'd)*

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. In such contracts, the Group has determined that the goods and services are not distinct and will generally account for them as a single performance obligation.

##### *Determining the timing of satisfaction of performance obligation*

For the sale of development properties, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgement made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

For contracts that meet the over time recognition criteria, the Group determined that the input method is the best method in measuring progress of the development because there is direct relationship between the Group's effort (i.e., resources consumed, labour hours expended and costs incurred) and the transfer control of goods and services to the customer.

##### *Consideration of significant financing component in a contract*

For contracts involving the sale of properties under development recognised over time, customers generally make progress payments as work goes on. The Group concluded that there is no significant financing component for those contracts as the length of time between when the customers pays for the asset and when the Group transfers the asset to the customer will be one year or less.

##### *Determining method to estimate variable consideration and assessing the constraint*

The contracts for the sale of property include delay penalties that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of property with delay penalties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 3.1 Judgements made in applying accounting policies (cont'd)

#### (b) Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial properties that the Group develops and intends to sell before, or on completion of, construction.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Provision for expected credit losses of trade and other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the property sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables and contract assets is disclosed in Note 21.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (b) Property development

For the sale of inventory properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the inventory properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the inventory properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the inventory properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar development properties.

The carrying amounts of contract assets and liabilities of the Group arising from property development activities are disclosed in Note 22.

#### (c) Estimation of net realisable value for inventory property

Inventory property is stated at the lower of cost and net realisable value.

Net realisable value for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment.

Net realisable value in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

The carrying amount of the Group's inventory properties at the reporting date is disclosed in Note 19.

#### (d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which these items can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised deferred tax assets.

The carrying value of deferred tax assets and unrecognised deferred tax assets are disclosed in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 4. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Property development:</b>				
- sale of properties under development	3,180,347	9,001,249	-	-
- sale of completed properties	4,278,955	5,470,345	-	-
Administrative fee income	165,000	99,000	-	-
Sale of hardware, building materials and related goods	17,579,158	6,421,239	-	-
Total revenue from contracts with customers	25,203,460	20,991,833	-	-
Dividend incomes	-	-	-	30,280,000
	25,203,460	20,991,833	-	30,280,000

### (a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Property development RM	Trading of building materials RM	Total RM
<b>2018</b>			
<b>Type of goods or service</b>			
Sale of properties under development	3,180,347	-	3,180,347
Sale of completed properties	4,278,955	-	4,278,955
Administrative fee income	165,000	-	165,000
Sale of hardware, building materials and related goods	-	17,579,158	17,579,158
<b>Total revenue from contracts with customers</b>	<b>7,624,302</b>	<b>17,579,158</b>	<b>25,203,460</b>
<b>Timing of revenue recognition</b>			
At a point in time	4,278,955	17,579,158	21,858,113
Over time	3,345,347	-	3,345,347
<b>Total revenue from contracts with customers</b>	<b>7,624,302</b>	<b>17,579,158</b>	<b>25,203,460</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 4. Revenue (cont'd)

### (a) Disaggregated revenue information (cont'd)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd):

	Property development RM	Trading of building materials RM	Total RM
<b>2017</b>			
<b>Type of goods or service</b>			
Sale of properties under development	9,001,249	-	9,001,249
Sale of completed properties	5,470,345	-	5,470,345
Administrative fee income	99,000	-	99,000
Sale of hardware, building materials and related goods	-	6,421,239	6,421,239
<b>Total revenue from contracts with customers</b>	<b>14,570,594</b>	<b>6,421,239</b>	<b>20,991,833</b>
<b>Timing of revenue recognition</b>			
At a point in time	5,470,345	6,421,239	11,891,584
Over time	9,100,249	-	9,100,249
<b>Total revenue from contracts with customers</b>	<b>14,570,594</b>	<b>6,421,239</b>	<b>20,991,833</b>

No reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information as there is no adjustment or elimination made to arrive at amounts reported in the consolidated financial statements.

### (b) Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December are, as follows:

	Group	
	2018 RM	2017 RM
Within one year	13,520,889	2,620,248
More than one year	13,362,117	22,973,846
	<b>26,883,006</b>	<b>25,594,094</b>

The remaining performance obligations expected to be recognised in more than one year relate to the revenue from sale of properties under development that is to be satisfied within 2 years (2017: 3 years).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 5. Cost of sales

	Group	
	2018 RM	2017 RM
Property development:		
- properties under development (Note 19(b))	2,300,821	4,031,788
- property development costs over-accrued for projects completed in previous financial years	(1,048,834)	(422,339)
Cost of inventories sold:		
- completed properties	2,302,438	3,054,767
- hardware, building materials and related goods	17,043,853	6,209,629
	<u>20,598,278</u>	<u>12,873,845</u>

## 6. Interest income

	Group	
	2018 RM	2017 RM
Interest income from:		
- bank balances and short-term deposits	243,953	573,348
- others	181,792	124,029
	<u>425,745</u>	<u>697,377</u>

## 7. Other income

	Group	
	2018 RM	2017 RM
Gain on disposal of property, plant and equipment	550,555	199,589
Investment income from investment securities	29,776	13,844
Net fair value gain on investment securities	6,206	-
Net gain from rental operations	1,255,838	191,911
Realised gain on foreign exchange	3,394	62
Miscellaneous income	232,361	193,963
	<u>2,078,130</u>	<u>599,369</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 8. Finance costs

	Group	
	2018 RM	2017 RM
Interest expense on:		
- revolving credits	5,169,356	2,248,642
- term loans	669,981	154,985
- bankers' acceptances	124,326	52,825
- bridging overdraft	62,268	-
- bank overdrafts	311,289	162
- obligations under finance leases	24,878	5,698
	6,362,098	2,462,312
Less: Interest expense capitalised in investment properties (Note 15)	(140,304)	(74,560)
	6,221,794	2,387,752

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 9. (Loss)/profit before tax

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Employee benefits expense (Note 10)	10,783,038	5,688,874	50,000	50,000
Non-executive directors' remuneration (Note 11)	263,231	181,919	249,020	135,753
Auditors' remuneration:				
- statutory audit				
- current year	270,650	244,700	45,000	40,000
- underprovision in respect of previous year	-	21,950	-	-
- other audit services	-	131,000	-	-
- other services	100,506	233,500	1,000	5,800
Allowance for impairment loss on:				
- trade and other receivables (Notes 21(a) and (b))	65,796	71,853	-	-
- other investment	1,493	-	-	-
Reversal of impairment loss on trade and other receivables (Note 21(b))	(4,349)	(56,536)	-	-
Trade receivables written off	8,694	-	-	-
Inventories written down	51,094	-	-	-
Depreciation of property, plant and equipment (Note 14)	2,204,331	1,185,233	-	-
Depreciation of investment properties (Note 15)	237,172	13,540	-	-
Impairment of goodwill (Note 16(b))	-	15,150,931	-	-
Net fair value loss on investment securities	-	1,567	-	-
Property, plant and equipment written off	35,225	13	-	-
Operating lease:				
- minimum lease payments for premises	221,256	110,812	-	-
- minimum lease payments for server	15,600	-	-	-
Realised loss on foreign exchange	2,463	5,993	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 10. Employee benefits expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonuses	9,502,553	4,876,234	50,000	50,000
Defined contribution plan	1,212,876	777,447	-	-
Social security contributions	67,609	35,193	-	-
	10,783,038	5,688,874	50,000	50,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM5,081,594 (2017: RM3,252,182) and RM50,000 (2017: RM50,000) respectively as further disclosed in Note 11.

## 11. Directors' remuneration

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive directors' remunerations (Note 10):				
- fees	50,000	50,000	50,000	50,000
- salaries and other emoluments	4,492,664	2,859,069	-	-
- defined contribution plan	538,930	343,113	-	-
Total executive directors' remuneration (excluding benefits-in-kind)	5,081,594	3,252,182	50,000	50,000
Estimated money value of benefits-in-kind	314,855	230,103	-	-
	5,396,449	3,482,285	50,000	50,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 11. Directors' remuneration (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-executive directors' remunerations (Note 9):				
- fees	30,000	25,000	30,000	25,000
- other emoluments	233,231	156,919	219,020	110,753
	263,231	181,919	249,020	135,753
Total directors' remuneration (Note 31(b))	5,659,680	3,664,204	299,020	185,753

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

	Directors' fees RM	Other emoluments RM	Total RM
<b>Group</b>			
<b>2018</b>			
Executive directors:			
Datuk Quek Siew Hau	10,000	1,345,846	1,355,846
Fong Kin Wui	10,000	1,004,720	1,014,720
Lim Ted Hing	10,000	1,425,492	1,435,492
Seah Sen Onn @ David Seah	10,000	1,044,927	1,054,927
Chan Ka Tsung	10,000	525,464	535,464
	50,000	5,346,449	5,396,449
Non-executive directors:			
Datuk Eric Usip Juin	10,000	93,777	103,777
Tan Kung Ming	10,000	62,622	72,622
Hajah Shakinur Ain Binti Hj Karama	10,000	62,621	72,621
	30,000	219,020	249,020
	80,000	5,565,469	5,645,469

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 11. Directors' remuneration (cont'd)

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

	Directors' fees RM	Other emoluments RM	Total RM
<b>Group (cont'd)</b>			
<b>2017</b>			
Executive directors:			
Datuk 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
<b>Company</b>			
<b>2018</b>			
Executive directors:			
Datuk 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	93,777	103,777
Tan Kung Ming	10,000	62,622	72,622
Hajah Shakinur Ain Binti Hj Karama	10,000	62,621	72,621
	30,000	219,020	249,020
	80,000	219,020	299,020

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 11. Directors' remuneration (cont'd)

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

	Directors' fees RM	Other emoluments RM	Total RM
<b>Company</b>			
<b>2017</b>			
Executive directors:			
Datuk 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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 12. Income tax expense

### Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Statement of comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	71,588	842,880	-	-
- Underprovision in respect of previous financial years	2,015,334	33,859	-	-
	2,086,922	876,739	-	-
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	(1,974,175)	(694,839)	-	-
- Under/(over)provision in respect of previous financial years	548,440	(14,102)	-	-
	(1,425,735)	(708,941)	-	-
Income tax expense recognised in profit or loss	661,187	167,798	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 12. Income tax expense (cont'd)

### Reconciliation between tax expense and accounting (loss)/profit

The reconciliations between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/profit before tax	(21,012,810)	(21,547,342)	(562,792)	29,869,026
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(5,043,073)	(5,171,361)	(135,070)	7,168,566
Adjustments:				
Non-deductible expenses	2,504,726	5,134,910	135,070	98,634
Income not subject to tax	(23,775)	(43,275)	-	(7,267,200)
Deferred tax assets not recognised	873,233	275,811	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(213,698)	(48,062)	-	-
Underprovision of income tax expense in respect of previous financial years	2,015,334	33,859	-	-
Under/(over)provision of deferred tax in respect of previous financial years	548,440	(14,102)	-	-
	661,187	167,798	-	-

## 13. Loss per share

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

Diluted loss per share is calculated by dividing loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares in issue 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 13. Loss per share (cont'd)

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

	Group	
	2018 RM	2017 RM
Loss net of tax attributable to owners of the Company	(21,673,988)	(21,715,140)
Less: Cumulative dividend on RCPS	(11,066,712)	(6,282,740)
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share	(32,740,700)	(27,997,880)
Add back: Cumulative dividend on RCPS	11,066,712	6,282,740
Loss net of tax attributable to owners of the Company used in the computation of loss per share	(21,673,988)	(21,715,140)
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic loss per share computation*	803,580,123	415,041,990
Basic loss per ordinary share (sen)	(4.07)	(6.75)
Weighted average number of ordinary shares for basic loss per share computation	803,580,123	415,041,990
Effects of dilution:		
- RCPS	315,342,466	179,506,849
Weighted average number of ordinary shares for diluted loss per share computation	1,118,922,589	594,548,839
Diluted loss per ordinary share (sen)	(1.94)	(3.65)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 14. Property, plant and equipment

Group	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
<b>Cost</b>							
<b>At 1 January 2017</b>	-	-	-	-	-	-	-
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)
<b>At 31 December 2017</b>	37,886,062	1,494,106	41,886,561	5,202,954	8,201,668	66,975,723	161,647,074
Additions	-	-	-	1,244,110	26,052	-	1,270,162
Disposals	-	-	-	(493,771)	-	(1,269,563)	(1,763,334)
Write offs	-	-	-	-	(921,921)	(251,919)	(1,173,840)
Transfers to inventory properties – completed properties	-	(1,494,106)	(682,568)	-	-	-	(2,176,674)
Transfers to investment properties (Note 15)	(20,521,268)	-	(34,392,023)	-	-	-	(54,913,291)
<b>At 31 December 2018</b>	17,364,794	-	6,811,970	5,953,293	7,305,799	65,454,241	102,890,097

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

Group (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
<b>Accumulated depreciation</b>							
<b>At 1 January 2017</b>	-	-	-	-	-	-	-
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 financial year (Note 9)	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 offs	-	-	-	-	(56,465)	-	(56,465)
<b>At 31 December 2017</b>	2,768,714	811,948	24,269,961	4,735,756	7,892,287	58,732,321	99,210,987
Depreciation charge for the financial year (Note 9)	321,796	40,110	447,249	375,918	139,873	879,385	2,204,331
Disposals	-	-	-	(493,767)	-	(1,269,555)	(1,763,322)
Write offs	-	-	-	-	(886,700)	(251,915)	(1,138,615)
Transfers to inventory properties - completed properties	-	(852,058)	(389,253)	-	-	-	(1,241,311)
Transfers to investment properties (Note 15)	(1,050,808)	-	(23,676,891)	-	-	-	(24,727,699)
<b>At 31 December 2018</b>	2,039,702	-	651,066	4,617,907	7,145,460	58,090,236	72,544,371
<b>Net carrying amount</b>							
At 31 December 2017	35,117,348	682,158	17,616,600	467,198	309,381	8,243,402	62,436,087
At 31 December 2018	15,325,092	-	6,160,904	1,335,386	160,339	7,364,005	30,345,726

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM1,270,162 (2017: RM138,23) of which RM1,113,500 (2017: RM Nil) were acquired by means of finance lease arrangements.

### Assets held under finance lease

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

	Group	
	2018 RM	2017 RM
Motor vehicles	1,168,600	283,254

Leased assets are pledged as security for the related finance lease liabilities (Note 32(c)).

### Assets pledged/charged as securities

As at the reporting date, property, plant and equipment of the Group with total carrying amount of RM7,947,145 (2017: RM9,152,801) is pledged as securities for borrowings of the Group (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 15. Investment properties

Group	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Properties under construction RM	Total RM
<b>Cost</b>					
<b>At 1 January 2017</b>	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	2,199,860	39,299	1,166,236	12,020,894	15,426,289
Additions	-	-	-	8,979,401	8,979,401
<b>At 31 December 2017</b>	2,199,860	39,299	1,166,236	21,000,295	24,405,690
Additions	-	-	-	24,380,606	24,380,606
Reclassification	-	-	1,700,000	(1,700,000)	-
Transfers from property, plant and equipment (Note 14)	20,521,268	-	34,392,023	-	54,913,291
<b>At 31 December 2018</b>	22,721,128	39,299	37,258,259	43,680,901	103,699,587

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 15. Investment properties (cont'd)

Group (cont'd)	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Properties under construction RM	Total RM
<b>Accumulated depreciation</b>					
<b>At 1 January 2017</b>	-	-	-	-	-
Acquisition of subsidiaries (Note 16)	12	19,257	100,826	-	120,095
Depreciation charge for the financial year (Note 9)	3	393	13,144	-	13,540
<b>At 31 December 2017</b>	15	19,650	113,970	-	133,635
Depreciation charge for the financial year (Note 9)	74,368	786	162,018	-	237,172
Transfer from property, plant and equipment (Note 14)	1,050,808	-	23,676,891	-	24,727,699
<b>At 31 December 2018</b>	1,125,191	20,436	23,952,879	-	25,098,506
<b>Net carrying amount</b>					
At 31 December 2017	2,199,845	19,649	1,052,266	21,000,295	24,272,055
At 31 December 2018	21,595,937	18,863	13,305,380	43,680,901	78,601,081

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 15. Investment properties (cont'd)

### Assets pledged/charged as securities

As at the reporting date, investment properties of the Group with total carrying amount of RM46,968,502 (2017: RM22,633,978) are pledged as securities for borrowings of the Group (Note 25).

### Fair value of investment properties

The fair values of the investment properties have been determined based on valuations at the reporting date. Valuations are performed by an accredited independent valuer with recent experience in the location and category of properties being valued.

Description of valuation techniques used and the key inputs to valuation on investment properties are as follows:

	Net carrying amount RM	Fair value RM	Valuation technique	Significant unobservable inputs	Range
Leasehold land and buildings (Level 3)	77,197,759	112,788,975	Comparison method	Location, size, condition	RM90 to RM750 per square meter
Leasehold land and buildings (Level 3)	1,403,322	4,240,000	Investment	Yield	3.50% to 4.25%

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

	Group	
	2018 RM	2017 RM
Interest expense capitalised (Note 8)	140,304	74,560

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries

	Company	
	2018 RM	2017 RM
<b>Unquoted shares, at cost</b>	583,178,707	583,178,707

Details of the subsidiaries are as follows:

Name	Principal activities	Proportion (%) of ownership interest	
		2018	2017
<b><i>Held by the Company:</i></b>			
Cosmopolitan Company Sdn. Berhad	Investment holding	100	100
Ritai Sdn. Bhd.	Investment holding	100	100
Tekala Corporation Sdn. Bhd.	Investment holding	100	100
Syarikat Far East Development Sdn. Bhd.	Property development	32**	32**
Velda Development Sdn. Bhd.	Property development	10**	10**
Wah Mie Realty Sdn. Bhd.	Property development and investment holding	4**	4**
<b><i>Held through Cosmopolitan Company Sdn. Berhad:</i></b>			
H. W. E. Sdn. Bhd.	Property development	100	100
<b><i>Held through Ritai Sdn. Bhd.:</i></b>			
Syarikat Far East Development Sdn. Bhd.	Property development	68	68
Velda Development Sdn. Bhd.	Property development	90	90
Wah Mie Realty Sdn. Bhd.	Property development and investment holding	96	96
Wilakaya Sdn. Bhd.	Property development	92.31^	92.31^

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

Name	Principal activities	Proportion (%) of ownership interest	
		2018	2017
<b><i>Held through Tekala Corporation Sdn. Bhd.:</i></b>			
Syarikat Tekala Sdn. Bhd.	Provision of corporate services	100	100
Kalabakan Plywood Sdn. Bhd.	Investment holding and timber processing (ceased operations)	100	100
Marimba Sendirian Berhad	Investment holding	100	100
Gerak Armada Sdn. Bhd.	Investment holding	100	100
<b><i>Held through Kalabakan Plywood Sdn. Bhd.:</i></b>			
Kalabakan Wood Products Sdn. Bhd.	Provision of storage services	100	100
Korsa Plywood Sdn. Bhd.	Property holding	100	100
<b><i>Held through Marimba Sendirian Berhad:</i></b>			
Hartawan Ekuiti Sdn. Bhd.	Log timber trading (in process of voluntary winding up)	100	100
<b><i>Held through Gerak Armada Sdn. Bhd.:</i></b>			
Offshore Constructor (Labuan) Ltd.	Vessel chartering services (in process of voluntary winding up)	100	100
<b><i>Held through Wah Mie Realty Sdn. Bhd.:</i></b>			
Asterasia Sdn. Bhd.	Property development	96	96
BSIP Clubhouse Sdn. Bhd.	Provide clubhouse service (dormant)	96	96
Hajat Melangit Sdn. Bhd.	Investment holding and property development (ceased operations)	96	96

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

Name	Principal activities	Proportion (%) of ownership interest	
		2018	2017
<b><i>Held through Wah Mie Realty Sdn. Bhd. (cont'd):</i></b>			
Prosper Entity Sdn. Bhd.	Property development	96	96
Ramindah Sdn. Bhd.	Property development	96	96
Wah Mie Construction Sdn. Bhd.	Construction contractor (ceased operations)	96	96
Wah Mie Corporation Sdn. Bhd.	Investment holding	96	96
Wah Mie Enterprise Sdn. Bhd.	Wholesaling and retailing of hardware, building materials and related goods (ceased operations)	96	96
Wah Mie Group Sdn. Bhd.	Investment holding (dormant)	96	96
Wah Mie Trading Sdn. Bhd.	Wholesaling and retailing of hardware, building materials and related goods	96	96
WM Property Management Sdn. Bhd.	Provision of business management services	96	96
WM Asset Management Sdn. Bhd.	Money lending (dormant)	96	96
Wilakaya Sdn. Bhd.	Property development	7.69^	7.69^

<sup>\*\*</sup> The remaining ownership interests in these companies are held through a subsidiary of the Company, Ritai Sdn. Bhd.

<sup>^</sup> The remaining ownership interests in this company are held through a subsidiary of Ritai Sdn. Bhd., Wah Mie Realty Sdn. Bhd.

All the subsidiaries are audited by Ernst & Young, Malaysia and are incorporated in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

### Acquisition of subsidiaries

#### (a) Business combination involving entities under common control

In the previous 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
				<u>492,060,664</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

### Acquisition of subsidiaries (cont'd)

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

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

	RM
Property, plant and equipment (Note 14)	10,187,703
Investment properties (Note 15)	15,306,194
Deferred tax assets (Note 18)	2,276,219
Inventory properties - land held for property development (Note 19(a))	121,808,854
Inventory properties - properties under development (Note 19(b))	70,957,236
Inventory properties - completed properties	9,850,906
Trading inventories	1,341,054
Trade and other receivables	27,037,919
Prepayment	30,411
Contract assets	1,686,500
Tax recoverable	4,628,854
Investment securities	132,570
Cash and bank balances	24,651,875
	<hr/> 289,896,295 <hr/>
Loans and borrowings (Note 25)	(76,717,437)
Trade and other payables	(31,978,562)
Contract liabilities	(1,159,192)
Tax payable	(4,180)
Deferred tax liabilities (Note 18)	(15,069)
	<hr/> (109,874,440) <hr/>
Identifiable net assets of Ritai group of companies	<hr/> 180,021,855 <hr/>
<u>Merger deficit arising from business combination</u>	
Fair value of purchase consideration	492,060,664
Identifiable net assets of subsidiaries acquired	<hr/> (180,021,855) <hr/>
Merger deficit (Note 30)	<hr/> 312,038,809 <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

### Acquisition of subsidiaries (cont'd)

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

##### Effect of the acquisition on cash flows

	RM
Cash and cash equivalents of subsidiaries acquired	22,033,739
Less: Consideration settled in cash	-
	<hr/>
Net cash flows from acquisition	22,033,739
	<hr/>

#### (b) Acquisition of Tekala Corporation Berhad

In the previous 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 subsidiary	Country of incorporation	Date of acquisition	Equity interest %	Cost of acquisition RM
Tekala Corporation Berhad	Malaysia	19 July 2017	100	89,584,191

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 (Note 14)	53,296,376
Other investment	114,501
Trade and other receivables	312,498
Investment securities	651,842
Cash and bank balances	25,174,826
	<hr/>
	79,550,043
	<hr/>
Trade and other payables	(1,339,431)
Deferred tax liabilities (Note 18)	(3,777,352)
	<hr/>
	(5,116,783)
	<hr/>
Identifiable net assets of TCB group of companies	74,433,260
	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 16. Investments in subsidiaries (cont'd)

### Acquisition of subsidiaries (cont'd)

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

##### Goodwill arising from acquisition

	RM
Fair value of purchase consideration *	89,584,191
Identifiable net assets acquired	<u>(74,433,260)</u>
Goodwill on acquisition (Note 9)	<u>15,150,931</u>

\* 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
Cash and cash equivalents of subsidiary acquired	25,174,826
Less: Consideration settled in cash	<u>-</u>
Net cash flows from acquisition	<u>25,174,826</u>

## 17. Other investment

	Group	
	2018 RM	2017 RM
Unquoted shares in Malaysia	<u>113,008</u>	<u>114,501</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 18. Deferred tax

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

Group	As at 1 January 2017 RM	Acquisition of subsidiaries (Note 16) RM	Recognised in profit or loss (Note 12) RM	As at 31 December 2017 RM	MFRS 9 adoption RM	Recognised in profit or loss (Note 12) RM	As at 31 December 2018 RM
<b>Deferred tax liabilities:</b>							
Property, plant and equipment	-	(3,815,544)	135,439	(3,680,105)	-	225,430	3,454,675
Rental receivables	-	-	-	-	-	(38,014)	(38,014)
	-	(3,815,544)	135,439	(3,680,105)	-	187,416	(3,492,689)
<b>Deferred tax assets:</b>							
Accruals	-	1,422,076	431,595	1,853,671	-	(533,690)	1,319,981
Unused tax losses and unabsorbed capital allowances	-	877,266	141,907	1,019,173	-	1,588,346	2,607,519
Others	-	-	-	-	2,808	183,663	186,471
	-	2,299,342	573,502	2,872,844	2,808	1,238,319	4,113,971
	-	(1,516,202)	708,941	(807,261)	2,808	1,425,735	621,282

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 18. Deferred tax (cont'd)

	Group	
	2018 RM	2017 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	4,066,925	2,863,813
Deferred tax liabilities	(3,445,643)	(3,671,074)
	621,282	(807,261)
<u>Unrecognised deductible temporary differences</u>		
Unused tax losses	75,813,937	73,193,658
Unabsorbed capital allowances	11,423,633	11,295,848
	87,237,570	84,489,506

At the reporting date, the Group has unused tax losses and unabsorbed capital allowances that are available for offset against future taxable profits for the companies in which the losses and allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries are subject to a 7-year limitation on the carry forward of those losses under the Finance Bill 2018 and guidelines issued by the tax authority. The availability of unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of these subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

## 19. Inventory properties

	Group	
	2018 RM	2017 RM
<b>At cost</b>		
<b>Non-current</b>		
Land held for property development	144,794,186	146,916,016
<b>Current</b>		
Properties under development	46,705,378	36,131,924
Completed properties	38,471,209	40,347,536
	85,176,587	76,479,460
	229,970,773	223,395,476

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 19. Inventory properties (cont'd)

### (a) Land held for property development

	Long-term leasehold land RM	Development expenditure RM	Total RM
<b>Group</b>			
<b>Non-current</b>			
<b>At cost</b>			
At 1 January 2018	105,442,770	41,473,246	146,916,016
Additions	-	686,609	686,609
Transfers to property under development (Note 19(b))	(1,086,228)	(1,722,211)	(2,808,439)
At 31 December 2018	104,356,542	40,437,644	144,794,186
At 1 January 2017	-	-	-
Acquisition of subsidiaries (Note 16(a))	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)	-
Transfers from properties under development (Note 19(b))	3,123,441	8,957,397	12,080,838
At 31 December 2017	105,442,770	41,473,246	146,916,016

As at the reporting date, several parcels of long-term leasehold land of the Group with carrying amount of RM13,912,216 (2017: RM13,912,216) is registered under the name of third parties. Two of the subsidiaries of the Group are the beneficial owner of these parcels of land.

#### Assets pledged/charged as securities

As at the reporting date, land held for property development of the Group with total carrying amount of RM38,295,853 (2017: RM40,929,056) has been pledged as securities for borrowings of the Group (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 19. Inventory properties (cont'd)

### (b) Properties under development

Group	Long-term leasehold land RM	Development expenditure RM	Total RM
<b>Current</b>			
At 1 January 2018	9,194,415	26,937,509	36,131,924
Cost incurred during the financial year	-	10,065,836	10,065,836
Reclassification	(102,701)	102,701	-
Transfer from land held for property development (Note 19(a))	1,086,228	1,722,211	2,808,439
Recognised in profit or loss (Note 5)	(25,071)	(2,275,750)	(2,300,821)
At 31 December 2018	10,152,871	36,552,507	46,705,378
At 1 January 2017	-	-	-
Acquisition of subsidiaries (Note 16(a))	13,660,638	57,296,598	70,957,236
Cost incurred during the financial year	379,276	14,459,434	14,838,710
Reclassification	439,916	(439,916)	-
Transfer to land held for property development (Note 19(a))	(3,123,441)	(8,957,397)	(12,080,838)
Unsold units transferred to completed properties	(1,681,182)	(31,870,214)	(33,551,396)
Recognised in profit or loss (Note 5)	(480,792)	(3,550,996)	(4,031,788)
At 31 December 2017	9,194,415	26,937,509	36,131,924

#### Assets pledged/charged as securities

As at the reporting date, inventory properties under development of the Group with total carrying amount of RM33,770,551 (2017: RM25,229,771) are pledged as securities for borrowings of the Group (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 19. Inventory properties (cont'd)

### (c) Completed properties

	Group	
	2018 RM	2017 RM
<b>At cost</b>		
Completed properties	38,471,209	40,347,536

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM2,302,438 (2017: RM3,054,767).

#### Assets pledged/charged as securities

As at the reporting date, completed properties of the Group with total carrying amount of RM34,010,314 (2017: RM34,562,005) have been pledged as securities for borrowings of the Group (Note 25).

## 20. Trading inventories

	Group	
	2018 RM	2017 RM
<b>At cost</b>		
Building inventories	527,667	1,063,905
<b>At net realisable value</b>		
Building inventories	459,864	-
	987,531	1,063,905

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM17,043,853 (2017: RM6,209,629).

#### Assets pledged/charged as securities

As at the reporting date, inventories of the Group with total carrying amount of RM987,531 (2017: RM1,063,905) are charged as securities for banking facilities of a subsidiary by way of debentures over all existing and future assets of the subsidiary (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 21. Trade and other receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade receivables</b>				
Revenue from contracts with customers				
- Third parties	12,169,018	9,925,748	-	-
- Amounts due from directors	-	188,270	-	-
- Amounts due from companies in which certain directors of the Company have interests	-	12,037	-	-
	12,169,018	10,126,055	-	-
Less: Allowance for expected credit losses				
- Third parties	(77,496)	(1,528,175)	-	-
Total trade receivables from contracts with customers (Note 22)	12,091,522	8,597,880	-	-
<b>Other receivables</b>				
Amounts due from subsidiaries	-	-	23,297,615	25,280,000
Advances to contractors	217,203	433,905	-	-
Deposits	3,614,252	4,683,259	-	-
Sundry receivables	6,664,808	6,066,282	6,500	6,500
	10,496,263	11,183,446	23,304,115	25,286,500
Less: Allowance for expected credit losses				
- Sundry receivables	(246,239)	(250,588)	-	-
	10,250,024	10,932,858	23,304,115	25,286,500
Total trade and other receivables	22,341,546	19,530,738	23,304,115	25,286,500
Add: Cash and bank balances (Note 24)	12,465,332	66,043,062	1,106,089	3,173,351
Total financial assets measured at amortised cost	34,806,878	85,573,800	24,410,204	28,459,851

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 21. Trade and other receivables (cont'd)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

#### Trade receivables that are impaired

The movement of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	2018 RM	2017 RM
At 1 January		
- As previously reported	1,528,175	-
- MFRS 9 adoption (Note 2.2)	11,700	-
- As restated	1,539,875	-
Charge for the financial year (Note 9)	65,796	-
Written off	(1,528,175)	-
Acquisition of subsidiaries	-	1,528,175
At 31 December	77,496	1,528,175

### (b) Other receivables

These amounts are non-interest bearing. Other receivables are normally on 30 to 60 days (2017: 30 to 60 days) terms.

#### Other receivables that are impaired

The movement of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	2018 RM	2017 RM
At 1 January	250,588	-
Acquisition of subsidiaries	-	256,142
Charge for the financial year (Note 9)	-	71,853
Written off	-	(20,871)
Reversal (Note 9)	(4,349)	(56,536)
31 December	246,239	250,588

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 21. Trade and other receivables (cont'd)

### (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 RM11,877,882 (2017: RM11,167,498) 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 25).

## 22. Contract assets and contract liabilities

Information about receivables and contract assets from contracts with customers is disclosed as follows:

	Group	
	2018 RM	2017 RM
Receivables from contracts with customers (Note 21)	12,091,522	8,597,880
Contract assets	758,285	1,221,930

The Group has recognised expected credit losses on receivables arising from contracts with customers amounting to RM77,496 (2017: RM1,528,175).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of development properties. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of development properties.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract assets/(liabilities) are explained as follows:

	Group	
	2018 RM	2017 RM
Contract asset reclassified to receivables	1,221,930	-
Changes due to business combinations	-	527,308

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 23. Investment securities

	Group	
	2018 RM	2017 RM
<b>Financial asset at fair value through profit or loss:</b>		
Money market fund in Malaysia (Note 33(a))	1,132,672	496,689

As at the reporting date, investment securities of the Group with total carrying amount of RM139,120 (2017: RM134,976) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of the subsidiary (Note 25).

## 24. Cash and bank balances

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand and at banks	8,981,532	39,422,762	1,106,089	3,173,351
Deposits with licensed banks	3,483,800	26,620,300	-	-
Cash and bank Balances (Note 21)	12,465,332	66,043,062	1,106,089	3,173,351
Less:				
Deposits with licensed banks pledged	(3,483,800)	(3,420,056)	-	-
Bank overdrafts	(116,190)	(44,381)	-	-
Cash and cash equivalents	8,865,342	62,578,625	1,106,089	3,173,351

- (a) Deposits with licensed banks of the Group amounting to RM3,483,800 (2017: RM3,420,056) are held under lien by the respective banks to secure banking facilities granted to the Group (Note 25).
- (b) Cash at banks earns interests at floating rates based on daily bank deposit rates. Deposits are made for the varying periods between one month to twelve months (2017: one month to twelve months). The weighted average effective interest rate as at 31 December 2018 for the Group was 3.13% (2017: 3.28%).
- (c) Included in cash at banks of the Group are amounts of RM1,258,076 (2017: RM3,588,127) held pursuant to Section 8A of the Housing Development (Control and Licensing) Enactment, 1978 and therefore restricted from use in other operations.
- (d) As at the reporting date, cash and bank balances of the Group amounting to RM2,513,044 (2017: RM9,425,426) are charged as securities for banking facilities of two subsidiaries by way of debentures over all existing and future assets of these subsidiaries (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 25. Loans and borrowings

	Group	
	2018 RM	2017 RM
<b>Current</b>		
Secured:		
Bank overdrafts ("OD")		
- OD (i) at BLR + 1.50%	116,190	44,381
Bridging loan ("BL")		
- BL (i) at BLR + 1.25%	5,275,276	-
Bankers' acceptances ("BA")		
- BA (i) at COF + 1.50%	3,590,000	750,000
- BA (ii) at COF + 1.00%	513,000	617,000
- BA (iii) at 1.40%	179,000	-
Revolving credits ("RC")		
- RC (i) at ECOF + 1.50%	19,500,000	19,500,000
- RC (ii) at COF + 1.50%	23,800,000	23,300,000
- RC (iii) at ECOF + 2.00%	57,500,000	55,508,068
Term loan ("TL")		
- TL (i) at COF + 1.25%	2,576,196	8,333
- TL (ii) at COF + 1.50%	93,607	26,115
- TL (iii) at KLIBOR + 1.70%	440,000	2,640,000
Obligations under finance leases (Note 32(c))	261,017	132,464
	<hr/>	<hr/>
	113,844,286	102,526,361
<b>Non-current</b>		
Secured:		
Term loan		
- TL (i) at COF + 1.25%	261,601	2,073,134
- TL (ii) at COF + 1.50%	20,902,388	6,860,003
- TL (iii) at KLIBOR + 1.70%	7,560,000	5,360,000
Obligations under finance leases (Note 32(c))	823,923	54,063
	<hr/>	<hr/>
	29,547,912	14,347,200

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 25. Loans and borrowings (cont'd)

	Group	
	2018 RM	2017 RM
<b>Total borrowings</b>		
Secured:		
Bank overdrafts		
- OD (i) at BLR + 1.50%	116,190	44,381
Bridging loan		
- BL (i) at BLR + 1.25%	5,275,276	-
Bankers' acceptances		
- BA (i) at COF + 1.50%	3,590,000	750,000
- BA (ii) at COF + 1.00%	513,000	617,000
- BA (iii) at 1.40%	179,000	-
Revolving credits		
- RC (i) at ECOF + 1.50%	19,500,000	19,500,000
- RC (ii) at COF + 1.50%	23,800,000	23,300,000
- RC (iii) at ECOF + 2.00%	57,500,000	55,508,068
Term loan		
- TL (i) at COF + 1.25%	2,837,797	2,081,467
- TL (ii) at COF + 1.50%	20,995,995	6,886,118
- TL (iii) at KLIBOR + 1.70%	8,000,000	8,000,000
Obligations under finance leases (Note 32(c))	1,084,940	186,527
	<u>143,392,198</u>	<u>116,873,561</u>

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

	Group	
	2018 RM	2017 RM
On demand or within 1 year	113,844,286	102,526,361
More than 1 year and less than 2 years	3,118,345	4,767,197
More than 2 years and less than 5 years	11,757,179	2,720,000
More than 5 years	14,672,388	6,860,003
	<u>143,392,198</u>	<u>116,873,561</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 25. Loans and borrowings (cont'd)

### 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 3.22% to 5.31% (2017: 4.68% to 5.31%) per annum.

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

- (i) certain assets of the Group (Notes 14, 15, 19, 20, 21, 23 and 24);
- (ii) debentures totaling RM72.8 million (2017: RM72.8 million) over assets of two subsidiaries, incorporating fixed and floating charge over all the assets, properties and undertakings of these two subsidiaries (both movable and immovable, present and future);
- (iii) specific debentures amounting to RM88 million (2017: RM88 million) on a project of a subsidiary incorporating a fixed and floating charge over this 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) Deed of Assignment of rental proceeds of certain completed properties of a subsidiary;
- (viii) Deed of Assignment of rental proceeds of an investment properties of a subsidiary;
- (ix) joint and several guarantees from all the directors of the Company and one former director of the subsidiaries;
- (x) corporate guarantees from subsidiaries, Wah Mie Realty Sdn. Bhd. and Ritai Sdn. Bhd.; and
- (xi) corporate guarantees from the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 25. Loans and borrowings (cont'd)

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

Group	Cash changes		Non-cash changes			
	1.1.2018 RM	Cash flows RM	Interest paid RM	Acquisition RM	Accretion of interest RM	Others RM
Bankers' acceptances						
- current	1,367,000	2,915,000	(124,326)	-	124,326	-
						4,282,000
Revolving credits						
- current	98,308,068	2,491,932	(5,169,356)	-	5,169,356	-
						100,800,000
Bridging loan						
- current	-	5,275,276	(62,268)	-	62,268	-
						5,275,276
Term loans						
- current	2,674,448	497,301	(356,697)	-	294,751	-
						3,109,803
- non-current	14,293,137	14,303,987	(248,365)	-	375,230	-
						28,723,989
Obligations under finance leases						
- current	132,464	(215,087)	(24,878)	330,303	24,878	13,337
						261,017
- non-current	54,063	-	-	783,197	-	(13,337)
						823,923
Total	116,829,180	25,268,409	(5,985,890)	1,113,500	6,050,809	-
						143,276,008

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 25. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities excluding bank overdrafts is as follows (cont'd):

Group (cont'd)	Cash changes		Non-cash changes			
	1.1.2017 RM	Cash flows RM	Interest paid RM	Acquisition of subsidiaries (Note 16(a)) RM	Accretion of interest RM	Others RM
Bankers' acceptances						
- current	-	(776,000)	(52,825)	2,143,000	52,825	-
Revolving credits						
- current	-	23,983,821	(2,248,642)	74,324,247	2,248,642	-
Term loans						
- current	-	2,640,000	(18,793)	-	53,241	-
- non-current	-	14,293,137	(101,744)	-	101,744	-
Obligations under finance leases						
- current	-	(63,663)	(5,698)	63,686	5,698	132,441
- non-current	-	-	-	186,504	-	(132,441)
Total	-	40,077,295	(2,427,702)	76,717,437	2,462,150	-
						116,829,180

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 26. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade payables</b>				
Third parties	6,596,141	9,801,656	-	-
Accruals of development expenditure	20,030,197	15,770,402	-	-
	26,626,338	25,572,058	-	-
<b>Other payables</b>				
Amount due to holding company	-	3,433,031	-	-
Amounts due to subsidiaries	-	-	21,500,000	2,385
Accruals	3,546,304	5,459,120	129,570	130,385
Deposits received	1,729,076	688,887	-	-
Rental received in advanced	65,833	62,208	-	-
Sundry payables	2,900,885	1,734,721	25,905	7,060
	8,242,098	11,377,967	21,655,475	139,830
Total trade and other payables	34,868,436	36,950,025	21,655,475	139,830
Add: Loans and borrowings (Note 25)	143,392,198	116,873,561	-	-
Less: Rental received in advances	(65,833)	(62,208)	-	-
Total financial liabilities carried at amortised cost	178,194,801	153,761,378	21,655,475	139,830

### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally on 30 to 60 days (2017: 30 to 60 days) terms.

### (b) Amounts due to holding company and subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 27. Share capital

	Number of ordinary shares		Amount	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	426,167,169	20	205,072,913	2
Redemption of RCPS (Note 28)	-	-	24,060,150	-
Issued during the financial year	-	426,167,149	-	205,072,911
At 31 December	426,167,169	426,167,169	229,133,063	205,072,913

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 the previous 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 considerations for the acquisition of subsidiaries as disclosed in Note 16.

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

## 28. Redeemable Convertible Preference Shares ("RCPS")

	Number of RCPS		Amount	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	180,000,000	-	173,233,080	-
Redemption during the financial year (Note 27)	(25,000,000)	-	(24,060,150)	-
Issued during the financial year	-	180,000,000	-	173,233,080
At 31 December	155,000,000	180,000,000	149,172,930	173,233,080

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

In the previous 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 considerations for the acquisition of subsidiaries as disclosed in Note 16.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

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 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.
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 financial statements 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: <ul style="list-style-type: none"><li>(a) reduction of the Company's share capital;</li><li>(b) disposal of the whole of the Company's property, business and undertaking;</li><li>(c) proposal varying or affecting rights, privileges or conditions attached to the RCPS, or the exercise of any of those rights, privileges or conditions;</li><li>(d) winding-up of the Company;</li><li>(e) during the winding up of the Company; and</li><li>(f) during the period when the dividend or part of the dividend payable on the RCPS is in arrears for more than 6 months.</li></ul>

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)	:	(a) 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. (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.
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# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

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

- 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.
- 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 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.

## 29. Irredeemable Convertible Preference Shares ("ICPS")

	Number of ICPS		Amount	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	211,281,792	-	203,338,864	-
Issued during the financial year	-	211,281,792	-	203,338,864
At 31 December	211,281,792	211,281,792	203,338,864	203,338,864

In previous 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 considerations for the acquisition of subsidiaries as disclosed in Note 16.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

The ICPS shall confer on the holders thereof the following rights and privileges and be subject to the following conditions.

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 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.  |
| Voting rights   | : | Holders will have the same rights as ordinary shareholders on receiving notices, reports and audited financial statements 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: <ul style="list-style-type: none"><li>(a) reduction of the Company's share capital;</li><li>(b) disposal of the whole of the Company's property, business and undertaking;</li><li>(c) proposal varying or affecting rights, privileges or conditions attached to the ICPS, or the exercise of any of those rights, privileges or conditions;</li><li>(d) winding-up of the Company; and</li><li>(e) during the winding up of the Company.</li></ul> |
|   |   | The holders shall have 1 vote for each of the ICPS held.  |
| Winding-up/<br>reduction of<br>capital/other return<br>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.<br><br>(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.   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

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

- |                                    |   |  |
|------------------------------------|---|--|
| Conversion                         | : | <p>(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 Malaysia Securities Berhad.</p> <p>(b) Any ICPS not converted will be mandatorily converted into Conversion Shares on the Maturity Date on the basis set out in Paragraph (a).</p> <p>(c) Fraction of Conversion Shares arising from conversion shall be disregarded.</p> <p>(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.</p> |
| Redemption                         | : | Irredeemable.  |
| Transferability                    | : | Transferable.  |
| Liquidation –<br>Conversion Shares | : | <p>(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.</p> <p>(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.</p>  |

## 30. Merger deficit

	Group	
	2018 RM	2017 RM
At 1 January	(312,038,809)	-
Acquisition of subsidiaries (Note 16(a))	-	(312,038,809)
At 31 December	(312,038,809)	(312,038,809)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 31. 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 and the Company and related parties took place at terms agreed between the parties during the financial year:

	2018 RM	2017 RM
<b>Group</b>		
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	140,700	69,400
<b>Company</b>		
Subsidiary:		
- Dividends received	-	30,280,000

### (b) Compensation of key management personnel

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fees	80,000	75,000	80,000	75,000
Salaries and other emoluments	4,726,180	3,015,988	219,020	110,753
Defined contribution plan	538,645	343,113	-	-
Benefits-in-kind	314,855	230,103	-	-
Total (Note 11)	5,659,680	3,664,204	299,020	185,753

## 32. Commitments

### (a) Capital commitments

Capital commitments as at the reporting date are as follows:

	Group	
	2018 RM	2017 RM
Approved and contracted for:		
- investment properties under construction	33,967,456	54,513,376

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 32. Commitments (cont'd)

### (b) 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 between 1 and 5 years (2017: 4 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	
	2018 RM	2017 RM
Not later than 1 year	2,301,878	482,058
Later than 1 year but not later than 5 years	6,463,158	854,448
	<u>8,765,036</u>	<u>1,336,506</u>

### (c) Finance lease commitments

The Group has finance leases for motor vehicles (Note 14). The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

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

	Group	
	2018 RM	2017 RM
<b>Minimum lease payments:</b>		
Not later than 1 year	302,384	138,791
Later than 1 year but not later than 2 years	247,656	54,705
Later than 2 years but not later than 5 years	641,690	-
Total minimum lease payments	1,191,730	193,496
Less: Amounts representing finance charges	(106,790)	(6,969)
Present value of minimum lease payments	<u>1,084,940</u>	<u>186,527</u>
<b>Present value of payments:</b>		
Not later than 1 year	261,017	132,464
Later than 1 year but not later than 2 years	216,743	54,063
Later than 2 years but not later than 5 years	607,180	-
Present value of minimum lease payments (Note 25)	1,084,940	186,527
Less: Amount due within 12 months (Note 25)	(261,017)	(132,464)
Amount due after 12 months (Note 25)	<u>823,923</u>	<u>54,063</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 33. Fair value of financial assets and liabilities

### (a) Assets 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
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
<b>Group</b>				
Investment securities (Note 23)				
- 2018	1,132,672	-	-	1,132,672
- 2017	496,689	-	-	496,689

#### Determination of fair value

The investment securities are money market fund, where the fair values of the investment is determined directly by reference to their published market bid price at the reporting date.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

### (b) 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

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

	Fair value measurements at the reporting date using				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
<b>Group</b>					
Loans and borrowings (non-current)					
- obligations under finance leases (Note 25)					
- 2018	-	790,046	-	790,046	823,923
- 2017	-	51,430	-	51,430	54,063

#### Determination of fair value

#### **Loans and borrowings – obligations under finance leases**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### (c) 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	21
Cash and bank balances	24
Loans and borrowings (current)	25
Loans and borrowings (non-current – excluding obligations under finance leases)	25
Trade and other payables (excluding rental received in advance)	26

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

## 34. 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's 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 and the Company's exposure to these financial risks or the manner in which they manage and measure 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 and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company'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 and the Company's exposure to bad debts is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### (a) Credit risk (cont'd)

#### Exposure to credit risk

At the reporting date, the Group's 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 RM196,967,255 (2017: RM21,467,880) relating to guarantees provided by the Company to banks for banking facilities granted to subsidiaries.

#### Credit risk concentration profile

The Group and the Company do 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 except for the amounts due from subsidiaries of the Company as disclosed in Note 21.

#### Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Majority of trade receivables from property development segment were financed by back-to-back end-financed from financial institutions. Accordingly, the directors assessed that the credit risk exposure arising from property development activities to be minimal. Set out below is the information about the credit risk exposure on the Group's trade receivables for trading of building materials segment using a provision matrix:

	Trade receivables					
	Days past due					
	Current RM	31-60 days RM	61-90 days RM	91-365 days RM	More than 365 days RM	Total RM
31 December 2018						
Expected credit loss rate	0.35%	0.35%	0.36%	0.48%	100%	
Estimated total gross carrying amount at default	1,971,060	1,434,384	1,819,152	2,940,013	44,526	8,209,135
Expected credit loss	6,990	5,087	6,637	14,256	44,526	77,496

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

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

### (a) Credit risk (cont'd)

#### Trade receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables for trading of building materials segment using a provision matrix (contd):

	Trade receivables					
	Days past due					
	Current	31-60	61-90	91-365	More	Total
1 January 2018	RM	days	days	days	than 365	RM
		RM	RM	RM	days	
					RM	
Expected credit loss rate	0.35%	0.35%	0.36%	0.48%	100%	
Estimated total gross carrying amount at default	1,677,816	718,335	194,380	514,151	-	3,104,682
Expected credit loss	5,950	2,547	709	2,494	-	11,700

### (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's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's 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's 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's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
<b>Group</b>				
<b>2018</b>				
<b>Financial assets:</b>				
Trade and other receivables	22,341,546	-	-	22,341,546
Investment securities	1,132,672	-	-	1,132,672
Cash and bank balances	12,465,332	-	-	12,465,332
Total undiscounted financial assets	35,939,550	-	-	35,939,550

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 34. 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
<b>Group (cont'd)</b>				
<b>2018</b>				
<b>Financial liabilities:</b>				
Trade and other payables	34,802,603	-	-	34,802,603
Loans and borrowings	115,307,873	21,956,842	13,146,390	150,411,105
Total undiscounted financial liabilities	150,110,476	21,956,842	13,146,390	185,213,708
Total net undiscounted financial liabilities	(114,170,926)	(21,956,842)	(13,146,390)	(149,274,158)
<b>2017</b>				
<b>Financial assets:</b>				
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
<b>Financial liabilities:</b>				
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)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 34. 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	
	2018 RM	2017 RM
<b>Company</b>		
<b>Financial assets:</b>		
Trade and other receivables	23,304,115	25,286,500
Cash and bank balances	1,106,089	3,173,351
Total undiscounted financial assets	24,410,204	28,459,851
<b>Financial liabilities:</b>		
Trade and other payables, representing total undiscounted financial liabilities	21,655,475	139,830
Total net undiscounted financial assets	2,754,729	28,320,021
Financial guarantee contracts	196,967,255	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.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 (2017: 25) basis point lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM355,768 (2017: 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.

## 35. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a healthy capital ratio in order to support their businesses and maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and 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 financial years ended 31 December 2018 and 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 35. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group's policy is to keep the gearing ratio below 66%. The Group includes within debt, loans and borrowings. Capital includes equity attributable to owners of the Company.

Gearing ratio is not used to monitor capital for the Company as the Company is an investment holding company.

	Group	
	2018 RM	2017 RM
Debt – loans and borrowings	143,392,198	116,873,561
Capital – equity attributable to the owners of the Company	201,192,873	247,875,753
Capital and debt	344,585,071	364,749,314
Gearing ratio	42%	32%

## 36. 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 holding

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 consolidated financial statements.

Transfer prices between operating segments are at terms agreed between the parties during the financial

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

year.

## 36. Segment information (cont'd)

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

	31 December 2018					
	Property development	Trading of building materials	Others	Adjustments and eliminations	Note	Per consolidated financial statements
	RM	RM	RM	RM		RM
<b>Revenue:</b>						
External customers	7,624,302	17,579,158	-	-		25,203,460
Inter-segment	-	-	-	-	A	-
Total revenue	7,624,302	17,579,158	-	-		25,203,460
<b>Results:</b>						
Interest income	2,289,123	199,663	39,433	(2,102,474)	A	425,745
Depreciation and amortisation	726,744	76,516	324,446	1,313,797	B	2,441,503
Other non-cash items	832,590	86,890	25,299,589	(26,617,877)	C	(398,808)
Segment loss	(17,934,086)	(780,723)	(26,826,109)	24,528,117		(21,012,801)
<b>Assets:</b>						
Additions to non-current assets	25,852,988	484,389	-	-	D	26,337,377
Segment assets	385,835,284	40,942,935	703,718,067	(747,533,681)	E	382,962,605
<b>Liabilities:</b>						
Segment liabilities	226,800,595	31,315,081	213,110,708	(289,456,652)	F	181,769,732

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 36. Segment information (cont'd)

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

	31 December 2017					Per consolidated financial statements
	Property development RM	Trading of building materials RM	Others RM	Adjustments and eliminations RM	Note	RM
<b>Revenue:</b>						
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
<b>Results:</b>						
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 items	11,836	3,871	17,811,022	(2,858,490)	C	14,968,239
Segment (loss)/profit	7,476,315	(327,931)	59,857,868	(88,553,594)		(21,547,342)
<b>Assets:</b>						
Additions to non-current assets	22,103,332	42,500	-	(1,876)	D	22,143,956
Segment assets	411,315,832	9,310,234	782,150,922	(797,354,537)	E	405,422,451
<b>Liabilities:</b>						
Segment liabilities	229,851,695	2,578,165	239,673,807	(314,556,969)	F	157,546,698

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 36. 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.

	Note	2018 RM	2017 RM
B	Depreciation and amortisation consist of:		
	Depreciation of:		
	- Property, plant and equipment	9	2,204,331
	- investment properties	9	237,172
			<hr/>
		2,441,503	1,198,773

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

	Note	2018 RM	2017 RM
Allowance for impairment loss on trade and other receivables	9	65,796	71,853
Allowance for impairment loss on other investment	9	1,493	-
Inventories written down	9	51,094	-
Gain on disposal of property, plant and equipment	7	(550,555)	(199,589)
Property, plant and equipment written off	9	35,225	13
Reversal of impairment loss on trade and other receivables	9	(4,349)	(56,536)
Trade receivables written off	9	8,694	-
Fair value (gain)/loss on investment securities	7/9	(6,206)	1,567
Impairment of goodwill	9	-	15,150,931
		<hr/>	<hr/>
		(398,808)	14,968,239

D Additions to non-current assets consist of:

- Property, plant and equipment	14	1,270,162	138,231
- Inventory properties (non-current)	19(a)	686,609	13,026,324
- Investment properties	15	24,380,606	8,979,401
		<hr/>	<hr/>
		26,337,377	22,143,956

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

## 36. Segment information (cont'd)

### Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd)

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

	2018 RM	2017 RM
Inter-segment assets and consolidation adjustments	(747,533,681)	(797,354,537)

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

	2018 RM	2017 RM
Inter-segment liabilities and consolidation adjustments	(289,456,652)	(314,556,969)

## 37. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 17 April 2019.

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# 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 19 June 2019 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 125 of the Company's Constitution:-			
2(a)	- Fong Kin Wui	1		
2(b)	- Chan Ka Tsung	2		
3	To approve payment of Directors' Fees of RM80,000 for the financial year ended 31 December 2018.	3		
4	To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 from July 2019 until June 2020.	4		
5	To re-appoint Auditors and to authorise the Directors to fix their remuneration.	5		
6	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	6		
7	Authority to issue and allot new ordinary shares.	7		

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.

\_\_\_\_\_  
Signature or Common Seal of Shareholder(s)

Signed this ..... day of ..... 2019

Number of shares held

**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 12 June 2019. 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.*

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

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**WMG Holdings Bhd.** (1166985-X)  
Wisma WMG,  
Lot 1 & 2, Jalan Indah Jaya,  
Taman Indah Jaya,  
Jalan Lintas Selatan,  
90000 Sandakan, Sabah, Malaysia

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