WMG
SINCE 1979

WMG HOLDINGS BHD.

Registration No. 201501041664 (1166985-X)

ANNUAL REPORT

2019

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **FIFTH ANNUAL GENERAL MEETING** of the Company ("5th AGM") will be held at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") on 30 June 2020 at 5.00 p.m. and conducted entirely through live streaming from the Broadcast Venue to transact the following businesses:

AGENDA	Resolution No.
Ordinary Business	
1. To receive the Audited Financial Statements for the year ended 31 December 2019 and the reports of the Directors and Auditors thereon. *(Please see Explanatory Note a)*	-
2. To re-elect the following Directors retiring in accordance with Article 125 of the Company's Constitution:	
(a) Seah Sen Onn @ David Seah	**1**
(b) Datuk Eric Usip Juin	**2**
3. To re-elect the Managing Director, Datuk Quek Siew Hau retiring in accordance with Article 117 of the Company's Constitution.	**3**
4. To approve payment of Directors' fees of RM80,000 for the financial year ended 31 December 2019. *(Please see Explanatory Note b)*	**4**
5. To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 for the period from July 2020 until June 2021. *(Please see Explanatory Note b)*	**5**
6. To re-appoint Auditors and authorise the Directors to fix their remuneration.	**6**

Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. ORDINARY RESOLUTION — **7**

Proposed Renewal Of Shareholders' Mandate For Recurrent Related Parties Transactions Of A Revenue Or Trading Nature

"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 5 June 2020 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

(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."
(Please see Explanatory Note c)

8. ORDINARY RESOLUTION 8
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."
(Please see Explanatory Note d)

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

BY ORDER OF THE BOARD

THIEN VUI HENG (MIA 5970)
SSM Practising Certificate No. 202008000028
CHUNG CHEN VUI (MIA 7384)
SSM Practising Certificate No. 202008000649
Company Secretaries

Sandakan, Sabah
5 June 2020

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

IMPORTANT NOTICE:

1. In view of the social distancing requirements under the Movement Control Order (MCO) that was issued following the Covid-19 outbreak, the 5th AGM will be conducted on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online.

2. Shareholders/proxy(ies) who wish to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") may do so remotely via the RPV facilities. Please follow the procedures provided in the Administrative Details for the 5th AGM in order to register, participate and vote remotely.

3. The Broadcast Venue of the 5th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No Shareholders/proxy(ies) will be allowed to be physically present at the Broadcast Venue as the Company has to comply with the MCO social distancing requirements.

PROXY NOTES:

1. A Member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in their place. A proxy may but need not be a member of the Company.

2. A Member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the Member at the AGM via RPV.

3. Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company that is standing to the credit of the said securities account.

4. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

5. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of two (2) authorised officers, one of whom shall be a Director, or of its attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialed.

7. A Member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 5th AGM via RPV facilities must request his/her proxy to register himself/herself at TIIH Online website at https://tiih.online. Please follow the procedures for RPV in the Administrative Details for 5th AGM.

8. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

   i. In Hardcopy Form
   The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding this AGM or no later than 28 June 2020 at 5.00 p.m.

   ii. By electronic means
   The Form of Proxy can be electronically lodged to the Share Registrar of the Company via TIIH Online at https://tiih.online. (Kindly refer to the Administrative Details for 5th AGM on the procedures for the electronic lodgement of Proxy Form via TIIH Online.)

9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

PROXY NOTES: (cont'd)

10. For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment with the Share Registrar of the Company at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:

    (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
    (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
        (a) at least two (2) authorised officers, of whom one shall be a director; or
        (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

11. For the purpose of determining a member who shall be entitled to participate this meeting via the RPV facilities, 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 23 June 2020. Only a depositor whose name appears therein shall be entitled to participate this meeting or appoint a proxy to participate and/or vote on his stead.

EXPLANATORY 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) 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 4; 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 2020 until June 2021 pursuant to Ordinary Resolution 5.

c) Ordinary Resolution (Resolution 7)
Ordinary Resolution No 7, 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 5 June 2020 which is despatched with the Company's 2019 Annual Report.

d) Ordinary Resolution (Resolution 8)
Ordinary Resolution No 8, 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 securities is a renewal of the mandate that was approved by the shareholders on 19 June 2019. The Company did not utilise the mandate that was approved last year. This general mandate will give flexibility to the Company for any possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings, acquisitions and/or issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit and in the best interest of the Company.

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 2019. "

CORPORATE DEVELOPMENTS

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

PERFORMANCE

2019 was a challenging year. For the financial year under review, the Group incurred a loss after tax of RM16.47 million mainly due to the soft property market. The Group performance is further 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 2019 at the forthcoming Annual General Meeting of the Company.

PROSPECTS

As at 31 December 2019, the Group has three ongoing property development projects – one in Kota Kinabalu and two in Sandakan with total unbilled sales of RM53.16 million and gross development value of unsold properties of RM130.74 million.

The 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu are expected to be completed in year 2021. The two projects in Sandakan - the residential Sri Indah Kondominium project comprising 240 units (Block A and B) and the commercial project known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building – both are expected to be completed in year 2020.

The Group is also planning to launch affordable and medium cost properties premised on better market demand and property market sentiments in the short and medium term.

Barring any unforeseen circumstances, the Group expects year 2020 to remain very challenging in view of the prevailing economic conditions and the soft property market which was further impacted by expected job cuts and global recession in the wake of the covid-19 outbreak.

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 untiring efforts and perseverance.

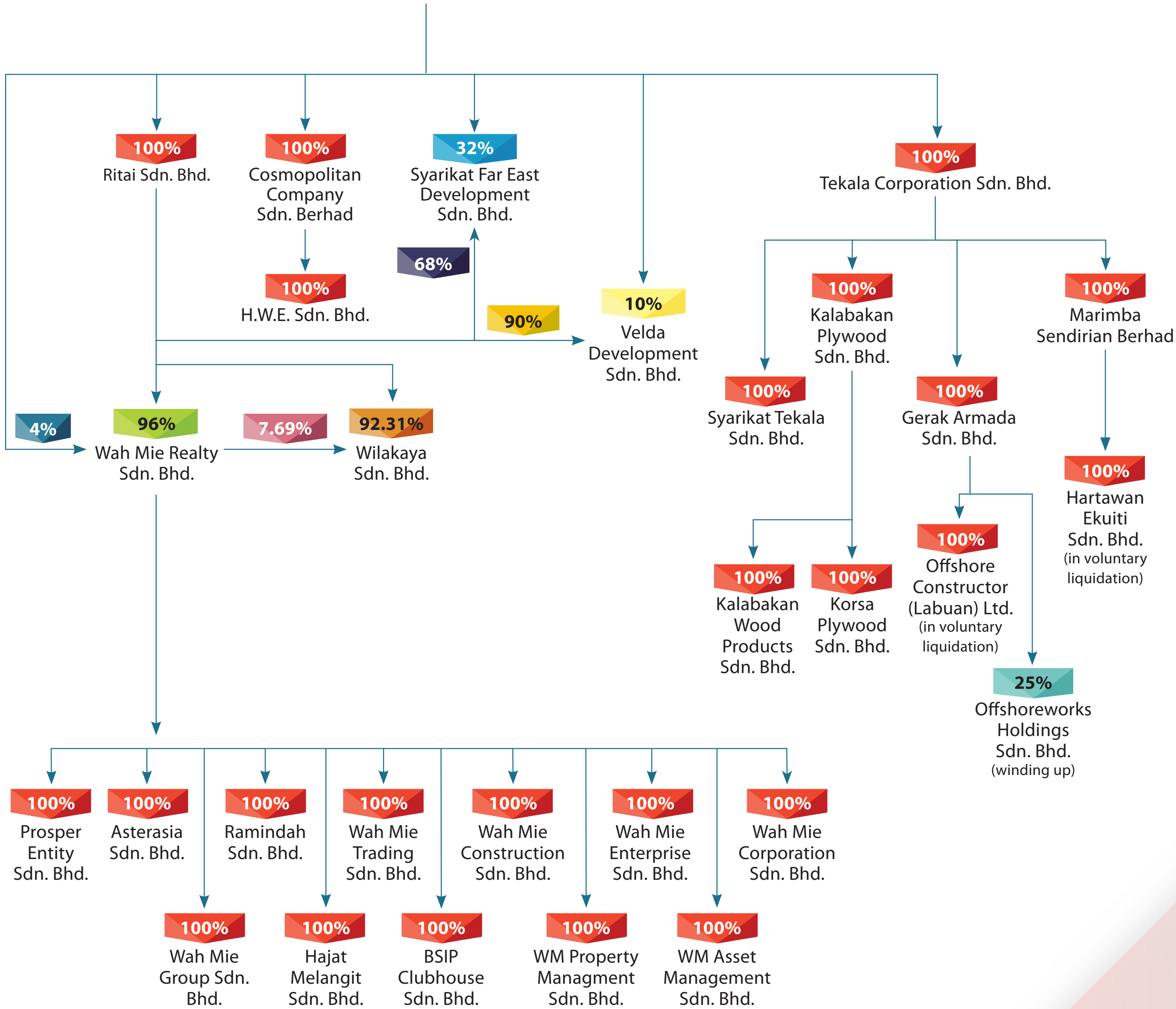
DATUK ERIC USIP JUIN
CHAIRMAN

Sandakan
28 May 2020

CORPORATE STRUCTURE

As at 31 December 2019

WMG HOLDINGS BHD.
Registration No. 201501041664 (1166985-X)



CORPORATE AND OTHER INFORMATION

BOARD OF DIRECTORS

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

KEY SENIOR MANAGEMENT

Lim Ted Hing (Exco Chairman)
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

COMPANY SECRETARIES

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

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & 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 30 April 2020, a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting dated 5 June 2020.

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 2019 are disclosed in Note 11 to the financial statements.

NUMBER OF BOARD MEETINGS

The Company held five (5) 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 ended 31 December 2019 by the external auditors and its affiliated company amounted to RM272,000 and RM69,300 respectively.

MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year ended 31 December 2019 other than the related party transactions as disclosed in note 32 to the financial statements.

RECURRENT RELATED PARTY TRANSACTIONS

The Company is seeking renewal of shareholders' mandate for the above transactions pursuant to the Circular to Shareholders dated 5 June 2020.

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 charges for the internal audit function in respect of the financial year ended 31 December 2019 amounted to RM30,000.00.

DIRECTORS AND KEY SENIOR MANAGEMENT

DIRECTORS AND KEY SENIOR MANAGEMENT (cont'd)

The profile of the Directors and the key management are as follows:-

01 Datuk Eric Usip Juin

Chairman/ Senior Independent Non-Executive Director

Gender : Male
Age : 67

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, the Remuneration Committee, the Nominating Committee and the Risk Management 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 2019. 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.

02 Lim Ted Hing

Exco Chairman/ Key Senior Management

Gender : Male
Age : 64

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, Innoprise Plantations Berhad and several other private companies. He has attended all five Board Meetings held during the financial year ended 31 December 2019. 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)

03 | Datuk Quek Siew Hau

Managing Director/ Key Senior Management

Gender : Male
Age : 64

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 and a member of the Risk Management Committee of the Board. 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 2019. 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.

04 | Fong Kin Wui

Deputy Managing Director/ Key Senior Management

Gender : Male
Age : 60

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 a 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 2019. 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.

05 | Seah Sen Onn @ David Seah

Executive Director/ Key Senior Management

Gender : Male
Age : 51

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 and a member of the Risk Management Committee of the Board. 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 2019. 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.

06 | Chan Ka Tsung

Executive Director/ Key Senior Management

Gender : Male
Age : 37

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 2019. 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.

07 | Tan Kung Ming

Independent Non-Executive Director

Gender : Male
Age : 49

A Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 4 July 2017. He was an Independent Non-Executive Director of Tekala Corporation Berhad from 1 November 2008 to 28 February 2018.

He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is the Chairman of the Audit Committee, the Nominating Committee and the Risk Management 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 2019. 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.

08 | Hajah Shakinur Ain Binti Hj Karama

Independent Non-Executive Director

Gender : Female
Age : 51

A Malaysian with honours degree in Bachelor of Law (LLB) from University of Malaya which she obtained in 1991. She is an Independent Non-Executive Director of the Company and was appointed to the Board on 4 July 2017. She Chambered at Messrs Peter Lo & Co from May 1991 to June 1992 and was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak in June 1992. Thereafter, she served as a legal assistant at the firm until 2005, when she was made a partner.

In October 1996, she was allowed by the Sabah Chief Syar'ie Judge to practice as a Syar'ie Lawyer in the Syariah Courts of Sabah. She was the Secretary of the Inquiry Committee from 1 September 2006 to 31 August 2008. During that time, she, together with the Chairman and other members of the committee, presided over cases of complaints against Advocates in Sabah. Currently, she is in charge of conventional and Islamic conveyancing and banking matters at Messrs Peter Lo & Co. Her experience encompasses general banking matters, corporate loan facilities, finance documentation and conventional and Islamic financing structures. She is the Chairman of the Remuneration Committee and a member of the Audit Committee, the Nominating Committee and the Risk Management 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 2019. 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 2019. The application of each practice set out in the Code and its departure are reported in Bursa Malaysia's prescribed format ("CG Report"), accessible via the Company's website, 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.

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

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.

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 five (5) committees comprising Executive Committee, Remuneration Committee, Nominating Committee, Audit Committee and the Risk Management Committee which was established on 28 September 2019 to oversee the Company's risk management framework and policies.

The Risk Management Committee comprises a majority of the three Independent Directors and two Executive Directors of the Company. The members are as follows:-

- Tan Kung Ming (Chairman)
- Datuk Eric Usip Juin
- Datuk Quek Siew Hau
- Seah Sen Onn @ David Seah
- Hajah Shakinur Ain Binti Hj Karama

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

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

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

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 recruited and retained by the Group. There are no attendance fee for both executive and non-executive directors as attendance are expected of the directors in the discharge of their duties as Directors. The remuneration of each director will commensurate with the responsibilities undertaken by the respective directors.

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

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

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

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

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

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

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

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

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

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

The Annual General Meeting serves as a principal forum for dialogue with shareholders. Adequate notice of at least 21 days prior to the 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 are expected to 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 DISSUSSION AND ANALYSIS

Principal Activities

The principal activities of the Group are property development, property letting and trading of building materials. For the financial year ended 31 December 2019, 43% (2018: 30%) of the revenue was from property development, 48% (2018: 70%) was from trading of building materials and the balance of 9% (2018: Nil) was from property letting.

During the financial year under review, the Group launched 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu and completed the hypermarket in Sandakan, to be leased to Mydin on a long-term basis. As at year end, the ongoing projects are the residential condominium project in Sandakan known as Sri Indah Kondominium, comprising 240 units and the commercial project in Sandakan known as Sejati Corporate Garden comprising 20 units of semi-detached corporate building.

Financial Performance

2019 was a challenging year for the Group. The Group's loss after tax amounted to RM16.47 million, which is lower than the previous year of RM21.67 million.

The revenue generated by the Group for the current year amounted to RM57.06 million compared to the previous year of RM25.20 million. This comprised RM29.54 million (2018: RM7.62 million) from the property development segment and RM27.52 million (2018: RM17.58 million) from the trading of building materials segment.

The Group recorded a gross profit of RM11.94 million (2018: RM4.61 million) comprising RM7.82 million (2018: RM4.07 million) from property development, RM0.94 million (2018: RM0.54 million) from trading of building materials and RM3.18 million (2018: Nil) from renting of investment properties. In addition, the Group derived other rental income of RM1.58 million (2018: RM1.26 million) and interest income of RM0.45 million (2018: RM0.43 million).

The Group incurred a loss before tax of RM13.72 million (2018: RM21.01 million) after taking into account the interest, rental and other income totalling RM2.51 million (2018: RM2.50 million) and deducting expenses totalling RM28.17 million (2018: RM28.12 million) which includes finance cost of RM8.94 million (2018: RM6.22 million), administrative expenses of RM17.57 million (2018: RM20.20 million).

The revenue for 2019 consists of:-

- Sale from property development comprising sale of commercial project of RM1.18 million (2018: RM1.02 million), sale of residential properties of RM23.27 million (2018: RM6.44 million) and the balance of RM5.09 million (2018: RM0.16 million) was from rental and property management income.
- Sale of building materials to contractors amounted to RM27.52 million (2018: RM17.58 million).

The administrative expenses for 2019 consist of staff costs, directors' remuneration, depreciation, overhead and office expenses amounting to RM5.05 million (2018: RM5.70 million), RM4.77 million (2018: RM5.66 million), RM2.55 million (2018: RM2.44 million) and RM5.20 million (2018: RM6.40 million) respectively.

Working Capital, liquidity and Capital Expenditure

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

As at the current financial year ended 31 December 2019, the Group has net assets of RM184.70 million after deducting net current liabilities of RM12.53 million compared to the previous year's net assets of RM201.19 million which included net current liabilities of RM23.73 million.

As at year end, the Group's outstanding borrowings increased from RM143.39 million to RM215.04 million (including obligations under finance leases). The unutilised banking facilities of RM120.36 million (2018: RM216.59 million) includes project financing of RM80.03 million (2018: RM126.89 million), term loan of nil (2018: RM33 million), trade lines of RM25.38 million (2018: RM26.62 million) and revolving credits and overdraft for general working capital requirements of RM14.95 million (2018: RM20.18 million).

Subsequent to financial year under review, a Subsidiary secured a new RM40 million revolving credit facilities to supplement its general working capital requirements.

For the financial year end under review, the Group incurred capital expenditure of RM30.58 million (2018: RM25.65 million) comprising additions to investment properties of RM30.19 million (2018: RM24.38 million) and properties, plant and equipment of RM0.39 million (2018: RM1.27 million).

Prospects, challenges and Strategies

The prospects of the Group in 2020 is expected to remain very challenging in view of the prevailing economic conditions and the soft property market which was further impacted by expected job cuts and global recession in the wake of the covid-19 outbreak.

Nevertheless, the Directors would continue to strive to improve its performance in the future, devising strategies and measures to boost sales of its properties, building materials and pursue new profitable business.

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.

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.

In preparing the financial statements for the financial year ended 31 December 2019, 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.

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 findings of the internal auditors, their evaluation of the Group's system of internal control and risk management were duly reviewed by the Audit Committee and the Risk Management Committee as appropriate. The adequacy of the scope and functions of the internal audit functions and the quarterly reports and the draft audited financial statements were reviewed by the Audit Committee 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 work carried out by the internal auditors and the external auditors was evaluated and assurance received 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 for the financial year under review are as follows:-

DATUK ERIC USIP JUIN

• Audit Committee Conference 2019	15 April 2019
• Enterprise Risk Management for Board and Audit Committee	8 November 2019

DATUK QUEK SIEW HAU

• Enterprise Risk Management for Board and Audit Committee	8 November 2019

LIM TED HING

• Fundamentals of Corporate Directorship – The Role of the Board in Strategy and Risk Management Oversight	29 April 2019
• Evaluating Effective Internal Audit Function – Audit Committee's Guide	15 October 2019

FONG KIN WUI

• Tax Treatment on Interest Income, Interest Expenses and Rental Income – Latest Developments	23 September 2019
• 2020 Budget and Tax Conference	24 October 2019

SEAH SEN ONN @ DAVID SEAH

• Tax Treatment on Interest Income, Interest Expenses and Rental Income – Latest Developments	23 September 2019
• National Tax Seminar 2019	22 October 2019
• 2020 Budget and Tax Conference	24 October 2019

CHAN KA TSUNG

• How to Build Your Sustainable Short Stay Business Workshop	14 & 15 January 2020

TAN KUNG MING

• Governance Symposium 2019	7 March 2019
• Malaysian Tax Conference 2019	3 & 4 April 2019
• Audit Committee Conference 2019	15 April 2019
• National Tax Seminar 2019	4 November 2019
• Enterprise Risk Management for Board and Audit Committee	8 November 2019

HAJAH SHAKINUR AIN BINTI HJ KARAMA

• Audit Committee Conference 2019	15 April 2019
• Enterprise Risk Management for Board and Audit Committee	8 November 2019

STATEMENT ON NOMINATING COMMITTEE ACTIVITIES

The members of the Nominating Committee are as follows:-

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

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

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

For the financial year ended 31 December 2019, the Committee reviewed the training programmes of the Directors and 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 and was generally satisfied with its review.

SUSTAINABILITY STATEMENT

The market capitalization of the Company was below RM1 billion when it was listed on Bursa Malaysia Securities Berhad on 31 July 2017 and at the beginning of the financial year ended 31 December 2019. 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 in a sustainable manner as material sustainability matters. The Directors together with the management would continue to identify and manage other relevant sustainability matters including ensuring sufficient working capital and cash flows to sustain the Group's operation and development.

The Group is an established property developer in Sabah with a track record of over 35 years. The 170,000 sq ft hypermarket was completed in 2019 and leased to Mydin on 20 years lease. The Group is also planning to launch more affordable and medium cost houses in the future. As at 31 December 2019, 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 comprising two projects in Sandakan and one project in Kota Kinabalu. In Sandakan, the residential project, Sri Indah Kondominium comprises 240 units of condominium and the commercial project known as Sejati Corporate Garden comprises 20 units of semi-detached corporate building. In Kota Kinabalu, the project comprises 115 units of terrace houses at Taman Bukit Sepangar, Kota Kinabalu launched in the first quarter of year 2019.

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 for the financial year ended 31 December 2019. 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:-

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

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

AUDIT COMMITTEE REPORT
(cont'd)

(D) SUMMARY OF WORK OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2019, 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 & Internal Control (included in the annual report of the Company); and
(ii) Audit Committee Statement (included in the Circular to Shareholders dated 5 June 2020 in relation to Proposed Renewal of Shareholders' Mandate for Recurrent Related Parties Transactions of a Revenue or Trading Nature).

Further, the Audit Committee evaluated:

- the internal audit function of the Company which has been outsourced to Jeta PLT (formerly known as FS Chen & Associates);
- the performance of the external auditors and their fees; and
- the suitability and independence of Ernst & Young to be re-appointed as the external auditors of the Company for the following financial year ending 31 December 2020.

(E) SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

For the financial year ended 31 December 2019, the internal auditor carried out audit work pertaining to the following areas:-

- Capital expenditure;
- Health, Safety and Environment; and
- Review of recurrent related party transactions.

LIST OF PROPERTIES

Registered Owner	Location	Description	Tenure	Land Area (acres)	Age of building (year)	Net Book Value as at 31 Dec 2019 (RM'000)	Date of acquisition
(1) Properties							
Korsa Plywood Sdn Bhd	CL 105421814 Sungai Imam, Pasir Putih, Tawau, Sabah	Industrial land and building	Leasehold expiring 31.12.2076	46.38	25	13,333	08.07.1994
Wah Mie Realty Sdn Bhd	TL 077590482 and TL 077590473 Off Km 7.6, Jalan Utara Sandakan, Sabah	3-storey corporate office building and vacant residential lot	Leasehold expiring 31.12.2081	1.41	9	7,742	21.10.2010
(2) Investment properties							
Asterasia Sdn Bhd	Part of parent title CL 075126939 and PL076144020 off Jalan Airport, Sandakan, Sabah	Mydin Hypermarket	CL075126939 & PL076144020- leasehold expiring 13.02.2923	4.40	1	73,893	24.05.2019
Kalabakan Plywood Sdn Bhd	CL 105464766 Sungai Imam, Pasir Putih, Tawau, Sabah	Factory, warehouse, office and auxiliary buildings	Leasehold expiring 02.09.2923	32.73	30	18,729	31.07.1989
Kalabakan Wood Products Sdn Bhd	CL 105463956 Sungai Imam, Pasir Putih, Tawau, Sabah	Factory building	Leasehold expiring 31.12.2088	29.57	22	10,396	05.08.1993
Prosper Entity Sdn Bhd	Part of CL 075134360 and CL075381789 Bokara-Karamunting, Sandakan, Sabah	Proposed commercial buildings	CL075134360- Leasehold expiring 25.11.2893 CL075381789 - Leasehold expiring 14.11.2883	5.73	-	677	20.10.1997

LIST OF PROPERTIES
(cont'd)

Registered Owner	Location	Description	Tenure	Land Area (acres)	Age of building (year)	Net Book Value as at 31 Dec 2019 (RM'000)	Date of acquisition
(2) Investment properties (cont'd)							
Wah Mie Realty Sdn Bhd	CL 075433591 Off Km 9.3, Jalan Utara Sandakan, Sabah	Single-storey market building	Leasehold expiring 26.06.2926	0.59	20	967	13.12.1999
Wah Mie Realty Sdn Bhd	CL 075543047 Lot 1, Taman Airport Phase 1A, Off Airport Road Sandakan, Sabah	Corner 3-storey shop-office building	Leasehold expiring 31.12.2104	0.003	13	344	21.12.2006
Wah Mie Trading Sdn Bhd	Part of parent title CL015699804 Lot No. 32, Block F, Suria Inanam, Kota Kinabalu, Sabah	3-storey shop-office building	CL015699804- Leasehold expiring 31.12.2111	0.02	2	1,632	09.12.2016
Wah Mie Trading Sdn Bhd	CL 105430288 TB 2934, Lot A-25, Sedco Light Industrial Estate, Km 5, Apas Road Tawau, Sabah	Single-storey semi-detached light industrial workshop	Leasehold expiring 31.12.2042	0.13	34	55	02.10.1989

SHAREHOLDING STATISTICS
AS AT 30 APRIL 2020

Paid-Up & Issued Share Capital	:	426,167,169
Type of Share	:	Ordinary share
No of Shareholders	:	7,433
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	129	5,481	0.00
100 to 1,000	69	30,619	0.01
1,001 to 10,000	6,046	16,552,972	3.88
10,001 to 100,000	1,038	28,185,158	6.61
100,001 to 21,308,357*	150	141,392,919	33.18
21,308,358 and above**	1	240,000,020	56.32
TOTAL	**7,433**	**426,167,169**	**100.00**

Notes:-
* *Less than 5% of Issued Shares*
** *5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

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

DIRECTORS' INTERESTS

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

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

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

Notes:-

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

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. Of Shares Held	%
1.	SYARIKAT KRETAM (FAR EAST) HOLDINGS SDN BHD	240,000,020	56.32
2.	CHAN SAIK CHUEN SDN BHD	12,644,306	2.97
3.	QUEK CHIOW YONG HOLDINGS SDN BHD	11,296,253	2.65
4.	LIE TJIE MOH @ LEE CHEE HIONG	9,161,921	2.15
5.	SEAH TEE LEAN	8,611,245	2.02
6.	TAN TONG CHEW	6,807,707	1.60
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Pang Kim Fan (8051066)*	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

SHAREHOLDING STATISTICS
AS AT 30 APRIL 2020 (cont'd)

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

No.	Name	No. Of Shares Held	%
11.	CHIANG YOK LENG	3,587,085	0.84
12.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Pang Kim Fan (120012)*	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 *Pledged securities account for Kwan Hung Cheong (8093908)*	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 *C C Ho Sdn Bhd (T- 071001)*	2,022,958	0.47
19.	SEAH TEE SUI SDN BHD	1,985,766	0.47
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *Pledged securities account for Lau Kiing Ho (E-SDK)*	1,960,000	0.46
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *Amanahraya Investment Management Sdn Bhd For Fong Kin Wui (C346-240450)*	1,856,406	0.44
22.	UOB KAY HIAN NOMINEES (ASING) SDN BHD *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	1,645,210	0.39
23.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Lim Ted Hing (MY0410)*	1,463,000	0.34
24.	RAVINTHIRAN A/L MUTHIAN	1,382,641	0.32
25.	LAI THIAM POH	1,361,300	0.32
26.	FONG THAM HING ENTERPRISE SDN BHD	1,289,533	0.30
27.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account For Yeo Guik Hiang (JBU/UOB)*	1,232,900	0.29
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account For Lee Tian An*	1,220,280	0.29
29.	RHB CAPITAL NOMINEES (ASING) SDN BHD *Rosalind Wong Mei Wai (T-071582)*	1,196,734	0.28
30.	CARTABAN NOMINEES (ASING) SDN BHD *Exempt An for Standard Chartered Bank Singapore (EFGBHK-ASING)*	1,105,611	0.26

FINANCIAL STATEMENTS

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 2019.

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	(16,472,800)	(20,226,622)

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.

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

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

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.

Directors' benefits (cont'd)

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 32(b) to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Fees	80,000	80,000
Salaries and other emoluments	3,895,875	179,850
Defined contribution plan	468,267	22,510
Benefits-in-kind	329,079	-
	4,773,221	282,360

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:

	Number of ordinary shares			
Name of directors	**1.1.2019**	**Acquired**	**Sold**	**31.12.2019**
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' interests (cont'd)

	Number of ordinary shares			
Name of directors	**1.1.2019**	**Acquired**	**Sold**	**31.12.2019**
The Company				
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	**1.1.2019**	**Acquired**	**Redeemed**	**31.12.2019**
The Company				
Deemed interest:				
Datuk Quek Siew Hau	155,000,000	-	-	155,000,000
Fong Kin Wui	155,000,000	-	-	155,000,000
Seah Sen Onn @ David Seah	155,000,000	-	-	155,000,000
Lim Ted Hing	155,000,000	-	-	155,000,000
Chan Ka Tsung	155,000,000	-	-	155,000,000

	Number of ICPS			
Name of directors	**1.1.2019**	**Acquired**	**Sold**	**31.12.2019**
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.

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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

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

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

(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.

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.

Subsequent events

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

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young PLT	272,000	46,150

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 May 2020

Datuk Quek Siew Hau **Seah Sen Onn @ David Seah**

STATEMENT BY DIRECTORS

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

We, Datuk Quek Siew Hau and Seah Sen Onn @ David Seah, 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 45 to 142 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 May 2020

Datuk Quek Siew Hau **Seah Sen Onn @ David Seah**

STATUTORY DECLARATION

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

I, Seah Sen Onn @ David Seah, 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 45 to 142 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 Seah Sen Onn @ David Seah
at Kota Kinabalu in the State of Sabah
on 28 May 2020

Seah Sen Onn @ David Seah

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 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 142.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

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 RM23,111,308 and RM16,586,721 respectively for the financial year ended 31 December 2019.

Revenue for property development activities is recognised over time based on the percentage of completion basis. The percentage of completion is assessed by reference to the stage of completion of the projects based on the proportion of costs incurred and the estimated costs to complete for properties under construction. Adjustments may be made to initial budget estimates throughout the life of the development and may materially affect results. Significant judgment is required in determining the stage of completion, the costs incurred and the estimated costs to complete. In making the judgment and estimation, the management considers past experience.

We identified revenue and cost recognition on the sales of properties under construction as areas requiring audit focus due to the significance of the balances and the significant judgment made by the management.

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 2019;

- Agreed a sample of costs incurred to invoices and/or payments, 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 2.15, 2.20, 3.2(b), 4, 5 and 19(b) respectively to the financial statements.

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

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.

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.

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:

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

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

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

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

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

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

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

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

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)

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kwan Bitt Jing @ Winnie Kwan
03257/05/2022 J
Chartered Accountant

Kota Kinabalu, Malaysia
28 May 2020

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	4	57,061,622	25,203,460	-	-
Cost of sales	5	(45,122,546)	(20,598,278)	-	-
Gross profit		11,939,076	4,605,182	-	-
Other items of income					
Interest income	6	453,280	425,745	-	-
Other income	7	2,056,765	2,078,130	-	-
Other items of expense					
Selling and marketing expenses		(301,518)	(23,304)	-	-
Administrative expenses		(17,569,516)	(20,199,648)	(526,142)	(562,792)
Finance costs	8	(8,942,256)	(6,221,794)	-	-
Other expenses		(1,355,373)	(1,677,112)	(19,700,000)	-
Loss before tax	9	(13,719,542)	(21,012,801)	(20,226,142)	(562,792)
Income tax expense	12	(2,753,258)	(661,187)	(480)	-
Loss net of tax		(16,472,800)	(21,673,988)	(20,226,622)	(562,792)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the financial year		(16,472,800)	(21,673,988)	(20,226,622)	(562,792)
Loss per ordinary share attributable to owners of the Company (sen per share):					
Basic	13	(3.22)	(4.07)		
Diluted	13	(1.42)	(1.94)		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Non-current assets					
Property, plant and equipment	14	29,211,657	30,345,726	-	-
Investment properties	15	106,692,791	78,601,081	-	-
Investments in subsidiaries	16	-	-	563,478,707	583,178,707
Other investments	17	34,488	113,008	-	-
Deferred tax assets	18	2,797,314	4,066,925	-	-
Inventory properties	19	146,002,180	144,794,186	-	-
		284,738,430	257,920,926	563,478,707	583,178,707
Current assets					
Inventory properties	19	105,332,694	85,176,587	-	-
Trading inventories	20	1,007,595	987,531	-	-
Trade and other receivables	21	26,935,352	22,341,546	23,903,585	23,304,115
Prepayments		47,701	100,708	-	2,500
Contract assets	22	7,342,243	758,285	-	-
Income tax refundable		316,581	2,079,018	-	-
Investment securities	23	1,172,417	1,132,672	-	-
Cash and bank balances	24	11,557,785	12,465,332	87,020	1,106,089
		153,712,368	125,041,679	23,990,605	24,412,704
Total assets		438,450,798	382,962,605	587,469,312	607,591,411
Equity and liabilities					
Current liabilities					
Loans and borrowings	25	133,100,866	113,844,286	-	-
Lease liabilities	26	386,197	-	-	-
Trade and other payables	27	32,710,881	34,868,436	21,759,998	21,655,475
Income tax payable		48,550	63,455	-	-
		166,246,494	148,776,177	21,759,998	21,655,475
Net current (liabilities)/ assets		(12,534,126)	(23,734,498)	2,230,607	2,757,229

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019 (cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Equity and liabilities (cont'd)					
Non-current liabilities					
Loans and borrowings	25	81,938,429	29,547,912	-	-
Lease liabilities	26	911,966	-	-	-
Deferred tax liabilities	18	4,658,795	3,445,643	-	-
		87,509,190	32,993,555	-	-
Total liabilities		253,755,684	181,769,732	21,759,998	21,655,475
Net assets		184,695,114	201,192,873	565,709,314	585,935,936
Equity attributable to owners of the Company					
Share capital	28	229,133,063	229,133,063	229,133,063	229,133,063
Redeemable Convertible Preference Shares	29	149,172,930	149,172,930	149,172,930	149,172,930
Irredeemable Convertible Preference Shares	30	203,338,864	203,338,864	203,338,864	203,338,864
Merger deficit	31	(312,038,809)	(312,038,809)	-	-
(Accumulated losses)/ retained earnings		(84,910,934)	(68,413,175)	(15,935,543)	4,291,079
Total equity		184,695,114	201,192,873	565,709,314	585,935,936
Total equity and liabilities		438,450,798	382,962,605	587,469,312	607,591,411

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 2019

Group	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	Accumulated losses RM	Merger deficit RM
At 1 January 2019	201,192,873	229,133,063	149,172,930	203,338,864	(68,413,175)	(312,038,809)
Effect of MFRS 16 adoption (Note 2.2)	(24,959)	-	-	-	(24,959)	-
At 1 January 2019, restated	201,167,914	229,133,063	149,172,930	203,338,864	(68,438,134)	(312,038,809)
Loss net of tax	(16,472,800)	-	-	-	(16,472,800)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the financial year	(16,472,800)	-	-	-	(16,472,800)	-
At 31 December 2019	184,695,114	229,133,063	149,172,930	203,338,864	(84,910,934)	(312,038,809)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019 (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
At 1 January 2018	247,866,861	205,072,913	173,233,080	203,338,864	(21,739,187)	(312,038,809)
Loss net of tax	(21,673,988)	-	-	-	(21,673,988)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the financial year	(21,673,988)	-	-	-	(21,673,988)	-
Transactions with owners						
Redemption of Redeemable Convertible Preference Shares (Note 29)	(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)	-
At 31 December 2018	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 2019 (cont'd)

	Equity, total RM	Share capital RM	Redeemable Convertible Preference Shares RM	Irredeemable Convertible Preference Shares RM	(Accumulated losses)/ Retained earnings RM
Company					
At 1 January 2019	585,935,936	229,133,063	149,172,930	203,338,864	4,291,079
Loss net of tax	(20,226,622)	-	-	-	(20,226,622)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the financial year	(20,226,622)	-	-	-	(20,226,622)
At 31 December 2019	565,709,314	229,133,063	149,172,930	203,338,864	(15,935,543)
At 1 January 2018	611,498,728	205,072,913	173,233,080	203,338,864	29,853,871
Loss net of tax	(562,792)	-	-	-	(562,792)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the financial year	(562,792)	-	-	-	(562,792)
Transactions with owners					
Redemption of Redeemable Convertible Preference Shares (Note 29)	(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)
At 31 December 2018	585,935,936	229,133,063	149,172,930	203,338,864	4,291,079

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 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Operating activities				
Loss before tax	(13,719,542)	(21,012,801)	(20,226,142)	(562,792)
Adjustments for:				
Allowance for impairment losses on:				
- trade and other receivables	1,200	74,490	-	-
- investments in subsidiaries	-	-	19,700,000	-
Fair value loss on other investment	408	1,493	-	-
Inventories written down	440,165	51,094	-	-
Depreciation of investment properties	2,094,836	237,172	-	-
Depreciation of property, plant and equipment	1,946,583	2,204,331	-	-
Property, plant and equipment written off	5,484	35,225	-	-
Finance costs	8,942,256	6,221,794	-	-
Gain on disposal of property, plant and equipment	(235,996)	(550,555)	-	-
Interest income	(453,280)	(425,745)	-	-
Investment income from investment securities	(39,361)	(29,776)	-	-
Net fair value gain on investment securities	(384)	(6,206)	-	-
Reversal of impairment loss on trade and other receivables	(42,484)	(4,349)		
Utilisation of tax credit for tax penalty	-	852,636	-	-
Total adjustments	12,659,427	8,661,604	19,700,000	-

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Operating activities (cont'd)				
Operating cash flows before changes in working capital	(1,060,115)	(12,351,197)	(526,142)	(562,792)
Changes in working capital:				
Inventory properties	(21,364,101)	(5,639,934)	-	-
Trading inventories	(460,229)	25,280	-	-
Trade and other receivables	(4,552,522)	(2,892,649)	(599,470)	1,979,885
Prepayments	53,007	(17,779)	2,500	-
Contract assets	(6,583,958)	463,645	-	-
Trade and other payables	(2,157,555)	(2,081,589)	104,523	21,515,645
Total changes in working capital	(35,065,358)	(10,143,026)	(492,447)	23,495,530
Cash flows (used in)/from operations	(36,125,473)	(22,494,223)	(1,018,589)	22,932,738
Interest received	340,257	320,975	-	-
Interest paid	(188,096)	(311,289)	-	-
Income tax paid	(414,750)	(2,129,791)	(480)	-
Income tax refunded	1,899,669	1,023,898	-	-
Net cash flows (used in)/ from operating activities	(34,488,393)	(23,590,430)	(1,019,069)	22,932,738
Investing activities				
Investment income received	39,361	29,776	-	-
Additions to investment properties	(29,422,680)	(24,240,302)	-	-
Purchase of property, plant and equipment	(167,212)	(156,662)	-	-
Proceeds from disposal of investment securities	-	991,303	-	-
Proceeds from disposal of plant and equipment	236,001	550,567	-	-
Proceeds from share capital reduction of other investment	78,112	-	-	-
Interest received	113,023	104,770	-	-
Purchase of investment securities	(39,361)	(1,621,080)	-	-
Decrease/(increase) of deposits	2,032,037	(63,744)	-	-
Net cash flows used in investing activities	(27,130,719)	(24,405,372)	-	-

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2019 (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financing activities				
Drawdown of bankers' acceptances	18,013,000	10,569,000	-	-
Drawdown of bridging loan	3,695,650	-	-	-
Drawdown of bridging overdraft	14,860,285	6,215,207	-	-
Drawdown of revolving credits	15,000,000	8,500,000	-	-
Drawdown of term loans	60,457,518	14,801,288	-	-
Repayment of bankers' acceptances	(18,773,000)	(7,654,000)	-	-
Repayment of bridging loan	(678,590)	-	-	-
Repayment of bridging overdraft	(4,520,672)	(939,931)	-	-
Repayment of revolving credits	(14,500,000)	(6,008,068)	-	-
Repayment of term loans	(5,828,888)	-	-	-
Payment of principal portion of lease liabilities	(470,409)	-	-	-
Repayment of hire purchase liabilities	-	(215,087)	-	-
Redemption of Redeemable Convertible Preference Shares	-	(25,000,000)	-	(25,000,000)
Interest paid	(9,247,033)	(5,985,890)	-	-
Net cash flows from/(used in) financing activities	58,007,861	(5,717,481)	-	(25,000,000)
Net decrease in cash and cash equivalents	(3,611,251)	(53,713,283)	(1,019,069)	(2,067,262)
Cash and cash equivalents at beginning of financial year	8,865,342	62,578,625	1,106,089	3,173,351
Cash and cash equivalents at end of financial year (Note 24)	5,254,091	8,865,342	87,020	1,106,089

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 2019

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

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

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 2019, 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 2019.

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

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

2.2 Changes in accounting policies (cont'd)

Except for MFRS 16, the adoption of these new and amended standards and interpretation did not have any effect on the financial performance or position of the Group and the Company. The Group and the Company applies MFRS 16 for the first time. The nature and effect of the changes as a result of the new accounting policy is described below.

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effects of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	Group RM
Assets	
Property, plant and equipment	430,791
Deferred tax assets	7,882
Total assets	438,673
Liabilities	
Lease liabilities	1,548,572
Loans and borrowings – hire purchase	(1,084,940)
Total liabilities	463,632
Total adjustment on equity:	
Accumulated losses	(24,959)

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

The Group has lease contracts for various items of premises and equipment. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer Note 2.19 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.19 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

<u>Leases previously classified as finance leases</u>

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 was applied to these leases from 1 January 2019.

<u>Leases previously accounted for as operating leases</u>

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

Based on the above, as at 1 January 2019:

- Right-of-use assets of RM1,599,391 was recognised and included within the same line item as that within which the corresponding underlying asset would be presented if were owned. This include the lease assets recognised previously under finance leases of RM1,168,600 in property, plant and equipment of the Group.
- Lease liabilities of RM463,632 were recognised and, added with finance lease liabilities previously included in loans and borrowings of the Group, were presented separately in statement of financial position of the Group.
- Deferred tax assets of the Group increased by RM7,882 because of the deferred tax impact of the changes in right-of-use assets and lease liabilities.
- The net effect of these adjustments had been adjusted to accumulated losses.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	Group RM
Assets	
Operating lease commitments as at 31 December 2018	507,500
Less:	
Commitments relating to short-term leases	(6,600)
	500,900
Weighted average incremental borrowing rate as at 1 January 2019	5.3%
Discounted operating lease commitments at 1 January 2019	463,632
Add:	
Hire purchase liabilities as at 31 December 2018	1,084,940
Lease liabilities as at 1 January 2019	1,548,572

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

2.3 Standards issued but not yet effective

The new and amended standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective.

Description	Effective for annual periods beginning or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	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 101 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments were made to MFRS 101 Presentation of Financial Statements and MFRS 108 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's and on the Company's financial statements.

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.

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

2.4 Basis of consolidation (cont'd)

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.

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.

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

2.4 Basis of consolidation (cont'd)

Business combinations and goodwill (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

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

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:

- Long-term leasehold land: 67 to 71 years
- Buildings: 5 to 45 years
- Motor vehicles: 3 to 8 years
- Furniture, fittings and equipment: 3 to 10 years
- Plant, machinery and heavy equipment: 3 to 8 years

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. Summary of significant accounting policies (cont'd)

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 remaining useful lives of the assets as follows:

- Long-term leasehold land: 70 to 911 years
- Buildings: 5 to 50 years

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.

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.

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

2.10 Impairment of non-financial assets (cont'd)

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.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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)

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

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)

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

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income 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.

Financial assets at fair value through OCI (equity instruments)

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.

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.

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 are carried in the statement 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 recognised as other income in the statement of 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.

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.

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.

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)

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.

Impairment

The Group recognises an allowance 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, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognised as a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix 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.

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

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

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

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

(b) Financial liabilities (cont'd)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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 statement 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.

2.12 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.

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

2.12 Fair value measurement (cont'd)

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.

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

2.13 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.

2.14 Cash and cash equivalents

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

2.15 Inventories

Trading inventory

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.

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

2.15 Inventories (cont'd)

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.

Principally, this is properties that the Group develops and intends to sell before, or on completion of, development.

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

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.

2.16 Provisions

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

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

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

2.17 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.

2.18 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.

2.19 Leases

Current financial year

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

2.19 Leases (cont'd)

Group as a lessee (cont'd)

(a) Right-of-use-assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Long-term leasehold lands: Remaining lease period of 67 to 71 years
Buildings: 5 - 7 years
Motor vehicles: 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.10.

The Group presents its right-of-use assets within the same line as that within which the corresponding underlying assets would be presented if there were own. Hence the right-of-use assets are included in property, plant and equipment, investment properties, land held for property development and properties under development respectively.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

2.19 Leases (cont'd)

Group as a lessee (cont'd)

(b) Lease liabilities (cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed in Note 26.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Lease in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental are recognised as revenue in the period in which they are earned.

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

2.19 Leases (cont'd)

Group as a lessor (cont'd)

Previous financial year

In the previous financial year, the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of 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 basis as rental income. The accounting policy for rental income is set out in Note 2.20(a). Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Revenue recognition

Revenue is measured based on the 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.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

2.20 Revenue recognition (cont'd)

The Group's key sources of income include:
- Rental income
- Revenue from contracts with customers: Sale of inventory property – completed property and property under development

The accounting for each of these elements is discussed below.

(a) Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option. For more information on the judgement involved, please see Note 3.

The initial direct costs and tenant lease incentives are presented as current assets in the line item 'Prepayments' in the statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

(b) Sale of inventory property

The Group enters into contracts with customers to sell properties that are either completed 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.

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

2.20 Revenue recognition (cont'd)

(b) Sale of inventory property (cont'd)

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.

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.

(c) Contract costs assets

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 the 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.

(d) Contract balances

(i) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

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

2.20 Revenue recognition (cont'd)

(d) Contract balances (cont'd)

(i) Contract assets and contract liabilities (cont'd)

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. Contract liablities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed, the difference is recognised (as a contract asset) and presented in the statement of financial position under "Contract assets", whereas in contracts in which the goods or services transferred are lower than the amount billed to the customer, the difference is recognised (as a contract liability) and presented in the statement of financial position under "Contract liabilities".

(ii) Trade receivables

A trade 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). Revenue earned from property development activities, but yet to be billed to customers, is initially recognised as contract assets and reclassified to trade receivables when the right to consideration becomes unconditional. Refer also to the accounting policies on financial assets in this Note 2.11.

(e) 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.

(f) 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.

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

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an 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.

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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) Sales and Service Tax ("SST")

Revenue is recognised net of the amount of SST 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.

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

2.22 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.

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

2.24 Segment reporting

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

3. Significant accounting judgements and estimates

The preparation of the Group's 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 accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities affected in the future periods.

Other disclosures relating to the Group's and the Company's exposure to risks and uncertainties includes:

- Capital management	Note 36
- Financial instruments risk management and policies	Note 35
- Sensitivity analysis disclosures	Note 35

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:

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 completed 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.

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

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

Revenue from contracts with customers (cont'd)

The Group applied the following judgements that significantly affect the determination of the amount and timing of 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 most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of property with delay penalties.

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

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

Revenue from contracts with customers (cont'd)

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

Determining method to estimate variable consideration and assessing the constraint (cont'd)

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.

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 and Note 22.

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 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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Deferred tax assets (cont'd)

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.

4. Revenue

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customers:				
Type of goods and services				
Property development:				
- sale of properties under development	23,111,308	3,180,347	-	-
- sale of completed properties	1,345,170	4,278,955	-	-
Administrative fee income	148,500	165,000	-	-
Sale of hardware, building materials and related goods	27,517,535	17,579,158	-	-
	52,122,513	25,203,460	-	-
Rental income	4,939,109	-	-	-
	57,061,622	25,203,460	-	-

4. Revenue (cont'd)

(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
2019			
Type of goods or service			
Sale of properties under development	23,111,308	-	23,111,308
Sale of completed properties	1,345,170	-	1,345,170
Administrative fee income	148,500	-	148,500
Sale of hardware, building materials and related goods	-	27,517,535	27,517,535
Total revenue from contracts with customers	24,604,978	27,517,535	52,122,513
Timing of revenue recognition			
At a point in time	1,345,170	27,517,535	28,862,705
Over time	23,259,808	-	23,259,808
Total revenue from contracts with customers	24,604,978	27,517,535	52,122,513
2018			
Type of goods or service			
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
Total revenue from contracts with customers	7,624,302	17,579,158	25,203,460
Timing of revenue recognition			
At a point in time	4,278,955	17,579,158	21,858,113
Over time	3,345,347	-	3,345,347
Total revenue from contracts with customers	7,624,302	17,579,158	25,203,460

4. Revenue (cont'd)

(b) Performance obligations

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

	Group	
	2019	**2018**
	RM	**RM**
Within one year	44,771,289	13,520,889
More than one year	5,356,984	13,362,117
	50,128,273	26,883,006

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 (2018: 3 years).

5. Cost of sales

	Group	
	2019	**2018**
	RM	**RM**
Property development:		
- properties under development (Note 19(b))	16,586,721	2,300,821
- property development costs over-accrued for projects completed in previous financial years	(733,713)	(1,048,834)
Cost of inventories sold:		
- completed properties	932,247	2,302,438
- hardware, building materials and related goods	26,578,137	17,043,853
Expense for rental income	1,759,154	-
	45,122,546	20,598,278

6. Interest income

	Group	
	2019	**2018**
	RM	**RM**
Interest income from:		
- bank balances and short-term deposits	197,043	243,953
- others	256,237	181,792
	453,280	425,745

7. Other income

	Group	
	2019	**2018**
	RM	**RM**
Gain on disposal of property, plant and equipment	235,996	550,555
Investment income from investment securities	39,361	29,776
Net fair value gain on investment securities	384	6,206
Net rental income	1,580,885	1,255,838
Realised gain on foreign exchange	(5)	3,394
Miscellaneous income	200,144	232,361
	2,056,765	2,078,130

8. Finance costs

	Group	
	2019	**2018**
	RM	**RM**
Interest expense on:		
- revolving credits	5,082,326	5,169,356
- term loans	3,614,444	669,981
- bankers' acceptances	271,537	124,326
- bridging overdraft	445,056	62,268
- bank overdrafts	188,096	311,289
- lease liabilities	64,191	24,878
- bridging loans	40,472	-
	9,706,122	6,362,098
Less: Interest expense capitalised in investment properties (Note 15)	(763,866)	(140,304)
	8,942,256	6,221,794

9. Loss before tax

The following items have been included in arriving at loss before tax:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Employee benefits expense (Note 10)	9,261,847	10,783,038	50,000	50,000
Non-executive directors' remuneration (Note 11)	232,360	263,231	232,360	249,020
Auditors' remuneration:				
- statutory audit				
- current year	272,000	270,650	46,150	45,000
- other services	69,300	100,506	3,500	1,000
Allowance for impairment loss on:				
- trade and other receivables (Notes 21(a) and (b))	1,200	74,490	-	-
- investments in subsidiaries (Note16)	-	-	19,700,000	-
Amortisation of contract cost assets (Note 22(b))	33,238	8,463	-	-
Depreciation of property, plant and equipment (Note 14)	1,946,583	2,204,331	-	-
Depreciation of investment properties (Note 15)	2,094,836	237,172	-	-
Expenses relating to short-term leases	26,400	-	-	-
Fair value loss on other investment	408	1,493	-	-
Inventories written down	440,165	51,094	-	-
Property, plant and equipment written off	5,484	35,225	-	-
Operating lease:				
- minimum lease payments for premises	-	60,156	-	-
- minimum lease payments for server	-	15,600	-	-
Reversal of impairment loss on trade and other receivables (Note 21(b))	(42,484)	(4,349)	-	-
Realised loss on foreign exchange	-	2,463	-	-

10. Employee benefits expense

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages and bonuses	8,208,484	9,502,553	50,000	50,000
Contributions to defined contribution plan	992,699	1,212,876	-	-
Social security contributions	60,664	67,609	-	-
	9,261,847	10,783,038	50,000	50,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM4,211,782 (2018: RM5,081,594) and RM50,000 (2018: RM50,000) respectively as further disclosed in Note 11.

11. Directors' remuneration

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive directors' remunerations (Note 10):				
- fees	50,000	50,000	50,000	50,000
- salaries and other emoluments	3,716,025	4,492,664	-	-
- contributions to defined contribution plan	445,757	538,930	-	-
Total executive directors' remuneration (excluding benefits-in-kind)	4,211,782	5,081,594	50,000	50,000
Estimated money value of benefits-in-kind	329,079	314,855	-	-
	4,540,861	5,396,449	50,000	50,000
Non-executive directors' remunerations (Note 9):				
- fees	30,000	30,000	30,000	30,000
- other emoluments	202,360	233,231	202,360	219,020
	232,360	263,231	232,360	249,020
Total directors' remuneration (Note 32(b))	4,773,221	5,659,680	282,360	299,020

11. Directors' remuneration (cont'd)

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
Group			
2019			
Executive directors:			
Datuk Quek Siew Hau	10,000	1,087,570	1,097,570
Fong Kin Wui	10,000	868,073	878,073
Lim Ted Hing	10,000	1,151,266	1,161,266
Seah Sen Onn @ David Seah	10,000	915,179	925,179
Chan Ka Tsung	10,000	468,773	478,773
	50,000	4,490,861	4,540,861
Non-executive directors:			
Datuk Eric Usip Juin	10,000	86,609	96,609
Tan Kung Ming	10,000	57,876	67,876
Hajah Shakinur Ain Binti Hj Karama	10,000	57,875	67,875
	30,000	202,360	232,360
	80,000	4,693,221	4,773,221
2018			
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

11. Directors' remuneration (cont'd)

	Directors' fees RM	Other emoluments RM	Total RM
Company			
2019			
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	86,609	96,609
Tan Kung Ming	10,000	57,876	67,876
Hajah Shakinur Ain Binti Hj Karama	10,000	57,875	67,875
	30,000	202,360	232,360
	80,000	202,360	282,360
2018			
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

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	243,081	71,588	-	-
- Under provision in respect of previous financial years	19,532	2,015,334	480	-
	262,613	2,086,922	480	-
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	2,396,886	(1,974,175)	-	-
- Under provision in respect of previous financial years	93,759	548,440	-	-
	2,490,645	(1,425,735)	-	-
Income tax expense recognised in profit or loss	2,753,258	661,187	480	-

12. Income tax expense (cont'd)

Reconciliation between tax expense and accounting loss

The reconciliations between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Loss before tax	(13,719,542)	(21,012,801)	(20,226,142)	(562,792)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(3,292,691)	(5,043,073)	(4,854,274)	(135,070)
Adjustments:				
Non-deductible expenses	5,691,364	2,504,726	4,854,274	135,070
Income not subject to tax	(2,099,168)	(23,775)		-
Deferred tax assets not recognised	2,351,969	873,233	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(11,507)	(213,698)	-	-
Under provision of income tax expense in respect of previous financial years	19,532	2,015,334	480	-
Under provision of deferred tax in respect of previous financial years	93,759	548,440	-	-
Income tax expense recognised in profit or loss	2,753,258	661,187	480	-

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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.

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	
	2019	**2018**
	RM	**RM**
Loss net of tax attributable to owners of the Company	(16,472,800)	(21,673,988)
Less: Cumulative dividend on RCPS	(10,850,000)	(11,066,712)
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share	(27,322,800)	(32,740,700)
Add back: Cumulative dividend on RCPS	10,850,000	11,066,712
Loss net of tax attributable to owners of the Company used in the computation of diluted loss per share	(16,472,800)	(21,673,988)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic loss per share computation*	848,730,753	803,580,123
Basic loss per ordinary share (sen)	(3.22)	(4.07)
Weighted average number of ordinary shares for basic loss per share computation	848,730,753	803,580,123
Effects of dilution:		
- RCPS	310,000,000	315,342,466
Weighted average number of ordinary shares for diluted loss per share computation	1,158,730,753	1,118,922,589
Diluted loss per ordinary share (sen)	(1.42)	(1.94)

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

14. Property, plant and equipment

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, Fittings and equipment RM	Plant, machinery and heavy equipment RM	Total RM
Group							
Cost							
At 1 January 2018	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 off	-	-	-	-	(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)
At 31 December 2018 and 1 January 2019	17,364,794	-	6,811,970	5,953,293	7,305,799	65,454,241	102,890,097
Adoption of MFRS 16 (Note 2.2)	-	-	996,112	-	-	-	996,112
At 1 January 2019, restated	17,364,794	-	7,808,082	5,953,293	7,305,799	65,454,241	103,886,209
Additions	-	-	-	308,001	79,211	-	387,212
Disposals	-	-	-	(1,397,960)	-	-	(1,397,960)
Write off	-	-	-	-	(28,195)	-	(28,195)
At 31 December 2019	17,364,794	-	7,808,082	4,863,334	7,356,815	65,454,241	102,847,266

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

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, Fittings and equipment RM	Plant, machinery and heavy equipment RM	Total RM
Group (cont'd)							
Accumulated depreciation							
At 1 January 2018	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 off	-	-	-	-	(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)
At 31 December 2018 and 1 January 2019	2,039,702	-	651,066	4,617,907	7,145,460	58,090,236	72,544,371
Adoption of MFRS 16 (Note 2.2)	-	-	565,321	-	-	-	565,321
At 1 January 2019, restated	2,039,702	-	1,216,387	4,617,907	7,145,460	58,090,236	73,109,692
Depreciation charge for the financial year (Note 9)	260,225	-	332,565	377,755	96,653	879,385	1,946,583
Disposals	-	-	-	(1,397,955)	-	-	(1,397,955)
Write off	-	-	-	-	(22,711)	-	(22,711)
At 31 December 2019	2,299,927	-	1,548,952	3,597,707	7,219,402	58,969,621	73,635,609

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
Net carrying amount							
At 31 December 2018	15,325,092	-	6,160,904	1,335,386	160,339	7,364,005	30,345,726
At 31 December 2019	15,064,867	-	6,259,130	1,265,627	137,413	6,484,620	29,211,657

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

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 26.

As at 31 December 2018, motor vehicles with carrying amount of RM1,168,000 were acquired under hire purchase financing.

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM387,212 (2018: RM1,270,162) of which RM220,000 (2018: RM1,113,500) were acquired by means of hire purchase financing. The cash outflows on acquisition of property, plant and equipment of the Group amounted to RM167,212 (2018: RM156,662).

Assets pledged/charged as securities

As at the reporting date, property, plant and equipment of the Group with total carrying amount of RM7,787,038 (2018: RM7,947,145) are pledged as securities for borrowings of the Group (Note 25).

15. Investment properties

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Properties under construction RM	Total RM
Group					
Cost					
At 1 January 2018	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
At 31 December 2018	22,721,128	39,299	37,258,259	43,680,901	103,699,587
Additions	-	-	6,615,040	23,571,506	30,186,546
Reclassification	-	-	66,838,101	(66,838,101)	-
At 31 December 2019	22,721,128	39,299	110,711,400	414,306	133,886,133

15. Investment properties (cont'd)

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Properties under construction RM	Total RM
Group (cont'd)					
Accumulated depreciation					
At 1 January 2018	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
At 31 December 2018	1,125,191	20,436	23,952,879	-	25,098,506
Depreciation charge for the financial year (Note 9)	146,104	786	1,947,946	-	2,094,836
At 31 December 2019	1,271,295	21,222	25,900,825	-	27,193,342
Net carrying amount					
At 31 December 2018	21,595,937	18,863	13,305,380	43,680,901	78,601,081
At 31 December 2019	21,449,833	18,077	84,810,575	414,306	106,692,791

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 RM75,622,440 (2018: RM46,968,502) 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)	105,725,206	132,823,000	Comparison method	Location, size, condition	RM90 to RM8,484 per square meter
Leasehold land and buildings (Level 3)	967,585	3,000,000	Investment method	Yield	4%

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

	Group	
	2019 RM	2018 RM
Interest expense capitalised (Note 8)	763,866	140,304

16. Investments in subsidiaries

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	583,178,707	583,178,707
Less: Allowance for impairment losses	(19,700,000)	-
	563,478,707	583,178,707

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name	Principal activities	Proportion (%) of ownership interest held by the Group* 2019	2018
Held by the Company:			
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**
Held through Cosmopolitan Company Sdn. Berhad:			
H. W. E. Sdn. Bhd.	Property development	100	100
Held through Ritai Sdn. Bhd.:			
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^
Syarikat Tekala Sdn. Bhd.	Provision of corporate services	100	100
Kalabakan Plywood Sdn. Bhd.	Property letting	100	100
Marimba Sendirian Berhad	Investment holding	100	100
Gerak Armada Sdn. Bhd.	Investment holding	100	100

16. Investments in subsidiaries (cont'd)

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

Name	Principal activities	Proportion (%) of ownership interest held by the Group* 2019	2018
Held through Kalabakan Plywood Sdn. Bhd.:			
Kalabakan Wood Products Sdn. Bhd.	Property letting	100	100
Korsa Plywood Sdn. Bhd.	Property holding	100	100
Held through Marimba Sendirian Berhad:			
Hartawan Ekuiti Sdn. Bhd.	Log timber trading (in process of voluntary winding up)	100	100
Held through Gerak Armada Sdn. Bhd.:			
Offshore Constructor (Labuan) Ltd.	Vessel chartering services (in process of voluntary winding up) ^^	100	100
Held through Wah Mie Realty Sdn. Bhd.:			
Asterasia Sdn. Bhd.	Property development and property letting	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
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

16. Investments in subsidiaries (cont'd)

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

Name	Principal activities	Proportion (%) of ownership interest held by the Group* 2019	2018
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**

* : Equals to the proportion of voting rights held
** : The remaining ownership interests in these companies are held through a subsidiary of the Company, Ritai Sdn. Bhd.
^ : The remaining ownership interests in this company are held through a subsidiary of Ritai Sdn. Bhd., Wah Mie Realty Sdn. Bhd..
^^: Offshore Constructor (Labuan) Ltd has declared dissolved pursuant to Section 131A of Labuan Companies Act 1990 on 26 February 2020.

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

Impairment of investments in subsidiaries

The Company recorded an impairment loss of RM19,700,000 on its investments in subsidiaries, namely Tekala Corporation Sdn. Bhd.. The recoverable amount of the investment in Tekala Corporation Sdn. Bhd. as at the reporting date is RM69,884,191.

17. Other investments

	Group 2019 RM	2018 RM
Unquoted shares in Malaysia	34,488	113,008

18. Deferred tax

	As at 1 January 2018 RM	MFRS 9 adoption RM	Recognised in profit or loss (Note 12) RM	As at 31 December 2018 RM	MFRS 16 adoption (Note 2.2) RM	Recognised in profit or loss (Note 12) RM	As at 31 December 2019 RM
Group							
Deferred tax liabilities:							
Property, plant and equipment	(3,680,105)	-	225,430	(3,454,675)	7,882	(1,941,915)	(5,388,708)
Rental receivables	-	-	(38,014)	(38,014)	-	(331,877)	(369,891)
Others	-	-	-	-	-	(10,921)	(10,921)
	(3,680,105)	-	187,416	(3,492,689)	7,882	(2,284,713)	(5,769,520)
Deferred tax assets:							
Accruals	1,853,671	-	(533,690)	1,319,981	-	66,153	1,386,134
Unused tax losses and unabsorbed capital allowances	1,019,173	-	1,588,346	2,607,519	-	(391,332)	2,216,187
Others	-	2,808	183,663	186,471	-	119,247	305,718
	2,872,844	2,808	1,238,319	4,113,971	-	(205,932)	3,908,039
	(807,261)	2,808	1,425,735	621,282	7,882	(2,490,645)	(1,861,481)

18. Deferred tax (cont'd)

	Group	
	2019 **RM**	**2018** **RM**
Presented after appropriate offsetting as follows:		
Deferred tax assets	2,797,314	4,066,925
Deferred tax liabilities	(4,658,795)	(3,445,643)
	(1,861,481)	621,282
Unrecognised deductible temporary differences		
Unused tax losses	86,518,926	76,748,358
Unabsorbed capital allowances	9,721,228	9,629,229
Others	959,543	1,070,191
	97,199,697	87,447,778

Unrecognised tax losses and unabsorbed capital allowances

At the reporting date, the Group has unused tax losses and unabsorbed capital allowances of RM86,518,926 (2018: RM76,748,358) and RM9,721,228 (2018: RM9,629,229) that are available for offset against future taxable profits of the companies in which the losses and allowances arose, for which no deferred tax assets are recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. The use of these tax losses and unabsorbed capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation. The unrecognised tax losses will expire in 2025 to 2026.

19. Inventory properties

	Group	
	2019 **RM**	**2018** **RM**
Cost		
Non-current		
Land held for property development	146,002,180	144,794,186
Current		
Properties under development	69,317,564	46,705,378
Completed properties	36,015,130	38,471,209
	105,332,694	85,176,587
	251,334,874	229,970,773

19. Inventory properties (cont'd)

(a) Land held for property development

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
Non-current			
Cost			
At 1 January 2019	104,356,542	40,437,644	144,794,186
Additions	-	2,471,332	2,471,332
Transfers to properties under development (Note 19(b))	-	(1,263,338)	(1,263,338)
Reclassification	(491,524)	491,524	-
At 31 December 2019	103,865,018	42,137,162	146,002,180
At 1 January 2018	105,442,770	41,473,246	146,916,016
Additions	-	686,609	686,609
Transfers to properties 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

Several parcels of long-term leasehold land of the Group with carrying amount of RM13,778,402 (2018: RM13,778,402) are registered under the name of third parties. Two of the subsidiaries of the Group are the beneficial owner of these parcels of land.

As at 31 December 2019, land held for property development of the Group totalling 497 acres are free from any encumbrances.

<u>Assets pledged/charged as securities</u>

Land held for property development of the Group with total carrying amount of RM35,820,387 (2018: RM38,295,853) are pledged as securities for borrowings of the Group (Note 25).

19. Inventory properties (cont'd)

(b) Properties under development

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
At 1 January 2019	10,152,871	36,552,507	46,705,378
Cost incurred during the financial year	981,256	36,954,313	37,935,569
Transfer from land held for property development (Note 19(a))	-	1,263,338	1,263,338
Recognised in profit or loss (Note 5)	(483,210)	(16,103,511)	(16,586,721)
At 31 December 2019	10,650,917	58,666,647	69,317,564
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

Several parcels of long-term leasehold land of the Group with carrying amount of RM29,054,549 (2018: RM28,447,279) are registered under the name of third parties. A subsidiary of the Group is the beneficial owner of these parcels of land.

<u>Assets pledged/charged as securities</u>

Inventory properties under development of the Group with total carrying amount of RM46,653,897 (2018: RM33,770,551) are pledged as securities for borrowings of the Group (Note 25).

19. Inventory properties (cont'd)

(c) Completed properties

	Group	
	2019 RM	2018 RM
Cost		
Completed properties	36,015,130	38,471,209

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM931,653 (2018: RM2,302,438).

Assets pledged/charged as securities

Completed properties of the Group with total carrying amount of RM32,368,394 (2018: RM34,010,314) are pledged as securities for borrowings of the Group (Note 25).

20. Trading inventories

	Group	
	2019 RM	2018 RM
Cost		
Building inventories	995,503	527,667
Net realisable value		
Building inventories	12,092	459,864
	1,007,595	987,531

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM26,578,137 (2018: RM17,043,853).

Assets pledged/charged as securities

Inventories of the Group with total carrying amount of RM1,007,595 (2018: RM987,531) are charged as securities for banking facilities of a subsidiary by way of debentures over all existing and future assets of a subsidiary (Note 25).

21. Trade and other receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Revenue from contracts with customers				
Third parties	16,234,901	12,169,018	-	-
Amount due from a family member of a director of the Company	439,320	-	-	-
	16,674,221	12,169,018	-	-
Less: Allowance for expected credit losses				
- Third parties	(41,926)	(77,496)	-	-
	16,632,295	12,091,522	-	-
Other receivables				
Amounts due from subsidiaries	-	-	23,897,085	23,297,615
Advances to contractors	167,086	217,203	-	-
Deposits	3,649,334	3,614,252	-	-
Sundry receivables	6,725,962	6,664,808	6,500	6,500
	10,542,382	10,496,263	23,903,585	23,304,115
Less: Allowance for expected credit losses				
- Sundry receivables	(239,325)	(246,239)	-	-
	10,303,057	10,250,024	23,903,585	23,304,115
Total trade and other receivables	26,935,352	22,341,546	23,903,585	23,304,115
Add: Cash and bank balances (Note 24)	11,557,785	12,465,332	87,020	1,106,089
Total financial assets measured at amortised cost	38,493,137	34,806,878	23,990,605	24,410,204

21. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Expected credit losses</u>

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

	Group	
	2019	**2018**
	RM	**RM**
At 1 January	77,496	1,539,875
Charge for the financial year (Note 9)	-	74,490
Written off	-	(1,536,869)
Reversal	(35,570)	-
At 31 December	41,926	77,496

(b) Other receivables

These amounts are non-interest bearing. Other receivables are normally on 30 to 60 days (2018: 30 to 60 days) terms.

<u>Expected credit losses</u>

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

	Group	
	2019	**2018**
	RM	**RM**
At 1 January	246,239	250,588
Charge for the financial year (Note 9)	1,200	-
Written off	(1,200)	-
Reversal (Note 9)	(6,914)	(4,349)
31 December	239,325	246,239

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

Trade and other receivables of the Group amounting to RM18,267,013 (2018: RM11,877,882) 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

	Group	
	2019 **RM**	**2018** **RM**
Contract assets	7,291,102	689,906
Costs to obtain contracts with customers		
- Contract cost assets	51,141	68,379
	7,342,243	758,285

(a) Contract assets are initially recognised for revenue earned from property under development rendered but yet to be billed to customers. Upon billing of invoice, the amounts recognised as contract assets are reclassified to trade receivables.

(b) The Group capitalised those sale commissions paid to its employees for contracts obtained to sell completed properties and properties under development when they represent incremental costs of obtaining a contract. The capitalised costs are recognised and amortised on a systematic basis that is consistent with the transfer to the customer of the property to which the asset relates and amortisation for the period is recognised in cost of sales. No impairment was considered necessary as the remaining amount of consideration exceeded to a significant extent the remaining budgeted costs and the carrying amount of the contract cost assets.

The movements of the contract cost assets are as follows:

	Group	
	2019 **RM**	**2018** **RM**
At 1 January	68,379	63,842
Additions	16,000	13,000
Amortisation for the year	(33,238)	(8,463)
At 31 December	51,141	68,379

23. Investment securities

	Group	
	2019	2018
	RM	RM
Financial asset at fair value through profit or loss:		
Money market fund in Malaysia (Note 34(a))	1,172,417	1,132,672

Investment securities of the Group with total carrying amount of RM143,419 (2018: RM139,120) 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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash on hand and at banks	10,106,022	8,981,532	87,020	1,106,089
Deposits with licensed banks	1,451,763	3,483,800	-	-
Cash and bank balances (Note 21)	11,557,785	12,465,332	87,020	1,106,089
Less:				
Deposits with licensed banks pledged	(1,451,763)	(3,483,800)	-	-
Bank overdrafts	(4,851,931)	(116,190)	-	-
Cash and cash equivalents	5,254,091	8,865,342	87,020	1,106,089

(a) Deposits with licensed banks of the Group amounting to RM1,451,763 (2018: RM3,483,800) 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 to twelve months (2018: one to twelve months). The weighted average effective interest rate as at 31 December 2019 for the Group was 3.01% (2018: 3.13%).

(c) Included in cash at banks of the Group are amounts of RM1,258,923 (2018: RM1,258,076) held pursuant to Section 8A of the Housing Development (Control and Licensing) Enactment, 1978 and therefore restricted from use in other operations.

(d) Cash and bank balances of the Group amounting to RM3,433,374 (2018: RM2,513,044) 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).

25. Loans and borrowings

	Group	
	2019	2018
	RM	RM
Current		
Secured:		
Bank overdrafts	4,851,931	116,190
Bridging overdraft	15,614,889	5,275,276
Bridging loans	378,468	-
Bankers' acceptances	3,522,000	4,282,000
Revolving credits	101,300,000	100,800,000
Term loans	7,433,578	3,109,803
Obligations under finance leases	-	261,017
	133,100,866	113,844,286
Non-current		
Secured:		
Bridging loans	2,653,350	-
Term loans	79,285,079	28,723,989
Obligations under finance leases	-	823,923
	81,938,429	29,547,912
Total borrowings		
Secured:		
Bank overdrafts	4,851,931	116,190
Bridging overdraft	15,614,889	5,275,276
Bridging loans	3,031,818	-
Bankers' acceptances	3,522,000	4,282,000
Revolving credits	101,300,000	100,800,000
Term loans	86,718,657	31,833,792
Obligations under finance leases	-	1,084,940
	215,039,295	143,392,198

25. Loans and borrowings (cont'd)

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

	Group	
	2019 **RM**	**2018** **RM**
On demand or within 1 year	133,100,866	113,844,286
More than 1 year and less than 2 years	7,119,729	3,118,345
More than 2 years and less than 5 years	25,319,745	11,757,179
More than 5 years	49,498,955	14,672,388
	215,039,295	143,392,198

Interest rates at reporting date for loans and borrowings were as follows:

	Group	
	2019 **RM**	**2018** **RM**
Bank overdrafts	BLR+0.50% to BLR+2.00%	BLR+1.50%
Bridging overdraft	BLR-1.50%	BLR+1.25%
Bridging loans	ECOF+1.50%	-
Bankers' acceptances	4.26% to COF+1.50%	4.26% to COF+1.50%
Revolving credits	ECOF/COF+1.25% to ECOF/ COF+2.00%	ECOF/COF+1.50% to ECOF/COF+2.00%
Term loans	BLR/COF/ECOF/KLIBOR-1.50% to BLR/COF/ECOF/KLIBOR+1.70%	COF/KLIBOR+1.25% to COF/KLIBOR+1.70%

The above banking facilities and other banking facilities of the Group are secured by:

(i) certain assets of the Group (Notes 14, 15, 19, 20, 21, 23 and 24);

(ii) debentures totaling RM72.8 million (2018: 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 (2018: 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;

25. Loans and borrowings (cont'd)

The above banking facilities and other banking facilities of the Group are secured by (cont'd):

(v) deposits with licensed banks of the Group;

(vi) Deed of Assignment of rental proceeds of certain completed properties of a subsidiary;

(vii) Deed of Assignment of rental proceeds of an investment properties of a subsidiary;

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

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

(x) corporate guarantees from the Company.

As at 31 December 2019, the Group has unutilised banking facilities of approximately RM120 million.

25. Loans and borrowings (cont'd)

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

				Cash changes		Non-cash changes		
	1.1.2019 RM	Adoption of MFRS 16 (Note 2.2) RM	1.1.2019 (restated) RM	Cash flows RM	Interest paid RM	Acquisition RM	Accretion of interest RM	31.12.2019 RM
Group								
Bankers' acceptances	4,282,000	-	4,282,000	(760,000)	(271,537)	-	271,537	3,522,000
Revolving credits	100,800,000	-	100,800,000	500,000	(5,082,326)	-	5,082,326	101,300,000
Bridging overdraft	5,275,276	-	5,275,276	10,339,613	(445,056)	-	445,056	15,614,889
Bridging loans	-	-	-	3,017,060	(25,714)	-	40,472	3,031,818
Term loans	31,833,792	-	31,833,792	54,628,630	(3,358,209)	-	3,614,444	86,718,657
Obligations under finance leases	1,084,940	(1,084,940)	-	-	-	-	-	-
Lease liabilities (Note 26)	-	1,548,572	1,548,572	(470,409)	(64,191)	220,000	64,191	1,298,163
Total	143,276,008	463,632	143,739,640	67,254,894	(9,247,033)	220,000	9,518,026	211,485,527

25. Loans and borrowings (cont'd)

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

		Cash changes		Non-cash changes		
	1.1.2018 RM	Cash flows RM	Interest paid RM	Acquisition RM	Accretion of interest RM	31.12.2018 RM
Group (continued)						
Bankers' acceptances	1,367,000	2,915,000	(124,326)	-	124,326	4,282,000
Revolving credits	98,308,068	2,491,932	(5,169,356)	-	5,169,356	100,800,000
Bridging overdraft	-	5,275,276	(62,268)	-	62,268	5,275,276
Term loans	16,967,585	14,801,288	(605,062)	-	669,981	31,833,792
Obligations under finance leases	186,527	(215,087)	(24,878)	1,113,500	24,878	1,084,940
Total	116,829,180	25,268,409	(5,985,890)	1,113,500	6,050,809	143,276,008

26. Leases

Group as a lessee

The Group have lease contracts for buildings and motor vehicles with respective lease terms that are used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of properties and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Long-term leasehold lands RM	Motor vehicles RM	Buildings RM	Total RM
Group				
Cost				
At 1 January 2019	17,364,794	1,793,807	996,112	20,154,713
Additions	-	308,000	-	308,000
Reverse	-	(147,052)	-	(147,052)
At 31 December 2019	17,364,794	1,954,755	996,112	20,315,661
Accumulated depreciation				
At 1 January 2019	2,039,702	625,207	565,321	3,230,230
Depreciation charge for the financial	260,225	372,406	182,299	814,930
Reverse	-	(147,052)	-	(147,052)
At 31 December 2019	2,299,927	850,561	747,620	3,898,108
Net carrying amount				
As at 1 January 2019	15,325,092	1,168,600	430,791	16,924,483
As at 31 December 2019	15,064,867	1,104,194	248,492	16,417,553

26. Leases (cont'd)

Group as a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities:

	Interest rate	Maturity	Group RM
Current	3.22% - 5.31%	2020	386,197
Non-current	3.22% - 5.31%	2021-2023	911,966

The following are the amounts recognised in profit or loss:

	Group RM
Depreciation expense of right-of-use assets	814,930
Interest expense on lease liabilities	64,191
Expenses relating to short-term leases	26,400
Total amount recognised in profit or loss	905,521

The Group had total cash outflows for leases of RM561,000 in 2019. As of 31 December 2019, the Group has committed to short-term leases and the total commitment at the date was RM13,000.

Group as a lessor

The Group has entered into commercial property leases on its investment properties. These leases have remaining lease terms of between 1 and 20 years (2018: 1 to 5 years). Rental income recognised by the Group during the year is RM6,715,467 (2018: RM1,443,244).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2019 RM	2018 RM
Not later than 1 year	7,961,307	2,301,878
Later than 1 year but not later than 5 years	33,039,576	6,463,158
More than five years	75,530,000	-
	116,530,883	8,765,036

27. Trade and other payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	8,179,830	6,596,141	-	-
Accruals of development expenditure	17,464,883	20,030,197	-	-
	25,644,713	26,626,338	-	-
Other payables				
Amounts due to subsidiaries	-	-	21,600,000	21,500,000
Accruals	2,277,084	3,546,304	129,023	129,570
Deposits received	1,678,729	1,729,076	-	-
Rental received in advance	55,325	65,833	-	-
Sundry payables	3,055,030	2,900,885	30,975	25,905
	7,066,168	8,242,098	21,759,998	21,655,475
Total trade and other payables	32,710,881	34,868,436	21,759,998	21,655,475
Add: Loans and borrowings (Note 25)	215,039,295	143,392,198	-	-
Add: Lease liabilities (Note 26)	1,298,163	-	-	-
Less: Rental received in advance	(55,325)	(65,833)	-	-
Total financial liabilities carried at amortised cost	248,993,014	178,194,801	21,759,998	21,655,475

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally on 30 to 60 days (2018: 30 to 60 days) terms.

(b) Amounts due to subsidiaries

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

28. Share capital

	Number of ordinary shares		Amount	
	2019	2018	2019 RM	2018 RM
At 1 January	426,167,169	426,167,169	229,133,063	205,072,913
Redemption of RCPS (Note 28)	-	-	-	24,060,150
At 31 December	426,167,169	426,167,169	229,133,063	229,133,063

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.

29. Redeemable Convertible Preference Shares ("RCPS")

	Number of RCPS		Amount	
	2019	2018	2019 RM	2018 RM
At 1 January	155,000,000	180,000,000	149,172,930	173,233,080
Redemption during the financial year (Note 28)	-	(25,000,000)	-	(24,060,150)
At 31 December	155,000,000	155,000,000	149,172,930	149,172,930

In the previous financial year, 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.

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.

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

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

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: (a) reduction of the Company's share capital; (b) disposal of the whole of the Company's property, business and undertaking; (c) proposal varying or affecting rights, privileges or conditions attached to the RCPS, or the exercise of any of those rights, privileges or conditions; (d) winding-up of the Company; (e) during the winding up of the Company; and (f) during the period when the dividend or part of the dividend payable on the RCPS is in arrears for more than 6 months. The holders shall have 1 vote for each of the RCPS held.
Winding-up/ reduction of capital/ other return of capital (excluding redemption of RCPS)	:	(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.
Conversion	:	(a) Subject to all applicable laws, rules and regulations, each holder will be entitled during the Tenure to convert any RCPS held by them into the ordinary share of the Company at the conversion price of RM0.50 ("RCPS Conversion Price") for 1 new share of the Company ("Conversion Share"). The Conversion Shares will be listed and quoted on Bursa Securities. (b) Any RCPS not redeemed or converted will be mandatorily converted into Conversion Shares on the Maturity Date on the basis set out in Paragraph (a). (c) Fraction of Conversion Shares arising from conversion shall be disregarded. (d) The Board of the Company may adjust the RCPS Conversion Price if the Company's share capital is altered on or before Maturity Date. Any such adjustment requires certification by a professional adviser or the Company's external auditors.

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

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

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

30. Irredeemable Convertible Preference Shares ("ICPS")

	Number of ICPS		Amount	
	2019	**2018**	**2019 RM**	**2018 RM**
At 1 January/ 31 December	211,281,792	211,281,792	203,338,864	203,338,864

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.

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

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

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

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

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

Liquidation - Conversion Shares	:	(a)	Rank equally with the Company's shares in issue but will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the Conversion Shares.
		(b)	Conversion Shares holders will not be entitled to participate in any dividend declared in respect of the financial year immediately preceding the date of the Conversion Notice even if the entitlement date in respect of such dividends falls after the date of the Conversion Notice.

31. Merger deficit

	Group	
	2019 RM	2018 RM
At 1 January/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.

32. Related party transactions

(a) Sale and purchase of goods and services

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

	2019 RM	2018 RM
Group		
Directors:		
- Revenue from sale of properties under development	646,890	-
A family member of a director:		
- Revenue from sale of properties under development	904,508	-
Companies in which a family member of a director has interests:		
- Rental payable	142,600	140,700
- Provision of hotel catering services	64,730	-

32. Related party transactions (cont'd)

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly, including any director of the entity. The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Fees	80,000	80,000	80,000	80,000
Salaries and other emoluments	3,895,875	4,726,180	179,850	219,020
Contributions to defined contribution plan	468,267	538,645	22,510	-
Benefits-in-kind	329,079	314,855	-	-
Total (Note 11)	4,773,221	5,659,680	282,360	299,020

33. Capital commitments

Capital commitments as at the reporting date are as follows:

	Group	
	2019 RM	**2018 RM**
Approved and contracted for:		
- investment properties under construction	-	33,967,456

34. 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**
Recurring fair value measurements				
Financial assets				
Group				
Investment securities (Note 23)				
- 2019	1,172,417	-	-	1,172,417
- 2018	1,132,672	-	-	1,132,672

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

(a) Assets measured at fair value (cont'd)

Determination of fair value

The investment securities are money market fund, where the fair values of the investment are 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) 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	25
Trade and other payables (excluding rental received in advance)	27

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.

35. Financial instruments risk management 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.

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

(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.

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 RM253,767,255 (2018: RM196,967,255) 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.

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

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Majority of trade receivables from property development segment were financed by back-to-back end-finance 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 2019						
Expected credit loss rate	<1%	<1%	<1%	<1%	100%	
Estimated total gross carrying amount at default	1,327,318	1,334,442	2,387,492	3,960,547	92,764	9,102,543
Expected credit loss	1,532	1,512	2,709	4,560	31,613	41,926
31 December 2018						
Expected credit loss rate	<1%	<1%	<1%	<1%	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

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

(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
Group				
2019				
Financial assets:				
Trade and other receivables	26,935,352	-	-	26,935,352
Investment securities	1,172,417	-	-	1,172,417
Cash and bank balances	11,557,785	-	-	11,557,785
Total undiscounted financial assets	39,665,554	-	-	39,665,554
Financial liabilities:				
Trade and other payables	32,655,556	-	-	32,655,556
Loans and borrowings	137,549,167	46,684,903	59,280,407	243,514,477
Lease liabilities	435,250	967,728	-	1,402,978
Total undiscounted financial liabilities	170,639,973	47,652,631	59,280,407	277,573,011
Total net undiscounted financial liabilities	(130,974,419)	(47,652,631)	(59,280,407)	(237,907,457)

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

(b) Liquidity risk (cont'd)

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

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Group (cont'd)				
2018				
Financial assets:				
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
Financial liabilities:				
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)

	On demand or within one year	
	2019 RM	2018 RM
Company		
Financial assets:		
Trade and other receivables	23,903,585	23,304,115
Cash and bank balances	87,020	1,106,089
Total undiscounted financial assets	23,990,605	24,410,204
Financial liabilities:		
Trade and other payables, representing total undiscounted financial liabilities	21,759,998	21,655,475
Total net undiscounted financial assets	2,230,607	2,754,729
Financial guarantee contracts	253,767,255	196,967,255

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

(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 (2018: 25) basis point lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM537,598 (2018: RM355,768) lower/higher, arising mainly as a result of lower/higher interest expense on loans and borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

36. Capital management

The primary 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 2019 and 31 December 2018.

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 75%. 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	
	2019 RM	**2018 RM**
Debt – loans and borrowings	215,039,295	143,392,198
Lease liabilities	1,298,163	-
Net debts	216,337,458	143,392,198
Capital – equity attributable to the owners of the Company	184,695,114	201,192,873
Capital and debt	401,032,572	344,585,071
Gearing ratio	54%	42%

37. Segment information

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

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

37. 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 2019	Property development RM	Trading of building materials RM	Others RM	Adjustments and eliminations RM	Note	Per consolidated financial statements RM
Revenue:						
External customers	29,544,087	27,517,535	-	-		57,061,622
Inter-segment	-	9,471	-	(9,471)	A	-
Total revenue	29,544,087	27,527,006	-	(9,471)		57,061,622
Results:						
Interest income	2,600,639	262,025	-	(2,409,384)	A	453,280
Depreciation and amortisation	2,498,118	139,497	146,001	1,257,803	B	4,041,419
Other non-cash items	4,123,726	359,595	19,680,409	(23,995,337)	C	168,393
Segment loss	(14,527,205)	(530,425)	12,597,408	13,935,496		(13,719,542)
Assets:						
Additions to non-current assets	33,004,303	40,787	-	-	D	33,045,090
Segment assets	526,485,813	12,535,777	692,945,150	(793,515,942)	E	438,450,798
Liabilities:						
Segment liabilities	395,053,358	6,975,354	159,989,694	(308,262,722)	F	253,755,684

37. Segment information (cont'd)

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

	Property development RM	Trading of building materials RM	Others RM	Adjustments and eliminations RM	Note	Per consolidated financial statements RM
31 December 2018						
Revenue:						
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
Results:						
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)
Assets:						
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
Liabilities:						
Segment liabilities	226,800,595	31,315,081	213,110,708	(289,456,652)	F	181,769,732

37. Segment information (cont'd)

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

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

B Depreciation and amortisation consist of:

	Note	2019 RM	2019 RM
Depreciation of:			
- Property, plant and equipment	9	1,946,583	2,204,331
- investment properties	9	2,094,836	237,172
		4,041,419	2,441,503

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

	Note	2019 RM	2019 RM
Allowance for impairment loss on:			
- trade and other receivables	9	1,200	74,490
Inventories written down	9	440,165	51,094
Gain on disposal of property, plant and equipment	7	(235,996)	(550,555)
Property, plant and equipment written off	9	5,484	35,225
Reversal of impairment loss on trade and other receivables	9	(42,484)	(4,349)
Fair value loss/(gain) on investment securities and other investment	7/9	24	(4,713)
		168,393	(398,808)

D Additions to non-current assets consist of:

	Note	2019 RM	2019 RM
- Property, plant and equipment	14	387,212	1,270,162
- Inventory properties (non-current)	19(a)	2,471,332	686,609
- Investment properties	15	30,186,546	24,380,606
		33,045,090	26,337,377

37. 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:

	2019 RM	2019 RM
Inter-segment assets and consolidation adjustments	(793,515,942)	(747,533,681)

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

	2019 RM	2019 RM
Inter-segment liabilities and consolidation adjustments	(308,262,722)	(289,456,652)

38. Events occurring after the reporting date

(a) On 26 February 2020, Offshore Constructor (Labuan) Ltd, one of the subsidiary held through Gerak Armada Sdn. Bhd., has declared dissolved pursuant to Section 131A of Labuan Companies Act 1990.

(b) On 28 February 2020, a subsidiary of the Company, Ritai Sdn. Bhd., has acquired 1 ordinary share in KK Stay Sdn. Bhd., a company incorporated in Malaysia, representing the entire equity interest in the company, for a total consideration of RM1.

(c) Impact of COVID-19 Outbreak

On 11 March 2020, the World Health Organisation (WHO) has declared the outbreak of COVID-19 ("outbreak") to be a global pandemic. The COVID-19 pandemic has significantly disrupted many business operations around the world. In Malaysia, to contain the spread of COVID-19, the Movement Control Order (MCO) had been imposed by the Government of Malaysia. To the Group, the outbreak did not provide clear evidence of conditions that existed on or before financial year end, and the directors have accordingly assessed it to be a non-adjusting event.

Due to the outbreak and the MCO, the Group's property development activities and trading operations of building materials have been disrupted and temporarily ceased operations during the MCO period as the Group's operations are not under essential services category.

In addition, several tenants have requested reduction in monthly rental collectible due to the outbreak. The Group is considering a reasonable quantum of the reduction to be given to tenants.

38. Event occurring after the reporting date (cont'd)

(c) Impact of COVID-19 Outbreak (cont'd)

The Group will continue to follow various government policies and advice and in parallel will do the utmost to continue the Group's operations in the best and safest way possible without jeopardizing the health of it people. However, the outbreak may have an impact on the future demand for properties. At this juncture, it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Malaysian Government's varying efforts to combat the outbreak and to support businesses.

The Group may have to change the inputs to the ECL models in order to better estimate the impact of the outbreak in accordance with the requirements of MFRS 9. The ECL models previously adopted by the Group were not designed and did not incorporate the effects of the current economic shocks due to outbreak. The Group may adjust the ratings and the probabilities of default by considering risk characteristics of the customers/debtors.

The Group will continue to closely monitor the development of these events, and assess and react actively to its impacts on the Group's revenue, earnings, cash flow and financial condition.

The Group has undeveloped land bank in Kota Kinabalu and Sandakan, which are mostly located in strategic areas. The availability of land bank allows the Group to strategize its property development activities based on its assessment of the changing economic conditions.

The Group has pipeline of development projects that have been approved by authorities. If the market conditions allowed or when there is such demand and strategic to do so, the Group can launch these projects and commence development.

The Group continues to keep its eyes on the horizon especially when the outbreak has been contained and businesses can return to normalcy.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 28 May 2020.

WMG HOLDINGS BHD. Registration No. 201501041664 (1166985-X)

FORM OF PROXY

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 which will be conducted entirely through live streaming on 30 June 2020 at 5.00 p.m. at Tricor Leadership Room at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") 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**
2(a)	To re-elect the following Directors in accordance with Articles 125 of the Company's Constitution:- - Seah Sen Onn @ David Seah	1		
2(b)	- Datuk Eric Usip Juin	2		
3	To re-elect the Managing Director, Datuk Quek Siew Hau retiring in accordance with Article 117 of the Company's Constitution.	3		
4	To approve payment of Directors' Fees of RM80,000 for the financial year ended 31 December 2019.	4		
5	To approve payment of allowances to Non-Executive Directors up to an amount of RM250,000 from July 2020 until June 2021.	5		
6	To re-appoint Auditors and to authorise the Directors to fix their remuneration.	6		
7	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	7		
8	Authority to issue and allot new ordinary shares.	8		

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)

Number of shares held	

Signed this ………… day of ………………………………… 2020

Proxy Notes:

1. A Member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in their place. A proxy may but need not be a member of the Company.

2. A Member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the Member at the AGM via RPV.

3. Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company that is standing to the credit of the said securities account.

4. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

5. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of two (2) authorised officers, one of whom shall be a Director, or of its attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialed.

7. A Member who has appointed a proxy or attorney or authorised representative to participate at this 5th AGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself at TIIH Online website at https://tiih.online. Please follow the procedures for RPV in the Administrative Details for 5th AGM.

8. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

   i. In Hardcopy Form
   The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding this AGM or no later than 28 June 2020 at 5.00 p.m.

   ii. By electronic means
   The Form of Proxy can be electronically lodged to the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Administrative Details for 5th AGM on the procedures for the electronic lodgement of Proxy Form via TIIH Online.

Please fold along this line

Affix
Stamp
Here

The Share Registrar
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, Malaysia

Please fold along this line

9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

10. For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment with the Share Registrar of the Company at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:
    (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
    (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    (a) at least two (2) authorised officers, of whom one shall be a director; or
    (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

11. For the purpose of determining a member who shall be entitled to participate this meeting via the RPV facilities, 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 23 June 2020. Only a depositor whose name appears therein shall be entitled to participate this meeting or appoint a proxy to participate and/or vote on his stead.

WMG Holdings Bhd. Registration No. 201501041664 (1166985-X)
Wisma WMG,
Lot 1 & 2, Jalan Indah Jaya,
Taman Indah Jaya,
Jalan Lintas Selatan,
90000 Sandakan, Sabah, Malaysia

Tel: +60 (89) 212 133
Fax: +60 (89) 271 628
Email: info@wmghb.com.my

http://www.wmghb.com.my/