

# **KING GEORGE FINANCIAL CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For The Year Ended November 30, 2020**

The following Management's Discussion & Analysis (MD&A) is based on information available to management as of April 13 2021. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2020 2019 and 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS). Unless otherwise noted, the financial information in this MD&A and audited consolidated financial statements in 2020 and 2019 are presented in Canadian dollars.

Based on the recommendation of Audit Committee, the Company's Board of Directors approved the content of this MD&A on April 13, 2021. Additional Information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

Certain information in this MD&A contains forward-looking statements that are based on assumptions and beliefs of Company's management who relies on its past experience, analysis of historical trends and information available to them at the time. When used in this document, the words "anticipate", "projected", "estimate", "expect" and similar expressions are intended to identify forward-looking statements relating to Company's investment in real estate and hotel projects as well as cash deposit and equity securities held in foreign currency accounts. Readers are cautioned that such statements are subject to certain risks and uncertainties associated with general business conditions, market competition, availability of acceptable financing, foreign currency exchange rate and other economic factors commonly associated with money market, real estate development and hospitality related industry both locally and abroad. As such, actual results and performance may vary significantly from those presented or discussed in such forward-looking statements. The Company is not obligated to publicly update or amend its forward looking statements except as required by applicable law.

### **OVERVIEW AND DESCRIPTION OF BUSINESS**

King George Financial Corporation ("the Company") was incorporated under the laws of the Province of British Columbia on July 21, 1999 and is listed on the TSX Venture Exchange under the symbol 'KGF'. The Company's business is concentrated in the area of commercial and residential real estate development and long term investment in real estate and hotel related marketable securities.

The principal assets include:

- 3.5 million common shares of Allied Hotel Properties Inc. (AHP), a hotel ownership and management company trading on the TSX Venture Exchange;
- 1,502 non-redeemable preference shares of Oclamon Real Estate Fund 1, a Cayman Islands incorporated company partnering with a Malaysian developer to invest and develop a mixed-use real estate development project in the Iskander region, Malaysia;
- 20 Class ‘A’ units in MacDonald Lakeshore Properties Limited Partnership, a real estate investment limited partnership to develop 537 acres of land into a new subdivision called Lakestone located in Lake Country, Kelowna, BC;
- 3,971 units in Central Surrey Real Estate Investment Limited Partnership (CSREILP), a real estate investment limited partnership partnering with a third party on a 60/40 share-basis to jointly develop and sell a residential building site into a 37-storey, 398-unit market condo project in Surrey, BC;
- 7,826,000 common shares of Glittering Team Sdn Bhd (GTSB), representing a 61% controlling interest, which owns a hotel property in Kuala Lumpur, Malaysia. GTSB shares are held through the Company’s 100% Malaysian subsidiary KGFC (Malaysia) Sdn Bhd (KGFCMSB); and
- \$10 million cash

## RESULTS OF OPERATION

**Annual Results** (narrative amounts rounded to the nearest thousand, except income (loss) per share data)

For the year ended November 30, 2020, comprehensive loss attributable to shareholders of the Company was (\$4,955,000) or (\$0.13) per share compared to the restated comprehensive income of \$1,179,000 or \$0.03 per share in 2019.

The Company has the following reportable operating segments: Real Estate Development, Hotel Development and Operations, Management and Finance Services and Other.

Operating segments:	Revenue	
	2020	2019
Real Estate Development	\$ 570,000	\$ 3,501,000
Hotel Development and Operations	834,000	1,232,000
Management and Finance Services	-	-
Other	1,713,000	132,000
	<u>\$ 3,117,000</u>	<u>\$ 4,865,000</u>

## Revenue - Hotel Operation

For the year ended November 30, 2020:

- Room revenue was \$613,000 (2019: \$921,000) with paid occupancy at 24% (2019: 39%) and average room rate at \$27 (2019: \$13).
- Food and beverage revenues were \$188,000 (2019: \$299,000).
- Other miscellaneous revenues were \$33,000 (2019: \$13,000).
- The combined revenue - hotel operation was \$834,000 (2019: \$1,233,000).

Due to COVID-19 pandemic, subsequent lockdown and travel restrictions imposed by Malaysian government, 2020 hotel occupancy and revenue were negatively impacted compared to 2019 results. Until COVID-19 pandemic is under control and travel restriction lifted, hotel management is forecasting a negative gross operating profit from hotel operations for 2021.

To mitigate a sharp drop in traditional hotel business, management enacted a property wide cost cutting program, furloughed all non-essential staff, eliminated all unnecessary expenses and temporary converted the hotel into a government approved quarantine facility for travellers beginning from October 2020. This practice will continue until the end of the pandemic or until management deems it necessary to start the transition back to a normal hotel. To further reduce in-house operating costs, management contracted out the hotel food and beverage operation to an outside party and enrolled on various COVID-19 government support and subsidy programs.

Expenses for the year ended November 30, 2020 were \$2,604,000 compared to \$2,857,000 for the same period last year. The decrease was mainly due to cut back on hotel operating costs due to implementation of COVID-19 cost saving measures.

Depreciation expense for the year ended November 30, 2020 was \$817,000 compared to \$570,000 for the same period last year. In 2020, the Company adopted IFRS-16 described in Note 4 of the financial statements and amortized \$84,000 office rent previously recorded as general and administrative costs as depreciation expense in 2020. Additional depreciation was also taken on newly acquired property, plant and equipment during the year.

Salaries and benefits for Company's Vancouver office for the year ended November 30, 2020 were \$409,000 compared to \$382,000 for the same period last year.

Foreign exchange loss in 2020 was \$14,000 compared to an exchange gain of \$5,000 in 2019.

General and administrative expenses decreased from \$241,000 in 2019 to \$171,000 for the year ended November 30, 2020. Apart from an increase in public company expenses incurred due to a cease trade order caused by the delay in 2019 hotel audit during COVID lockdown as well as the reallocation of rent expense to depreciation under IFRS 16; overall, the amount of general and administrative expenses incurred was consistent with the level of business activity. A breakdown of general and administrative expenses is as follows:

Breakdown of General & Administrative Expenses  
for the three months and year ended November 30, 2020 and 2019

	Three months ended		Year ended	
	November 30,		November 30,	
	2020	2019	2020	2019
Advertising and promotion	\$ -	\$ -	\$ 2,000	\$ 2,000
Automotive and travel	-	13,000	4,000	13,000
Office and miscellaneous	6,000	4,000	28,000	18,000
Professional fees	23,000	36,000	92,000	85,000
Public company expenses	13,000	1,000	35,000	19,000
Rent*	-	21,000	-	94,000
Telephone	3,000	3,000	10,000	10,000
	<u>\$ 45,000</u>	<u>\$ 78,000</u>	<u>\$ 171,000</u>	<u>\$ 241,000</u>

\* \$84,000 annual office lease rent was recorded as depreciation expense under IFRS16 in 2020.

### Other Income (Loss)

For the year ending 30 November 2020, Company received \$1,646,000 (2019: Nil) dividend income from its securities investment in AHP, \$570,000 (2019: \$3,500,000) income from investments in associates relating to CSREILP and 19AALLC, recorded a \$692,000 (2019: \$Nil) provision for credit loss against other receivables and wrote off \$293,000 (2019: \$Nil) hotel property, plant and equipment in Malaysia.

### Finance income

Interest income in 2020 was \$67,000 compared to \$132,000 in 2019. Bank interest paid on GIC deposits were at a very low interest rate in 2020.

### Finance costs

Interest expense incurred in draws on bank loan facilities in Malaysia was \$265,000 (2019: \$277,000).

### Income Tax Expense

In 2020, the Company incurred \$147,000 income tax expense mostly from income received on its US investment.

Company net loss in 2020 was \$1,043,000 compared to a net income of \$193,000 in 2019. Lower income received from investments in associates, \$693,000 provision for credit loss on other receivables and \$293,000 write down of hotel property, plant and equipment were the main reasons for the incurring a net loss in 2020.

## Investments In Securities

As at November 30, 2020, the Company held the following available-for-sale securities:

- Allied Hotel Properties Inc. (AHP) - 3.5 million common shares

AHP is a public hotel-ownership and management company that sold its Toronto Don Valley Hotel and Suites and an adjacent land parcel located in Toronto, Ontario for \$102 million in January 2020. A cash dividend of \$0.47 per common share was declared and paid to shareholders in April 2020. AHP trades on the TSX Venture Exchange (TSXV). On November 30, 2020, AHP shares closed at \$0.23 per share on TSXV, down from its trading price at \$0.52 per share on November 30, 2019 before payment of dividend. Additional information related to AHP is available under the trading symbol AHP on SEDAR at [www.sedar.com](http://www.sedar.com).

- Oclamon Real Estate Fund 1 (The Fund) – 1,502 non-redeemable and non-voting preference shares

The Fund was a Cayman Islands incorporated private company that until recently was managed by Oclaner Asset Management Pte. Ltd (OAMPL) in Singapore. In 2013, The Fund formed a partnership with a Malaysian real estate development company to develop 5.02 acres of land located at Medini Lakeside of Iskandar region in Johor, Malaysia. On completion, this mixed-use development project will consist of a full service business hotel; an office tower, retail shopping units and two serviced residential towers.

In May 2018, the Company purchased an additional 1,249 non-redeemable, non-voting preference shares in The Fund at US\$8,974 per share, bringing the total number of preference shares held by the Company from 253 to 1,502 shares and giving the Company an 83.4% non-controlling, non-voting majority interest in The Fund.

In Q3-20, the Fund reached the end of its 7-year chartered life mandate and was converted into a regular Cayman Islands investment holding company. As part of the corporate restructuring, OAMPL and independent directors on the board resigned from The Fund in October 2020 and were replaced by the Company's parent C.T. Management Corporation (CTMC) as The Fund's new asset manager and a minority shareholder in The Fund. The changes have no effect on the partnership arrangement The Fund had with its project joint venture partner or investment interest in the project.

Given the Company has no voting rights or significant influence in management of the Fund or on CTMC board, the criteria of control under IFRS 10.7 has not been met and no consolidation of The Fund's financial results was incorporated into the Company's 2020 annual consolidated financial statements

In March 2021, CTMC updated the progress of the Medini Lakeside development project as follows:

- Project construction is about 70% complete.
- Due to COVID-19 pandemic, the project construction site experienced a lockdown for part of 2020. As well, sales and marketing of the project was temporary suspended during the year.
- Because of the construction delays caused by COVID, management believes the Project will now be delivered in 2023 as opposed to the original expected completion date in 2021.
- Although real estate market in Malaysia is currently experiencing a downturn, project developer continues to believe in the project's long-term success and elected not to devalue the project by offering substantial discount on unit listed sales price to compete in a soft real estate market.

During the year, the Company did a revaluation of The Fund's fair value (FV) using current industry data on comparable projects, changes in construction cost budget, revised construction timeline, input from experienced real estate development partners and the latest estimate on projected net profit. As a result, the Company readjusted and restated the FV of The Fund from \$18,274,000 to \$24,906,000 in 2018 and from \$18,257,000 to \$23,352,000 in 2019. FV for 2020 was at \$18,816,000.

- Macdonald Lakeshore Properties Limited Partnership (MLPLP) - 20 Class 'A' units

MLPLP is a real estate investment limited partnership developing through its general partner Macdonald Lakeshore Properties Ltd, 537 acres of land into a new subdivision called Lakestone located in Lake Country, Kelowna, BC. On completion, Lakestone will have a total of 1,365 homes built on site. MLPLP is measured at fair value.

According to Lakestone's website, the project phase called Waterside, Benchlands and Highlands North are now 100% sold. The next phase called Summit has just been released and listed for sale by the developer.

Lakestone is exempt from B.C. real estate speculation tax.

In 2020, Lakestone was the winner of Community Development of the Year category competition and recognized as one of the Best Sales Centres in Canada at the Canadian Home Builder Association 2020 National Awards event. One of Lakestone's primary builders Gibson Contracting also received two awards for its excellence in building innovative and quality homes located in the Lakestone subdivision.

During the year, the Company did a revaluation of fair value (FV) on its Lakestone investment. As result, the Company readjusted and restated the 2019 FV from

\$940,000 to \$1,242,000. FV for 2020 was at \$1,598,000.

Additional information related to Lakestone can be viewed at [www.lakestoneliving.com](http://www.lakestoneliving.com)

### **Investments In Associates**

- Central Surrey Real Estate Investment Limited Partnership (CSREILP) – 3,971 units (41.314% limited partnership interest)

CSREILP is a 60% partner in Central Surrey Development Limited Partnership (CSDLP), a real estate limited partnership developing a 37-storey, 398-unit market condo project called Prime On The Plaza in Surrey B.C. The building was completed and sold in 2019. In 2020, the Company received \$2,085,000, which represent a settlement of amounts receivable from undistributed sales proceed carried over from 2019 and an additional profit distribution of \$99,000 in July 2020. On November 30, 2020, the Company's non-controlling interest in CSREILP is 41.31% (2019: 41.31%) and in CSDLP is 24.79% (2019: 24.79%).

- 19<sup>th</sup> Avenue Apartments, LLC (19AALLC) – 25.38% equity interest

19AALLC is a California limited liability company that used to own and operate a 61-unit rental apartment building located in Phoenix, Arizona, USA. The building was sold in January 2020.

During the year, Company received \$1,078,000 cash distribution from 19AALLC, representing the Company's pro-rata share of proceeds from sale of its rental apartment building and resulting in a profit of \$471,000 to the Company.

As at November 30, 2020, Company's investment cost net of equity loss in 19AALLC was \$ Nil (2019: \$641,000).

The Company holds a non-controlling minority investment position in AHP, MLPLP, CSREILP, CSDLP and 19AALLC.

### **Right-of-Use Assets**

The Company adopted IFRS 16 on December 1, 2019, using the modified retrospective method. Comparative information has not been restated.

Right-of-use assets have been included in property, plant, and equipment in 2019. The right-of-use assets represent the right to use of the underlying asset during the lease term. The right-of-use assets are measured at cost less accumulated depreciation and impairment losses

if any, and adjusted for any remeasurement of the lease liability.

The adjustment to PP&E related to right-of-use assets is as follows:

Carrying amount of finance type leases disclosed in property, plant and equipment as at November 30, 2019	30,000
Add: Carry amount of operating type leases (IFRS 16 adjustment made in property, plant and equipment)	<u>432,000</u>
Right-of-use assets recognized as at December 1, 2019	462,000
Less: Amortization	<u>(107,000)</u>
Right-of-use assets recognized as at November 30, 2020	355,000

The following table shows a break down of right-of-use assets in 2020.

<b>Right-of-use asset</b>	<b>December 1, 2020</b>	<b>Amortization</b>	<b>November 30, 2020</b>
Vehicle	30,000	10,000	20,000
Premises	432,000	97,000	335,000
Total	462,000	107,000	355,000

### **Property, Plant and Equipment**

Property, Plant and Equipment (PP&E) consist of an operating hotel in Kuala Lumpur, Malaysia, its related major components and miscellaneous hotel furniture, fixtures and equipment totaling \$10,600,000 in Malaysia in addition to \$3,000 of Company's office equipment in Canada. GTSB is the owner of the hotel property and a 61.02% subsidiary of KGFC(M)SB, a corporation in Malaysia wholly owned by the Company.

As at November 30, 2020, the issuance of the title deed of the freehold property to Malaysia hotel is still pending from the relevant authority.

The net carrying amount of PP&E in Malaysia under the finance lease arrangement amounted to \$30,000 in 2019.

The net carrying amount of PP&E in Malaysia that is pledged to a licensed bank as security for banking facilities granted to GTSB amounted to \$9,304,000 (2019: \$9,945,000).

### **Non-Controlling Interest and Other Receivables**

As at November 30, 2020, 38.98% non-controlling interest in GTSB was (\$253,000) compared to \$394,000 in Company's equity account in 2019. Receivable due from non-controlling interest and a corporate shareholder in the non-controlling interest in GTSB was in the amount of \$2,017,000 (2019: 2,696,000).

In 2020, the Company commenced a legal action against the corporate shareholder in the non-controlling interest in GTSB to recover the full outstanding balance of the receivable. To

reflect the uncollectable risk on the recovery of this receivable, a provision of \$692,000 for credit loss was taken by the Company and deducted from the receivable carrying balance in 2020.

### **Loan Payable**

Loan payable of \$40,000 is unsecured, non-interest bearing and deemed fully settled if 75% of loan principal is repaid on or before December 31, 2022.

### **Lease Liabilities**

*IFRS 16 Leases* replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

The Company has adopted IFRS 16 on December 1, 2019 using the modified retrospective method. Comparative information has not been restated.

Upon the adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of December 1, 2019. The weight average lessee’s incremental borrowing rate applied to the lease liabilities on December 1, 2019 was 6%.

Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications if any.

The following table reconciles the opening and ending balances of the lease liabilities in 2020:

Operating lease commitments as at November 30, 2019	503,000
Short term leases	(4,000)
Effect of discounting at weighted average incremental borrowing rate	<u>(78,000)</u>
Lease liabilities for leases classified as operating type under IAS 17	421,000
Finance lease liabilities recognized as at November 30, 2019	<u>37,000</u>
Lease liabilities recognized as at December 1, 2019	458,000
Less: Lease payments net of interest accretion	<u>(101,000)</u>
Lease liabilities at November 30, 2020	<u>357,000</u>

### **Bank Indebtedness**

Company’s subsidiary GTSB entered into two banking facilities with a Malaysian bank as follows:

- (a) Term Loan – repayable over 48 monthly installments and bears interest rate ranging from 4.06% to 6.31% (2019: 6.11%) per annum. \$344,000 (2019: \$542,000) of term loan is due within one year with the remaining balance of \$3,862,000 (2019: \$3,692,000) due more than one year but less than five years.

(b) Overdraft Facility (OD) – at 1.5% (2019: 1.5%) per annum above the banks' Base Lending Rate prevailing on a daily test. OD outstanding balance as at November 30, 2020 was \$613,000 (2019: \$632,000).

Term Loan and OD banking facilities are secured by a first charge over GTSB's hotel property in Kuala Lumpur, joint and several guarantee by a KGFC(M)SB director and a third party; and corporate guarantee by KGFC(M)SB and non-controlling interest of GTSB.

At November 30, 2020, bank indebtedness was \$4,819,000 (2019: \$4,866,000).

### **SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE REPORTING DATE**

The recent outbreak of COVID-19 since end of 2019 has seen significant increased worldwide which prompted the World Health Organization to declare it as a pandemic on March 11, 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysia Government imposed the Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") at various stages in various state nationwide from March 18, 2020 to March 31, 2021. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy for 2020. The deterioration of world economy has also created additional uncertainties to the business of the Company in 2020.

The COVID-19 pandemic has also caused a delay in the construction and marketing of the Company's investment in real estate development projects in Malaysia and Canada.

As at the date of this report, management of the Company has assessed the overall impact of the situation on the Company's operations and financial position, and it is concluded that there are no material effects on the financial statements for the financial year ended November 30, 2020. Management is unable to reliably estimate the financial impact of COVID-19 on the Company's financial results for the financial year ending November 30, 2021 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending November 30, 2021.

The following is a breakdown of total revenues and other income (expenses); net earnings (loss), earnings (loss) per share, total assets and total loans payable for the three most recently completed financial year.

	Year ended November 30 2020	Year ended November 30 2019*	Year ended November 30 2018*
Total revenues and other income	\$ 3,117,000	\$ 4,865,000	\$ 234,000
Net earnings (loss) attributable to shareholders of the Company	(399,000)	983,000	1,465,000
Earnings per share on net income (loss)	( 0.01)	0.02	0.04
Total assets	44,877,000	51,726,000	49,081,000
Total loans payable	4,959,000	4,866,000	3,062,000

\* Restated. Please refer to Note 20 in the 2020 audited financial statements.

Apart from restatement of 2019 and 2018 financial statements to update the fair value of Company's investments in securities, the fluctuations in total revenues and other income; net earnings and earnings per share for the most recent three-year period were largely due to differences in revenue generated from real estate development segment and dividend income net of hotel operating loss, provision for credit loss and write-off of property, plant and equipment from year to year.

## **QUARTERLY RESULTS**

For the three months ended November 30, 2020, expenses were \$768,000 compared to \$1,155,000 for the same period last year. Reduced hotel operating costs under the COVID-19 cost cutting measures during Q4-20 contributed to the decrease in current year expenses.

Other loss for the three months ended November 30, 2020 was \$1,431,000 compared to other income of \$3,410,000 for the same period last year. The Q4 variations were mainly the result of \$3,410,000 income received from investments in associates in Q4-19 compared to one-time \$692,000 provision of credit loss and \$293,000 write down of property, plant and equipment incurred in Q4-20.

### **Summary of Quarterly Results**

The following is a breakdown of total revenues (loss) including other income (expenses), net earnings (loss) and earnings (loss) per share for the last eight quarters:

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19*	Q3-19*	Q2-19*	Q1-19*
<b>Total Revenues</b>	416,000	179,000	1,718,000	804,000	3,785,000	692,000	208,000	180,000
<b>Net Earnings (loss)</b>	(228,000)	(1,475,000)	73,000	587,000	1,559,000	(210,000)	(670,000)	(486,000)
<b>Basic and diluted earnings (loss) per share</b>								
	(0.006)	(0.037)	0.002	0.015	0.05	(0.00)	(0.02)	(0.01)

\*Restated.

Apart from dividend income received in Q2-20, Q4-20 provision of credit loss on other receivables and write down of PP&E as well as income received from investments in associates in Q3-19 and Q4-19, in general, the variations were in accordance to the level of business activity in each quarter.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Operating Activities**

For the year ended November 30, 2020, cash used in operating activities was \$785,000 compared to \$2,107,000 for the same period last year. Additional payment of accounts payable and accrued liabilities, income taxes in 2020 and reversal of non-cash items in 2019 were the main reason for lower cash used in operating activities in 2020.

### **Investing Activities**

During 2020, the Company spent \$314,000 to acquire additional hotel fixed assets and received \$3,263,000 cash distribution from its investments in associates.

### **Financing Activities**

During 2020, the Company paid \$113,000 to settle its lease obligations, repaid \$47,000 to bank loan facilities, received \$40,000 in loan payable and decreased other receivables by \$12,000.

### **Working Capital**

The Company's cash position increased from \$8,194,000 at the beginning of the year to \$10,226,000 at the end of the year.

### **Commitments and Contingencies**

The Company together with other partners in CSREILP had an outstanding joint agreement to indemnify the general partner of CSREILP (the indemnitee) who acted as a co-guarantor to secure a construction bank loan made to CSDLP. The pro-rata share of indemnity amount given by the Company to the indemnitee was \$ 6,205,000 plus interest and other costs related to the CSDLP bank loan guarantee. Given the construction bank loan was fully repaid, the Company and indemnitee mutually agreed to terminate the indemnity agreement in 2020.

The Company's Malaysian subsidiary GTSB entered into a hotel management agreement, trademark license agreement and technical services agreement with Wyndham Hotel Asia Pacific Co. Limited (Wyndham). Wyndham is managing the hotel property in Kuala Lumpur under its international brand Days Hotel & Suites for ten years from January 1, 2019 with an option to renew for an additional ten-year period by mutual consent. Fees paid to Wyndham are calculated based on a percentage of hotel gross revenues or gross operating revenue as stipulated in Wyndham agreement and paid monthly.

The Company's Malaysian subsidiary KGFC(M)SB had given a \$5,072,000 corporate guarantee to a licensed bank for credit facilities granted to GTSB.

### **Share Capital**

As at April 13, 2021, the Company's issued and outstanding common shares without par value stood at 39,556,460.

No options were granted during the year or the last quarter of November 30, 2020. At fiscal year end in 2020, there were no options, warrants or convertible securities outstanding, held in escrow or subject to pooling agreements.

### **RELATED PARTY TRANSACTIONS**

For the year ended November 30, 2020, the Company paid \$170,000 (2019 - \$170,000) in salary and \$62,000 (2019 - \$62,000) in director fees to key management personnel.

### **DIRECTORS AND OFFICERS**

The following is a list of the Company's directors and officers as at April 13, 2021:

#### **Directors**

Andrew E. Saxton  
 Andrew Saxton, Jr.  
 Tuan Syed Abu Bakar bin Syed Mohsin Almohdzar  
 Musa Michael Lee Abdullah  
 Dennis Ng  
 Tim Koo  
 Robert Yew Chuan Ng (Resigned)

#### **Officers**

Andrew E. Saxton	– Chairman
Dennis Ng	– President
Andrew Saxton, Jr.	– CEO
Tim Koo	– CFO
Sean Leong	– Secretary

## **INVESTOR RELATIONS**

No investor relation activities were undertaken by or on behalf of the Company during the year or the quarter ended November 30, 2020. No investor relation arrangements or contracts were entered into by the Company during the year or the quarter ended November 30, 2020.

## **SIGNIFICANT ACCOUNTING JUDGMENTS and ESTIMATES**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical judgments made by management:

1. assessments of net recoverable amounts of properties under development and the fair values of financial instruments requires judgment;
2. the determination of when financial assets are impaired and what is considered significant or prolonged impairment requires judgment. In making these judgments the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is below its cost;
3. the determination of joint arrangement classification requires the Company to apply judgment in the application of its joint arrangement accounting policy as to whether its joint arrangement constitutes a joint operation or a joint venture;
4. the Company's ability to utilize tax losses and the rates at which those losses will be realized;
5. the functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Management has determined that the functional currency of KGFC(M)SB and GTSB is the Malaysian Ringgit;

6. the Company uses significant judgment to conclude whether an acquired set of activities and assets is a business, and such judgment can lead to significantly different accounting results. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition. There are many differences in accounting for a business combination versus an asset acquisition including the recognition of goodwill and deferred tax amounts, the initial measurement of assets and accounting for transaction costs. These differences not only affect the accounting as at the acquisition date, but will also affect future depreciation and possible impairment analysis. Accordingly, the conclusion as to whether a business has been acquired can have a significant effect on the Company's financial position and results of operations;
7. the fair value of investments in securities disclosed in Note 5 is determined by management, in conjunction with listed trading price on public stock exchange, available industry data and comparable as well as inputs from experienced real estate project partners. The determination of fair value of marketable securities and investment property requires the use of estimates such as future income and cash flow from the sale or rental of investment assets, risk-adjusted discount rates where applicable to those assets' cash flow and capitalization rates. These estimates are based on market conditions existing at the reporting date; and
8. Management has assessed its involvement in OREF1 in accordance with IFRS 10's control definition and guidance. It has concluded that it does not have outright control or significant influence.
9. In making its judgment, management considered the Company's voting right and the voting right held by CTMC. Recent experience demonstrates that CTMC participates in such a way that they prevent the Company from having the practical ability to direct the relevant activities,

Significant areas of estimation:

Fair value of financial instruments – The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by the Company and a knowledgeable, willing party in an arm's length transaction. Level 1 financial securities is based on quoted public market price on stock exchange. For Level 3 securities and financial instruments, the fair value is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions .

## **RISK MANAGEMENT**

### Credit Risk

The Company's credit risk is primarily attributable to cash, amounts receivable and other receivables. Cash is held in reputable banks in Canada, Malaysia and brokerage firms in Singapore, which are closely monitored by management. 99% of the cash is held in the Company's Canadian and Malaysian bank accounts. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks and brokerage firms.

Amounts receivable are repayable on demand and there is no indication the receivables are not recoverable.

Other receivables are secured by personal guarantee by a Director and a person connected to a Director from non-controlling interest.

### Foreign Exchange Risk

The Company is subject to currency risk due to the exchange rate fluctuation of the Canadian Dollar against the US Dollar, the Singapore Dollar and the Malaysian Ringgit. This risk exposure relates to cash, other receivables, security investments and hotel investment in these foreign currencies. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

As at November 30, 2020, financial assets and liabilities denominated in currencies other than the Canadian Dollar were as follows:

	<b>FINANCIAL ASSETS</b>	<b>CANADIAN \$ EQUIVALENT</b>	<b>FINANCIAL LIABILITIES</b>	<b>CANADIAN \$ EQUIVALENT</b>
Malaysian Ringgit	18,350,574	5,817,132	17,380,664	5,509,670
Singapore Dollar	73	71	-	-
US Dollar	15,968,804	20,703,554	92,741	120,239

Based on the above net exposures at November 30, 2020, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian Dollar would result in a net increase/decrease of C\$581,713 in financial assets and C\$550,967 in financial liabilities against the Malaysian Ringgit, C\$7 in financial assets against the Singapore Dollar, C\$2,070,355 in financial assets and C\$12,024 in financial liabilities against the US Dollar in the Company's foreign exchange income/(loss) for the year ended November 30, 2020.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly arises from its floating rate borrowing in Malaysia. Fluctuations in interest rates will impact the cost of financing incurred in the future. The carrying amount of the Company's significant interest-bearing financial instruments, as at the reporting date are as follows:

<b>Floating Rate Instruments</b>	<b>2020</b>	<b>2019</b>
Borrowings	4,206,029	4,234,437
Bank overdraft	613,140	631,961
Net financial liabilities	4,819,169	4,866,398

Based on Company's bank indebtedness outstanding for the year ended November 30, 2020, management estimated that a change in interest rate of +/-25 basis points would have a corresponding effect of \$ 12,048 increase or decrease in KGFC(M)SB profit.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2020, the Company held cash and cash equivalents of \$10,226,000 and had liabilities of \$6,758,000. \$1,939,000 of liabilities were mainly non-trade, operating loan, income tax and miscellaneous payables that are non-interest bearing subject to normal trade terms. \$4,819,000 bank indebtedness was a secured term loan repayable over 48 monthly installments.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as follows:

<b>Non-derivative financial liabilities</b>	<b>Within 1 year</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total contractual cash flow</b>
<b>Secured</b>				
Borrowings	593,000	4,470,000	-	5,063,000
Bank overdraft	613,000	-	-	613,000
Lease liabilities	109,000	321,000	-	430,000
<b>Unsecured</b>				
Other payables	832,000	-	-	832,000
Total undiscounted financial liabilities	2,147,000	4,791,000	-	6,938,000

### Other Price Risk

The Company's investments in publicly traded equity securities AHP is classified as FVTOCI. AHP is listed on the TSX Venture Exchange (TSXV). A \$0.10 change in the Canadian dollar equivalent quoted share price of these securities would have a financial impact on their fair values as follows:

<b>EQUITY SECURITIES</b>	<b>FINANCIAL IMPACT</b>
AHP	\$ 350,000

The change would be recorded in accumulated other comprehensive income.

### Real Estate Development Risk

The Company is exposed to certain risks associated with real estate development industry. These include planning permit risk, construction pricing risk, revenue risk associated with supply and demand of residential multi-family units for sale in the market and general market risk. Company mitigates these risks by partnering with other reputable experienced developers, maintaining good communication and a cooperative working relationship with the city planning department, hiring experienced consultants in designing, costing, marketing and construction phase of the development project and whenever possible, entering into fixed-price contracts with general contractors or sub-contractors.

### Hospitality Industry Risk

The Company's hotel property investment is subject to normal operating risks common to the hotel industry, including seasonal and cyclical business fluctuations. Company mitigates these risks by hiring a professional hotel management company to operate the property under an international hotel flag, participates in its worldwide reservation system, regional marketing programs and building a strong working relationship with hotel clients, travel agencies and hotel staff.

## **CONTROL OVER DISCLOSURE AND FINANCIAL REPORTING**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with International Financial Reporting Standards (IFRS).

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware

that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **ADDITIONAL INFORMATION**

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)