THIS CIRCULAR TO SHAREHOLDERS OF MAGMA GROUP BERHAD ("MAGMA" OR THE "COMPANY") ("CIRCULAR") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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MAGMA
GROUP

MAGMA GROUP BERHAD

(Registration No. 200601021085 (740838-A))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED DISPOSAL OF THE ENTIRE 20% EQUITY INTEREST IN HERITAGE LANE SDN BHD BY ASTAKA MEKAR SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MAGMA, TO HARUM ASPIRASI SDN BHD FOR RM63.00 MILLION TO BE FULLY SETTLED IN CASH ("PROPOSED DISPOSAL")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

kenanga

KENANGA INVESTMENT BANK BERHAD
(Registration No: 197301002193 (15678-H))

The Extraordinary General Meeting ("**EGM**") of our Company will be held at Room Perak 1 & 2, Upper Ground Floor, Impiana Hotel Ipoh, 18 Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak on Monday, 9 February 2026 at 11:00 a.m. or at any adjournment thereof (as the case may be). The Notice of the EGM together with the Form of Proxy are enclosed.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies (where applicable) to attend and vote on your behalf. If you wish to do so, the Form of Proxy duly completed must be deposited at the office of our Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia or email to Bsr.proxy@boardroomlimited.com not less than 24 hours before the time set for holding the EGM or at any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last day, date and time for lodging the Form of Proxy	:	Sunday, 8 February 2026 at 11:00 a.m.
Day, date and time of the EGM	:	Monday, 9 February 2026 at 11:00 a.m. or at any adjournment thereof

This Circular is dated 23 January 2026

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

20% Estimated Disposal Consideration	:	20% of the Estimated Disposal Consideration, amounting to RM63.00 million in accordance with the 20% equity interest of AMSB in HLSB
Act	:	Companies Act 2016 and any amendments made thereto from time to time
Actual Disposal Consideration	:	The disposal consideration as adjusted based on the final accounts (i.e. the final audited balance sheet and profit and loss accounts of HLSB) in accordance with the terms of the SSA
Adjustments	:	Post-completion adjustment to the Estimated Disposal Consideration of RM315.00 million pursuant to the terms set out in the SSA, which has been set out in **Section 2 of Appendix I** of this Circular
AMSB	:	Astaka Mekar Sdn Bhd (Registration No. 200901011731 (854761-P))
Announcement	:	Announcement dated 10 October 2025, by Kenanga IB, on behalf of our Company, in relation to the Proposed Disposal
Board	:	Board of Directors of Magma
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This circular to our Shareholders dated 23 January 2026 in relation to the Proposed Disposal
Completion	:	Completion of the sale and purchase of the Sale Shares under the SSA
Completion Date	:	The date of completion of the Proposed Disposal, being the date on which all Conditions Precedent have been fulfilled and when mutually agreed in writing by the Vendors and the Purchaser
Conditions Precedent	:	Conditions precedent of the SSA, which has been set out in **Section 3 of Appendix I** of this Circular
DCF Method	:	Discounted cash flow method
Director(s)	:	Director(s) of Magma and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was a director or a chief executive of Magma, its subsidiary or holding company within the preceding 6 months of the date on which the terms of the Proposed Disposal were agreed upon
Estimated Disposal Consideration	:	The estimated disposal consideration of RM315.00 million for the 100% of the issue and paid-up share capital in HLSB to be disposed pursuant to the Proposed Disposal (subject to Adjustments)
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share

FYE	:	Financial year ended or ending, as the case may be
HASB or the **Purchaser**	:	Harum Aspirasi Sdn Bhd (Registration No. 199601027836 (400188-T))
HLSB	:	Heritage Lane Sdn Bhd (Registration No. 199901002104 (477004-U))
Hotel Manager	:	Magma Hospitality Management Sdn. Bhd. (Registration No.: 199101013081 (223393-A))
Impiana KLCC Hotel	:	Three (3) pieces of land bearing titles details Geran 26898 Lot 696, Geran 26899 Lot 697 and Geran 26900 Lot 698, all of which are located in Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur, and the hotel erected thereon, bearing postal address No. 13, Jalan Pinang, 50450, Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Kenanga IB or the **Principal Adviser**	:	Kenanga Investment Bank Berhad (Registration No. 197301002193 (15678-H))
KHSB	:	KLCC (Holdings) Sdn Bhd (Registration No. 198901001062 (178368-U))
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LAT	:	Loss after taxation
LBT	:	Loss before taxation
LPD	:	9 January 2026, being the latest practicable date prior to the date of this Circular
Magma or our **Company**	:	Magma Group Berhad (Registration No. 200601021085 (740838-A))
Magma Group or our **Group**	:	Collectively, Magma and its subsidiaries
Magma Share(s) or **Shares**	:	Ordinary share(s) in Magma
MCM	:	Magma Chain Management Sdn Bhd (Registration No. 202401009877 (1555727-U)), a wholly-owned subsidiary of Magma
NA	:	Net assets
NBV	:	Net book value
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PN17	:	Practice Note 17 of the Listing Requirements
Proposed Disposal	:	Proposed disposal of the entire 20% equity interest in HLSB by AMSB to HASB for RM63.00 million to be fully settled in cash
Private Placement	:	Private placement of up to 10% of the total number of issued shares of Magma (excluding treasury shares, if any), at an issue price to be determined later, which was announced on 5 December 2025

Rahim & Co or the **Valuer**	:	Rahim & Co International Sdn Bhd (Registration No. 201501001265 (1126597-X)
Shareholders	:	Registered holders of Magma Shares
SSA	:	Share Sale Agreement dated 10 October 2025 entered into between the Vendors and HASB in relation to the Proposed Disposal
Substantial Shareholder(s)	:	Shall have the meaning given in Section 136 of the Act
Valuation Certification	:	The valuation certificate dated 9 October 2025 issued by the Valuer in respect of the Impiana KLCC Hotel as set out in **Appendix IV** of this Circular
Vendors	:	Collectively, AMSB and KHSB

CURRENCY

RM and **sen**	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia

All references to "we", "us", "our" and "ourselves" are to Magma. All references to "you" or "your" in this Circular are to the Shareholders of Magma.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provisions of the statutes, rules, regulations, guidelines or rules of stock exchange (where the context admits) is a reference to provisions of such statutes, rules, regulations, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment of the statutes, rules, regulations, guidelines or rules of stock exchange for the time being in force.

Any reference to time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED DISPOSAL. SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

<table>
<tr><th>Key Information</th><th>Summary</th><th>Reference to Circular</th></tr>
<tr><td>Details of the Proposed Disposal</td><td>The Proposed Disposal involves the disposal by AMSB of 1,000,000 ordinary shares and 1,201 non-cumulative non-convertible redeemable preference shares of HLSB (representing 20% of the issued and paid-up share capital in HLSB) to HASB for a cash consideration of RM63.00 million, subject to the terms and conditions of the SSA.</td><td>Section 2</td></tr>
<tr><td>Basis and justification of determining the Disposal Consideration</td><td>The Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration the following:

(i) the adjusted audited NA of HLSB as set out below:
<table>
<tr><th>HLSB</th><th>RM’000</th><th>RM’000</th></tr>
<tr><td>Audited NA of HLSB as at 31 December 2024</td><td></td><td>186,055</td></tr>
<tr><td>Market value of the Impiana KLCC Hotel as appraised by the Valuer as at the valuation date of 8 October 2025 (1)</td><td>300,000</td><td></td></tr>
<tr><td>(Less) Audited net book value of the Impiana KLCC Hotel (2)</td><td>(205,973)</td><td></td></tr>
<tr><td>Revaluation surplus</td><td>94,027</td><td></td></tr>
<tr><td>(Less) Corporate tax rate of 24.00%</td><td>(22,566)</td><td></td></tr>
<tr><td>Net revaluation surplus</td><td></td><td>71,461</td></tr>
<tr><td>Revalued NA of HLSB</td><td></td><td>257,516</td></tr>
<tr><td>Value of 20% equity interest of HLSB</td><td></td><td>51,503</td></tr>
</table>

Notes:

(1) In arriving at the market value of the Impiana KLCC Hotel, the Valuer has adopted the DCF Method under the Income Approach (as the primary approach as they considered it the most appropriate method of valuation as it takes into account the Impiana KLCC Hotel being an income-producing commercial property) and the Comparison Approach (as the secondary approach and as a cross-check method of valuation).

(2) For information purposes, the net book value of the Impiana KLCC Hotel is derived from the total asset value of HLSB’s freehold land (RM34.93 million), hotel properties (RM171.00 million) and renovation assets (RM0.03 million). Please refer to Section 7 of Appendix II of this Circular for further information on the breakdown of the type of assets owned by HLSB.

The 20% Estimated Disposal Consideration of RM63.00 million represents a premium of RM11.50 million or approximately 22.33% over the adjusted NA value of 20% equity interest of HLSB of RM51.50 million. Thus, our Board is of the view that the Proposed Disposal is fair;</td><td>Section 2.6</td></tr>
</table>

<table>
<tr><th>Key Information</th><th>Summary</th><th>Reference to Circular</th></tr>
<tr><td></td><td>(ii) the indicative market value of Impiana KLCC Hotel of RM300.00 million based on prevailing market conditions, as ascribed by the Valuer; and

(iii) the rationale for the Proposed Disposal as set out in Section 4 of this Circular.</td><td></td></tr>
<tr><td>Proposed utilisation of proceeds from the Proposed Disposal</td><td>
<table>
<tr><th>Purpose</th><th>Expected timeframe for utilisation of proceeds from Completion</th><th>Amount (RM'000)</th></tr>
<tr><td>(i) Repayment of borrowings</td><td>Within 12 months</td><td>45,000</td></tr>
<tr><td>(ii) Investment in Magma's existing businesses</td><td>Within 24 to 36 months</td><td>12,000</td></tr>
<tr><td>(iii) Working capital</td><td>Within 6 months</td><td>4,170</td></tr>
<tr><td>(iv) Estimated expenses in relation to the Proposed Disposal</td><td>Immediately</td><td>1,830</td></tr>
<tr><td colspan="2">Total</td><td>63,000</td></tr>
</table>
</td><td>Section 3</td></tr>
<tr><td>Rationale for the Proposed Disposal</td><td>(i) Realise the value of our investment in HLSB at a fair market value thereby unlocking the capital appreciation of the asset and providing an opportunity for our Group to monetise our non-core investment.

For the avoidance of doubt, investments that are outside our Group's core business segments of hotel ownership and operations, property and food and beverage (F&B) businesses, or where our Group does not have controlling ownership or operational control, are considered non-core investments. Notwithstanding HLSB's significant revenue contribution to Group revenue (as illustrated in Section 6.1 of this Circular), the investment in HLSB is considered a non-core and passive investment in view of AMSB's 20% equity interest in HLSB, being a non-controlling stake where our Group has limited control and influence over HLSB's strategic direction and operational decisions.

Hence, the Proposed Disposal will enable our Group to realise the value of this non-core investment and reallocate our financial resources more efficiently towards other strategic and revenue-generating business segments which include, among others, our hospitality and property-related initiatives that are more closely aligned with our Group's long-term strategic objectives and where our Group is able to exercise greater operational control;

(ii) Strengthen our Group's financial position and liquidity; and

(iii) Use the cash proceeds from the Proposed Disposal to reallocate funds towards areas that offer higher growth potential and better returns.</td><td>Section 4</td></tr>
</table>

Key Information	Summary	Reference to Circular
Risk factors in relation to the Proposed Disposal	The risk factors relating to the Proposed Disposal, which may not be exhaustive, are set out below: (i) non-completion risk; (ii) contractual risk; and (iii) loss of revenue stream or fetching potential higher value for the sale of HLSB.	Section 5
Approvals required and conditionality	The Proposed Disposal is subject to the following approvals being obtained: (i) approval of the shareholders of Magma at an EGM to be convened; and (ii) approval of the Ministry of Economy pursuant to the Guidelines on the Acquisition of Properties (effective 13 July 2022) issued by the Equity Development Division of the Ministry of Economy of Malaysia, to be obtained by the Purchaser. As at the LPD, the application has been made to the Ministry of Economy and is pending approval. The Proposed Disposal is not conditional upon the Private Placement, and vice versa. The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.	Section 7
Interests of Directors, Major Shareholders and / or persons connected with them	None of our Directors, major Shareholders of our Company and / or persons connected with them have any interest, direct or indirect, in the Proposed Disposal.	Section 9
Directors' statement and recommendation	Our Board, after having considered all aspects of the Proposed Disposal, including but not limited to the rationale for the Proposed Disposal, the basis and justification for the Disposal Consideration, the salient terms of the SSA as well as the effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of our Company. Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.	Section 10

MAGMA GROUP BERHAD
(Registration No. 200601021085 (740838-A))
(Incorporated in Malaysia)

Registered office

Ho Hup Tower – Aurora Place,
2-07-01-Level 7, Plaza Bukit Jalil,
No. 1, Persiaran Jalil 1,
Bandar Bukit Jalil,
57000 Kuala Lumpur, Malaysia

23 January 2026

Board of Directors:

Dato' Sri Lee Hock Seng (Group Executive Chairman)
Dato' Sri Liang Chee Fong (Group Managing Director cum Group Chief Executive Officer)
Lee Guat Tin (Independent Non-Executive Director)
Tan Kim Chee (Independent Non-Executive Director)
Datin Lim Sok Yee (Independent Non-Executive Director)
Omar Azlan Bin Ismail @ Farouk (Non-Independent Non-Executive Director)
Azrin Mirzhan Bin Kamaluddin (Non-Independent Non-Executive Director)

To: Our Shareholders

Dear Sir / Madam,

PROPOSED DISPOSAL

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1. INTRODUCTION

On 10 October 2025, on behalf of our Board, Kenanga IB announced that AMSB and KHSB had on the same date entered into the SSA with HASB in relation to the Proposed Disposal.

Further details of the Proposed Disposal are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND TO SET OUT THE VIEWS AND RECOMMENDATION OF OUR BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Background information on the Proposed Disposal

On 10 October 2025, AMSB and KHSB had entered into the SSA with HASB in relation to the Proposed Disposal.

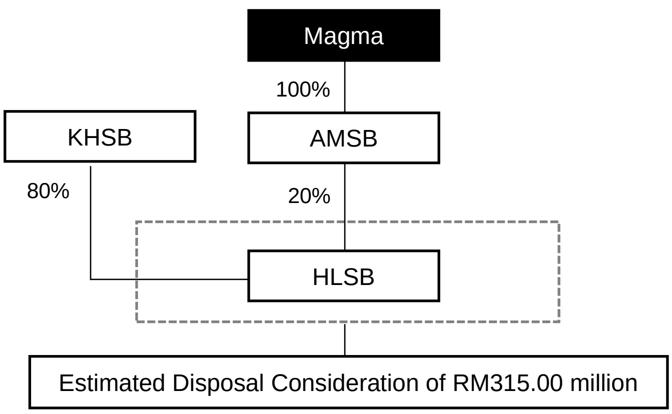
The Proposed Disposal entails the disposal by AMSB, a wholly-owned subsidiary of Magma, and KHSB of the entire issued share capital of HLSB in the following proportions for a total Estimated Disposal Consideration of approximately RM315.00 million:

Vendor	Proportion of shareholding and Number of shares held in HLSB	Estimated Disposal Consideration (RM'000)
KHSB	4,004,804 shares (representing 80% of the entire issued share capital of HLSB) comprising: (a) 4,000,000 ordinary shares; and (b) 4,804 non-cumulative non-convertible redeemable preference shares	252,000
AMSB	1,001,201 shares (representing 20% of the entire issued share capital of HLSB) comprising: (a) 1,000,000 ordinary shares; and (b) 1,201 non-cumulative non-convertible redeemable preference shares.	63,000
Total	**5,006,005 shares comprising:** **(a) 5,000,000 ordinary shares; and** **(b) 6,005 non-cumulative non-convertible redeemable preference shares**	**315,000**

Pursuant to the Proposed Disposal and in view of AMSB's 20% equity interest in HLSB, AMSB will be entitled to 20% of the Estimated Disposal Consideration, amounting to approximately RM63.00 million.

The Estimated Disposal Consideration is subject to the Adjustments pursuant to the terms as set out in the SSA. The salient terms of the SSA are set out in **Appendix I** of this Circular.

The existing group structure of HLSB is set out as follows:



Upon the completion of the Proposed Disposal, HLSB will cease to be an associate company of Magma and its subsidiaries.

2.2 Information on AMSB

AMSB was incorporated in Malaysia on 24 April 2009 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016. Its place of business is at D5-5-5, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. The principal business of AMSB is investment holding.

As at the LPD, the issued and paid-up capital of AMSB is RM1,000,000 comprising 1,000,000 ordinary shares. AMSB is a wholly-owned subsidiary of Magma.

The directors of AMSB are Dato' Sri Lee Hock Seng and Dato' Sri Liang Chee Fong. Through AMSB, Magma holds a 20% equity interest in HLSB.

Based on AMSB's latest audited financial statement for financial year ended 31 December 2024, the net loss attributable to AMSB and negative net asset value are RM3,450,838 and RM35,842,798, respectively.

2.3 Information on HLSB

HLSB was incorporated in Malaysia on 10 February 1999 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016. Its place of business is at Impiana KLCC Hotel, No. 13, Jalan Pinang, 50450, Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. The principal business of HLSB is property investment.

As at the LPD, the issued and paid-up capital of HLSB is RM125,100,000 comprising 5,000,000 ordinary shares and 6,005 preference shares.

HLSB is an associate company of Magma by virtue of AMSB's 20% equity interest in HLSB.

HLSB is the registered proprietor and beneficial owner of the Impiana KLCC Hotel.

Further information on HLSB is set out in **Appendix II** of this Circular.

2.3.1 Information on the Impiana KLCC Hotel

Details of the Impiana KLCC Hotel are as follows:

Title Nos.	Geran 26898, 26899 & 26900
Lot Nos.	Lot 696, 697 & 698, Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Postal address	No. 13, Jalan Pinang, 50450, Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Property type	A purpose-built 4-star 519-room hotel comprising the following: (a) a fifteen (15) storey hotel with a podium and a basement level; and (b) a twenty-five (25) storey tower consisting of the following: (i) seven (7) levels of elevated car parking bays; (ii) seventeen (17) levels of hotel rooms; (iii) one (1) level of hotel facilities; and (iv) one (1) basement level, both sections interconnected from level G to level 16, with one hundred and thirty-six (136) car parking bays.
Tenure	Freehold interest for all lots
Category of land use	"*Tidak dinyatakan*" for all lots
Title land area	6,252.189 square metres (approximately 67,298 square feet)

Gross floor area	455,400 square feet (521,600 square feet including car park)
Approximate age of building	More than 20 years with refurbishments made to the hotel over the years
Number of rooms	519 rooms
Registered proprietor	HLSB
Description of the building	The building is divided into two sections as follows: (i) Hotel block (comprises of 15-storey building with a podium block and a basement level); and (ii) Hotel tower (comprises of 7 levels of elevated car parks, 17 levels of hotel rooms, 1 level of hotel facilities and a basement level).
Existing use	The property is currently operating as a hotel known as Impiana KLCC Hotel.
Express conditions	"*Subject to the conditions and agreements expressed or implied in Lease for Agricultural Land No. 1431 and to such restriction in interest expressed therein and shown by memorial hereon, and to such registered interests as are shown by memorial hereon*" for all lots
Restriction-in-interest	Nil for all lots
Encumbrances	As at the LPD, there are no effective encumbrances. [(1)]
Valuer	Rahim & Co
Date of valuation	8 October 2025
Audited NBV as at 31 December 2024	RM205,972,530
Market value	RM300,000,000
Method of valuation	DCF Method under the Income Approach and Comparison Approach

***Note**:*

(1) For information purposes, the encumbrances previously disclosed in the Announcement, namely "Gadaian Menjamin Wang Pokok kepada Malayan Banking Berhad" and "Gadaian Menjamin Wang Pokok kepada Malayan Islamic Berhad", were discharged on 5 December 2025.

For information purposes, Impiana KLCC Hotel is currently operated by the Hotel Manager, a wholly-owned subsidiary of Magma, pursuant to a hotel management agreement dated 3 October 2005 between HLSB and the Hotel Manager, which was supplemented by a supplemental agreement dated 6 November 2015 and subsequently by a further supplemental agreement dated 17 November 2025 (the hotel management agreement dated 3 October 2005 and the supplemental agreements dated 6 November 2015 and 17 November 2025 shall collectively be referred to as "**Hotel Management Agreement**").

Notwithstanding that the Hotel Management Agreement has been extended to 17 November 2026, with a three months' termination notice, there is no assurance that the Impiana KLCC Hotel will continue to be operated by the Hotel Manager upon completion of the Proposed Disposal as the Purchaser will have the sole discretion whether to maintain, extend or terminate the Hotel Management Agreement.

2.4 Information on KHSB

KHSB was incorporated in Malaysia on 30 January 1989 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016. Its place of business is at Levels 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. The principal business of KHSB is investment holding, property development management and provisions of management services.

As at the LPD, the issued and paid-up share capital of KHSB is RM9,103,597,316, comprising 1,335,897,316 ordinary shares and 131,234,000 preference shares. KHSB holds the remaining 80% equity interest in HLSB.

For information purposes, KHSB is not a subsidiary or associate of Magma.

2.5 Information on the Purchaser

HASB was incorporated in Malaysia on 29 August 1996 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016. Its place of business is at Level 19, Wisma UOA 2, 21, Jalan Pinang, 50450 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. The principal business of HASB is the operation of boutiques retailing luxury goods situated at airports.

As at the LPD, the issued and paid-up share capital of HASB is RM1,000,000 comprising 1,000,000 ordinary shares. For information purposes, HASB is a not a subsidiary or associate of Magma.

As at the LPD, the directors of HASB are Sharan Jethanand Valiram, Ashvin Jethanand Valiram and Abd Rahman bin Yunus. The shareholders of HASB and their respective shareholdings in HASB as at the LPD are as follows:

	Direct		Indirect	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Envico Capital Sdn. Bhd.	700,000	70.00	-	-
Envico Enterprises Sdn Bhd (1)	-	-	700,000	70.00
Valiram Holdings Sdn Bhd (2)	-	-	700,000	70.00
Sharan Jethanand Valiram (3)	-	-	700,000	70.00
Mukesh Jethanand Valiram (3)	-	-	700,000	70.00
Estate of Jethanand A/L Utumal Valiram (3)	-	-	700,000	70.00
Champa Kishinchand Kirpalani (3)	-	-	700,000	70.00
Abd Rahman bin Yunus	300,000	30.00	-	-
Total	**1,000,000**	**100.00**	**-**	**-**

***Notes**:*

(1) Deemed interested through its shareholdings in Envico Capital Sdn Bhd.

(2) Deemed interested through its shareholdings in Envico Enterprises Sdn Bhd.

(3) Deemed interested through their respective substantial shareholdings in Valiram Holdings Sdn Bhd.

2.6 Basis and justification of arriving at the Estimated Disposal Consideration

The Estimated Disposal Consideration was negotiated and arrived at a "willing-buyer willing-seller" basis after the completion of the Purchaser's due diligence exercise on HLSB, as well as after taking into consideration the following:

(i) the adjusted audited NA of HLSB as set out below:

HLSB	RM'000	RM'000
Audited NA of HLSB as at 31 December 2024		186,055
Market value of the Impiana KLCC Hotel as appraised by the Valuer as at the valuation date of 8 October 2025[(1)]	300,000	
(Less) Audited net book value of the Impiana KLCC Hotel[(2)]	(205,973)	
Revaluation surplus	94,027	
(Less) Corporate tax rate of 24.00%	(22,566)	
Net revaluation surplus		71,461
Revalued NA of HLSB		257,516
Value of 20% equity interest of HLSB		**51,503**

***Notes**:*

(1) In arriving at the market value of the Impiana KLCC Hotel, the Valuer has adopted the DCF Method under the Income Approach (as the primary approach as they considered it the most appropriate method of valuation as it takes into account the Impiana KLCC Hotel being an income-producing commercial property) and Comparison Approach (as the secondary approach and as a cross-check method of valuation).

*(2) For information purposes, the net book value of the Impiana KLCC Hotel is derived from the total asset value of HLSB's freehold land (RM34.94 million), hotel properties (RM171.00 million) and renovation assets (RM0.03 million), based on the audited financial statements of HLSB as at 31 December 2024. Please refer to **Section 7 of Appendix II** of this Circular for further information on the breakdown of the type of assets owned by HLSB.*

The 20% Estimated Disposal Consideration of RM63.00 million represents a premium of RM11.50 million or approximately 22.33% over the adjusted NA value of 20% equity interest of HLSB of RM51.50 million. Thus, our Board is of the view that the Proposed Disposal is fair;

(ii) the indicative market value of Impiana KLCC Hotel of RM300.00 million based on prevailing market conditions, as ascribed by the Valuer; and

(iii) the rationale for the Proposed Disposal as set out in **Section 4** of this Circular.

2.7 Mode of settlement of the Estimated Disposal Consideration

The Estimated Disposal Consideration is to be settled entirely in cash in the following manner:

Payment terms	Timeline of payment	Total payment amount to the Vendors (RM'000)	Payment amount to AMSB (20% of the total payment amount to the Vendors) (RM'000)
Earnest deposit of 2% of the Estimated Disposal Consideration	Paid prior to execution of the SSA	6,300	1,260
Balance deposit of 8% of the Estimated Disposal Consideration	Paid upon execution of the SSA	25,200	5,040
Balance disposal consideration	Within 3 months from fulfilment of the conditions precedent	283,500	56,700
Total Estimated Disposal Consideration		**315,000**	**63,000**

The Estimated Disposal Consideration shall be subjected to the Adjustments, which will be carried out within thirty (30) Business Days from the completion date, based on a final audited balance sheet and profit and loss accounts of HLSB, pursuant to the terms as set out in the SSA. Any surplus or shortfall arising from a difference between the Actual Disposal Consideration and the Estimated Disposal Consideration will be paid to or by the Vendors in accordance to their shareholding proportion. For the avoidance of doubt, as at the LPD, the earnest deposit and balance deposit (amounting to 10% of the Estimated Disposal Consideration) has been fully settled in accordance with the timeline of payment above.

2.8 Original cost and investment date

The original cost and date of investment by AMSB in HLSB are as follows:

Date of investment	Description	Cost of investment (RM)
28 December 2012	Investment in 1,000,000 ordinary shares	18,572,113
28 December 2012	Investment in 960 non-cumulative non-convertible redeemable preference shares	19,222,887
20 December 2019	Investment in 51 non-cumulative non-convertible redeemable preference shares	1,020,000
16 October 2021	Investment in 29 non-cumulative non-convertible redeemable preference shares	580,000
10 February 2023	Investment in 9 non-cumulative non-convertible redeemable preference shares	180,000
19 December 2023	Investment in 22 non-cumulative non-convertible redeemable preference shares	440,000
27 January 2025	Investment in 130 non-cumulative non-convertible redeemable preference shares	2,600,000
	Total	**42,615,000**

2.9 Liabilities to be assumed

Save for the obligations and liabilities arising from the SSA, there are no other liabilities, contingent liabilities and guarantees granted to HLSB by AMSB or our Group which will remain and / or expected to be assumed by AMSB or our Group pursuant to the Proposed Disposal in respect of the Impiana KLCC Hotel.

2.10 Cash company or PN17 listed issuer

The Proposed Disposal is not expected to result in Magma becoming a cash company or a PN17 listed issuer as defined under the Listing Requirements.

3. UTILISATION OF PROCEEDS

Our Group intends to use the 20% Estimated Disposal Consideration of RM63.00 million in the following manner:

Purpose	Notes	Estimated timeframe for use of proceeds	RM'000
Repayment of borrowings	(1)	Within 12 months from receipt of proceeds	45,000
Investment in Magma's existing businesses	(2)	Within 24 to 36 months from receipt of proceeds	12,000
Working capital	(3)	Within 6 months from receipt of proceeds	4,170
Estimated expenses in relation to the Proposed Disposal	(4)	Immediately	1,830
Total			**63,000**

***Notes**:*

(1) Our Group intends to allocate up to RM45.00 million for the repayment of our existing borrowings which includes a term loan and a factoring facility, which is expected to result in a saving in interest payment of approximately RM3.90 million based on a range of effective interest rate per annum of 4.90% to 21.85%, which will consequently translates to an improvement in our Group's gearing ratio.

Type of facility	*Outstanding balance as at the LPD*	*Proposed utilisation of proceeds*	*Effective interest rate per annum as at the LPD*	*Estimated annual interest savings [(a)]*
	RM'000	*RM'000*	*%*	*RM'000*
Term loan	*36,803*	*35,000*	*4.90*	*1,715*
Factoring facility[(b)]	*18,871*	*10,000*	*21.85*	*2,185*
Total	***55,674***	***45,000***		***3,900***

***Notes**:*

(a) The estimated annual interest savings is based on interest rates of the facilities as at the LPD and may be subject to change depending on base lending rate / cost of funds of the lenders at the point of drawdown / repayment.

(b) Notwithstanding the relatively high interest rate of the factoring facility, our Group has allocated RM10.00 million of the proceeds for repayment as our Group has agreed with the financier of the factoring facility for a one-off payment of RM10.00 million as the full and final settlement. As such, upon repayment of the RM10.00 million allocated, the borrowings in respect of the factoring facility will be fully settled and there will be no further outstanding balance of borrowings in respect of the factoring facility.

Any variation to the amount payable at completion of the Proposed Disposal will be adjusted to or from the amount allocated for working capital.

(2) Our Group intends to utilise approximately RM12.00 million to support further investment into our existing businesses, either directly or through our subsidiaries or associates. This allocation is aimed at enhancing operational capacity, expanding market reach, and strengthening our Group's recurring income base. The investment may include capital expenditure to upgrade infrastructure and technology, business development initiatives to capture new growth opportunities, and strategic enhancement projects within our Group's hospitality segment which includes hotel development and upgrades, including but not limited to hotel acquisitions, renovations, refurbishments and operational improvements that are expected to generate a meaningful contribution to our Group's revenue and earnings.

Our Group also intends to utilise the proceeds for its property segments mainly for the construction cost for the development of serviced apartments, retail lots and hotel (based on development orders granted to our Group on 16 May 2023 and 11 July 2025 as well as building plan approval plan on 1 December 2025 on our Group's land which was acquired on 25 April 2025) which is held under the title no. Pajakan Negeri 53478, Lot 81179, Tempat of Persiaran Dutamas, Mukim of Batu, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur.

In addition, depending on prevailing opportunities and business requirements, the investment into our existing business is also intended to include related service operations for our Group's hospitality and property segments, mainly for ancillary and support services to support and enhance the overall performance and efficiency of these segments, which may include, but are not limited to, hotel management-related services, food and beverage operations, property management and maintenance services as well as marketing and booking support functions). These investments are expected to deliver sustainable value creation and contribute positively to our Group's long-term earnings trajectory.

Any variation to the amount allocated will be adjusted to or from the amount allocated for working capital.

(3) Our Group intends to utilise up to approximately RM4.17 million of the proceeds from the Proposed Disposal for working capital requirements which include, but are not limited to, the day-to-day operations of our Group consisting of staff salaries, utilities expenses, repair and maintenance of the office, rental expenses and other miscellaneous items. The actual breakdown of these expenses cannot be determined at this juncture as the actual expenses will depend on the actual operating and administrative requirements of our Group at the relevant time.

(4) The total estimated expenses in relation to the Proposed Disposal are as follows:

Description	***RM'000***
Professional fees for the Proposed Disposal (payable to the adviser, valuer and solicitors for the Proposed Disposal)	*520*
*Estimated tax payable in relation to the Proposed Disposal**	*1,210*
Other incidental expenses in relation to the Proposed Disposal	*100*
Total	***1,830***

** Computed after taking into consideration the 2.00% of capital gains tax applied to the value of the 1,071 non-cumulative non-convertible preference shares and 1,000,000 ordinary shares and 10.00% capital gains tax applied to the chargeable income deriving from the disposal of the 130 non-cumulative non-convertible preference shares as well as the 20% Estimated Disposal Consideration of RM63.00 million from the Proposed Disposal, amounting to approximately RM1.21 million.*

Any variation to the estimated expenses relating to the Proposed Disposal will be adjusted to or from the amount allocated for working capital.

Pending the full utilisation of proceeds, Magma will place the proceeds as deposits of short-term money instruments with licensed financial institutions or in money-market funds.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is expected to allow our Group to:

(i) realise the value of our investment in HLSB at a fair market value thereby unlocking the capital appreciation of the asset and providing an opportunity for our Group to monetise our non-core investment.

For the avoidance of doubt, investments that are outside our Group's core business segments of hotel ownership and operations, property and food and beverage (F&B) businesses, or where our Group does not have controlling ownership or operational control, are considered non-core investments. Notwithstanding HLSB's significant revenue contribution to Group revenue (as illustrated in **Section 6.1** of this Circular), the investment in HLSB is considered a non-core and passive investment in view of AMSB's 20% equity interest in HLSB, being a non-controlling stake where our Group has limited control and influence over HLSB's strategic direction and operational decisions.

Hence, the Proposed Disposal will enable our Group to realise the value of this non-core investment and reallocate our financial resources more efficiently towards other strategic and revenue-generating business segments which include, among others, our hospitality and property-related initiatives that are more closely aligned with our Group's long-term strategic objectives and where our Group is able to exercise greater operational control;

(ii) strengthen our Group's financial position and liquidity. Upon completion of the Proposed Disposal, our Group intends to utlilise the gross proceeds of RM45.00 million to repay its existing borrowings. The reduction in gearing and finance cost savings will provide our Group with greater flexibility in allocating and redeploying the existing financial resources to support our existing operations; and

(iii) use the cash proceeds from the Proposed Disposal in the manner as set out in **Section 3** of this Circular, including amongst others, to reallocate funds towards areas that offer higher growth potential and better returns.

Overall, the Proposed Disposal is consistent with Magma's ongoing portfolio rationalisation efforts and is expected to be in the best interest of our Company and our shareholders.

5. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

The risk factors relating to the Proposed Disposal, which may not be exhaustive, are set out below:

5.1 Non-completion risk

The completion of the Proposed Disposal is conditional upon the fulfilment of the conditions precedent and subject to compliance with the terms and conditions as stipulated in the SSA. The salient terms of the SSA are set out in **Appendix I** of this Circular.

There is no assurance that all conditions precedent will be fulfilled within the stipulated conditional period and / or that the Proposed Disposal will be completed. In the event that any of the conditions precedent is / are not fulfilled and / or waived within the stipulated time period set out in the SSA, the Proposed Disposal may be delayed or terminated.

Notwithstanding the above, our Company shall take all reasonable steps to ensure that the conditions precedent and the terms and conditions as set out in the SSA, including obtaining the approvals / consents required which are within our control, are fulfilled in a timely manner to facilitate the completion of the Proposed Disposal.

5.2 Contractual risk

AMSB has given representations, warranties and undertakings as set out in the SSA in favour of the Purchaser. In this regard, our Group may be subject to claims in accordance with the terms and conditions of the SSA in the event of breach of representations, warranties and / or undertakings given by AMSB.

Nevertheless, AMSB will endeavour to ensure compliance with its obligations under the SSA in order to minimise the risk of any breach of the representations, warranties and / or undertakings committed by our Company.

5.3 Loss of revenue stream or fetching potential higher value for the sale of HLSB

Upon completion of the Proposed Disposal, HLSB will cease to be an associate company of our Group and thereafter our Group will cease to benefit from any future appreciation or increase in the value of the Impiana KLCC Hotel.

Notwithstanding the above, our Group is expected to realise an estimated pro forma gain arising from the Proposed Disposal as set out in **Section 6.1** of this Circular. Our Group intends to focus our efforts and resources to improve our revenue stream, as set out in **Section 3** of this Circular.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Estimated gain arising from the Proposed Disposal

For illustrative purposes, based on the audited consolidated financial statement of Magma Group for the financial year ended 31 December 2024, the Proposed Disposal is expected to result in a pro forma gain of approximately RM20.06 million to Magma Group, details of which are set out below:

	RM'000
20% Estimated Disposal Consideration	63,000
(Less): Total NA directly attributable to HLSB (1)	(41,060)
Estimated expenses in relation to the Proposed Disposal (2)	(1,880)
Estimated pro forma gain from the Proposed Disposal	**20,060**

***Notes**:*

(1) Based on the total NA attributable to HLSB as at the FYE 2024, which is computed based on the following:

	RM'000
Magma Group's audited NA directly associated with HLSB as at FYE 31 December 2024(a)	*37,172*
Add: Goodwill	*3,888*
Total	***41,060***

***Note**:*

*(a) For information, 20% of the audited NA of HLSB of RM186.06 million (based on HLSB's audited financial statements, as set out in **Section 2.6(i)** of this Circular), amounts to RM37.21 million. The difference between RM37.21 million (audited NA of HLSB) and RM37.17 million (Magma Group's audited NA directly associated with HLSB) of RM0.04 million is due to adjustments made pursuant to the finalisation of the audited financial statements of HLSB.*

*(2) The breakdown of the estimated expenses is as set out in **Note (4), Section 3** of this Circular.*

The pro forma gain as set out above is purely for illustration purposes. The actual loss / gain from the Proposed Disposal can only be determined later upon completion of the Proposed Disposal and thereafter the determination of the Actual Disposal Consideration and will depend on, amongst others, the NA directly associated with HLSB at the time of completion, actual expenses incurred and actual taxes paid in relation to the Proposed Disposal.

For information, the revenue and profitability contribution of HLSB to Magma Group for FYE 31 December 2024 are set out below:

	Audited			
	FYE 31 December 2024		**FYE 31 December 2023**	
	RM'000	**%**	**RM'000**	**%**
Revenue	(1)10,132	(2)67.88	(3)9,375	(4)64.84
PAT	(5)837	*-	(6)205	*-

***Notes**:*

(1) Computed based on 20% of HLSB's revenue in FYE 31 December 2024 of RM50.66 million.

(2) Computed based on Magma Group's total revenue in FYE 31 December 2024 of RM14.93 million.

(3) Computed based on 20% of HLSB's revenue in FYE 31 December 2023 of RM46.87 million.

(4) Computed based on Magma Group's total revenue in FYE 31 December 2023 of RM14.46 million.

(5) Computed based on 20% of HLSB's PAT in FYE 31 December 2024 of RM4.18 million.

(6) Computed based on 20% of HLSB's PAT in FYE 31 December 2023 of RM1.03 million.

* *Magma Group incurred losses in FYE 31 December 2023 and FYE 31 December 2024. As a result, the profitability contribution of HLSB to Magma Group cannot be meaningfully represented as a percentage of group profit.*

For the avoidance of doubt, the Proposed Disposal is not a Major Disposal pursuant to Rule 10.02(eA) of the Listing Requirements as the Proposed Disposal will not result in our Group having an insignificant level of business or operations. Further, the Proposed Disposal will not result in our Group being classified as a cash company, affected listed issuer or Practice Note 17 Issuer pursuant to Paragraphs 8.03, 8.03A and 8.04 of the Listing Requirements, respectively.

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6.2 Earnings and earnings per share

The Proposed Disposal is expected to be completed by the first quarter of 2026 and our Group is anticipated to derive a one-off pro forma gain arising from the Proposed Disposal of RM20.06 million.

For illustrative purposes, based on the audited consolidated financial statement of our Group as at the FYE 2024, the effects of the Proposed Disposal on the earnings of Magma are as follows:

	Audited as at FYE 2024 (RM'000)	**After the Proposed Disposal (RM'000)**
Loss after tax attributable to the owners of Magma	45,466	(1) 25,406
Magma's weighted average number of ordinary shares in issue (excluding treasury shares, if any)	968,245,628	968,245,628
Basic loss per Share (sen) (2)	**4.70**	**2.62**

***Notes**:*

(1) After adjusting for the pro forma net gain of approximately RM20.06 million arising from the Proposed Disposal.

(2) Computed based on the loss attributable to the owners of Magma over the total weighted average number of Shares.

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6.3 NA per Share and gearing

For illustrative purposes, based on the latest audited consolidated financial statements of Magma Group as at the FYE 2024, and assuming the Placement Shares of the Private Placement (as mentioned in **Section 12** of this Circular) is effected and has been fully placed out as at 31 December 2024, the pro forma effects of the Proposed Disposal on the consolidated NA per Share and gearing of Magma Group are as follows:

	Audited as at 31 December 2024 (RM'000)	**(I) [1] After subsequent events up to the LPD (RM'000)**	**(II) After (I) and the Private Placement (RM'000)**	**(III) After (II) and the Proposed Disposal (RM'000)**
Share capital	210,553	183,549	[2] 233,645	233,645
Redeemable convertible notes	2,500	-	-	-
Accumulated losses	(179,375)	(159,671)	[3](160,771)	[4] (142,591)
Capital reduction reserve	-	[5]103,138	103,138	103,138
Asset revaluation reserve	55,428	55,428	55,428	55,428
NA attributable to the owners of our Company	**89,106**	**182,444**	**231,440**	**249,620**
No. of Magma Shares in issue	1,119,252,437	1,681,086,245	1,849,194,869	1,849,194,869
NA per Magma Share (RM)	0.08	0.11	0.13	0.13
Total borrowings (RM'000)	107,849	107,849	107,849	[6]62,849
Gearing (times)	1.21	0.59	0.47	0.25

Notes*:*

(1) After taking into consideration:

(i) the conversion of 72,500,000 redeemable convertible notes into 72,500,000 new Magma Shares;

(ii) the issuance of 120,000,000 new Magma Shares at the issue price of RM0.2024 per Share pursuant to Magma's previous acquisition of land by way of share issuance (of which the listing and quotation of the new Shares on the Main Market of Bursa Securities was on 25 April 2025) and after taking into consideration the estimated expenses of RM0.11 million, which is directly attributable to the issuance of the new Shares; and

(iii) the reduction of RM123.68 million from the issued share capital of Magma Group (which was completed on 13 August 2025).

(2) Calculated based on an illustrative issue price of RM0.298 per Placement Share.

(3) Calculated after deducting estimated listing expenses of RM1.10 million in relation to the Private Placement.

(4) *After adjusting for the pro forma net gain of approximately RM20.06 million arising from the Proposed Disposal and the estimated expenses of approximately RM1.88 million in relation to the Proposed Disposal.*

(5) *Arising from the recognition of share capital reduction of RM103.14 million pursuant to a share capital reduction exercise undertaken by our Group.*

(6) *After adjusting for the utilisation of proceeds pursuant to the Proposed Disposal, of which RM45.00 million is earmarked for the repayment of borrowings.*

6.4 Issued share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Magma as the Proposed Disposal does not involve any issuance of new ordinary shares of Magma.

6.5 Convertible securities

As at the LPD, our Company does not have any existing convertible securities.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Disposal is subject to the following approvals being obtained:

(i) approval of the Shareholders of Magma at an EGM to be convened; and

(ii) approval of the Ministry of Economy pursuant to the Guidelines on the Acquisition of Properties (effective 13 July 2022) issued by the Equity Development Division of the Ministry of Economy of Malaysia, to be obtained by the Purchaser. As at the LPD, the application has been made to the Ministry of Economy and is pending approval.

The Proposed Disposal is not conditional upon the Private Placement, and vice versa.

The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.

8. PERCENTAGE RATIO

Based on the audited consolidated financial statements of Magma Group for the FYE 31 December 2024, the highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 70.70%, computed based on the 20% Estimated Disposal Consideration over the NA.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND / OR PERSONS CONNECTED WITH THEM

None of the Directors, major Shareholders of our Company and / or persons connected with them (as defined in the Listing Requirements) have any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Disposal, including but not limited to the salient terms of the SSA, the basis and justification for the Disposal Consideration, the rationale for the Proposed Disposal as well as the effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained and barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the first quarter of 2026.

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

On 5 December 2025, our Company announced a proposal to undertake a private placement of up to 10% of the total number of issued shares of Magma (excluding treasury shares, if any), to third party investor(s) to be identified later at an issue price to be determined later. On 7 January 2026, our Company announced that Bursa Securities had vide its letter dated 7 January 2026, resolved to approve the listing and quotation of up to 168,108,624 new Shares to be issued pursuant to the Private Placement ("**Placement Share(s)**").

The Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was obtained from the shareholders of our Company at the Annual General Meeting ("**AGM**") held on 30 June 2025, whereby the Board has been authorised to issue and allot new Magma Shares, at any time and upon such terms and conditions and for such purposes as the Board may, in their absolute discretion, deem fit, provided that the aggregate number of Shares to be issued and allotted does not exceed 10% of the total number of issued Shares of our Company (excluding treasury shares) for the time being. Such authority shall continue to be in force until the conclusion of the next AGM.

Based on the illustrative issue price of RM0.298 per Placement Share, the Private Placement is expected to raise gross proceeds of up to approximately RM50.096 million. The proceeds are intended to be utilised by our Group in the manner as follows:

Details of utilisation	Notes	Amount (RM'000)	Expected timeframe for utilisation *
Payment of property development cost, including contractors, consultants, project preliminaries and marketing expenses	(1)	32,000	Within 3 years
Investment in Magma's hotel segment	(2)	15,000	Within 2 years
Working capital requirements	(3)	1,996	Within 2 years
Estimated expenses for the Private Placement	(4)	1,100	Immediate
Total gross proceeds		**50,096**	

Notes:

* From the date of listing of each tranche of the Placement Shares.

(1) Our Group has allocated RM32.00 million for payment of property development cost, which is intended to be used to fund the development of our Group's land held under the title no. Pajakan Negeri 53478, Lot 81179, Tempat of Persiaran Dutamas, Mukim of Batu, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur, where the land was acquired for RM80.00 million and the acquisition of the land was completed on 25 April 2025 (as per announcement made to Bursa Securities). The size of the land area is approximately 9,146 square metres and the land has been granted with the requisite development orders by Dewan Bandaraya Kuala Lumpur (DBKL) for the development of serviced apartments, retail lots and hotel.

The land has been granted the requisite development orders on 16 May 2023 and 11 July 2025 and building plan approval on 1 December 2025, which replaced the previous building plan approval dated 4 April 2024.

*The proposed development is expected to commence in the 2nd quarter of 2026 and is expected to be completed by the 2nd quarter of 2030. The Gross Development Value ("**GDV**") of the proposed development is approximately RM851.00 million (revised compared to the GDV previously disclosed in the circular dated 24 February 2025 in relation to the acquisition of the land due to the updated development order dated 11 July 2025). Our Group has estimated the total cost for the proposed development to be approximately RM565.00 million (revised compared to the Gross Development Cost (GDC) previously disclosed in the circular dated 24 February 2025 in relation to the acquisition of the land due to the updated development components and project parameters) which includes land cost, payment to authorities, professional / consultant fees, sales and marketing expenses and finance costs.*

The details of the total development cost of approximately RM565.00 million are set out below:

Description	***RM'000***
Land acquisition cost	*80,000*
Payment to authorities	*36,000*
Payment to consultant and professionals	*26,000*
Sales and marketing expenses	*75,000*
Finance cost	*16,000*
Construction cost	*332,000*
Estimated total development cost	***565,000***

Of this amount, it includes RM80.00 million (which was paid via a combination of cash payment of RM8.00 million and the remaining RM72.00 million was paid through the issuance of a combination of shares and new redeemable non-convertible preference shares by Magma) that was utilised for the acquisition of the land as disclosed above. The balance of RM485.00 million (after deducting the land cost above) consists of the RM32.00 million which will be funded via the Private Placement (breakdown as set out in the table below) and the remaining RM453.00 million which will be funded via internally generated funds and / or borrowings. The proportion of internally generated funds and / or borrowings will be dependent on the existing financing capacity and cash and bank balances at the point of utilisation, which our Group is unable to determine at this juncture. As at the financial year ended 31 December 2024, our Group's cash and bank balances is RM19.22 million and as at the financial period ended 30 September 2025, our Group's cash and bank balances is RM20.75 million.

Details of RM32.00 million allocated from the Private Placement for the development of the land are as set out below:

Description	***RM'000***
Payment to contractors for foundation work	*8,700*
Payment to consultants	*7,100*
Project preliminaries including payment to authorities	*3,700*
Sales and marketing expenses	*12,500*
Total	***32,000***

The utilisation of proceeds is expected to take place over a period of 36 months as the proposed development will be carried out in stages. Further, the consultant will be engaged throughout the entire duration of the proposed development, from the initial design and planning, through statutory approvals, detailed engineering, and up to completion of the proposed development. Accordingly, payments to consultants and other development-related costs will be made progressively based on the scope of work performed and project milestones achieved, resulting in a gradual utilisation of the proceeds over the 36-month period.

Additionally, in the event of any shortfall from the proceeds raised from Private Placement, the payment for the property development cost will be funded via internally generated funds and / or borrowings.

(2) *Our Group has allocated RM15.00 million for the expansion and enhancement of our Group's hotel portfolio, which is our Group's core business activity. This allocation aims to capitalise on the recovering tourism demand and favourable market conditions, enabling our Group to enhance its competitive positioning, attract increased patronage and optimise occupancy and rate recoveries by funding capital expenditure related to hotel development and upgrades, including but not limited to hotel acquisitions, renovations, refurbishments and operational improvements.*

To date, our Group has yet to identify any hospitality assets to be acquired and have not entered into any agreement with any third party for the acquisition of the hotel. Our Group will make the necessary announcements in accordance with the Main Market Listing Requirements (if required) as and when our Group enters into any agreement to acquire the new hotel. If the shareholders' approval and / or other regulatory approvals are required, the necessary approvals will be sought.

Additionally, the proposed refurbishment and renovation works will be carried out primarily for operational enhancement, brand positioning and upkeep of our Group's hospitality operations, including WOLO Kuala Lumpur, which is operated under a lease arrangement, as well as any future hotels that may be acquired or operated by our Group. These works are expected to support the hotels' ability to sustain existing occupancy rates and average room rates over time.

As at the LPD, the actual breakdown of the expenses to be utilised for the hospitality segment cannot be determined at this juncture as the actual expenses will depend on the actual operational requirements and cost considerations.

(3) *The proceeds of approximately RM2.00 million allocated for working capital are intended to be utilised for our Group's monthly expenses consisting of staff salaries, utilities expenses, repair and maintenance of the office, rental expenses and other miscellaneous items. The actual breakdown of these expenses cannot be determined at this juncture as the actual expenses will depend on the actual operating and administrative requirements of our Group at the relevant time.*

(4) *The breakdown of estimated expenses for the Private Placement is as follows:*

Description	***RM'000***
Professional fees in relation to the Private Placement (including adviser, placement agent and solicitors)	*1,075*
Fees payable to relevant authorities	*25*
Total	***1,100***

The actual gross proceeds to be raised from the Private Placement is dependent on the issue price and actual number of Placement Shares to be issued. Any variation in the actual proceeds raised and the intended gross proceeds to be raised from the Private Placement will be adjusted against the proceeds allocated to our Group's working capital requirements. Any shortfall in the placement proceeds raised will be funded from the internally generated funds of our Group and / or borrowings.

Pending the use of the proceeds raised from the Private Placement for the abovementioned purposes, the proceeds raised will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits or gain arising from the short-term money market instruments will be utilised for the working capital requirements of our Group.

13. EGM

The forthcoming EGM, the notice of which is enclosed with this Circular, will be held at Room Perak 1 & 2, Upper Ground Floor, Impiana Hotel Ipoh, 18 Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak on Monday, 9 February 2026 at 11:00 a.m. or at any adjournment thereof (as the case may be), for the purpose of considering and if thought fit, passing the resolution, with or without any modifications, to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at our Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia or by e-mail to *Bsr.proxy@boardroomlimited.com* not less than 24 hours before the time appointed for holding the EGM or at any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

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1. Disposal Consideration and Payment

The Estimated Disposal Consideration and the Actual Disposal Consideration shall be calculated with reference to the following formula:

“Disposal Consideration” = A + B + C + D

where:

(i)	A	=	“Base Acquisition Value”	Ringgit Malaysia Three Hundred and Fifteen Million (RM315,000,000.00) only;
(ii)	B	=	“Cash”	represents the cash amount;
(iii)	C	=	“Debt”	represents the debt amount; and
(iv)	D	=	“Net Working Capital Adjustment”	represents the “Net Working Capital” as at the Completion Date, less the “Net Working Capital” as at 30 June 2025*.

* *The reference date of 30 June 2025 was used as it was based on the latest available management accounts of HLSB at the point of entering into the SSA between the parties*.

For the purposes of calculating the Estimated Disposal Consideration, the Vendors shall procure that HLSB on behalf of the Vendors:

(a) delivers to the Purchaser the calculation and workings for computing each element of the Estimated Disposal Consideration, which shall set out the Vendors’ estimate of the Estimated Disposal Consideration; and

(b) delivers the information set out in item (a) above to the Purchaser, no less than ten (10) business days prior to such proposed Completion Date.

The Balance Disposal Consideration is calculated based on the formula set out below:

“Balance Disposal Consideration” = X – Y – Z

where:

(i)	X	=	“Estimated Disposal Consideration”
(ii)	Y	=	Earnest deposit of RM6,300,000.00
(iii)	Z	=	Balance deposit of RM25,200,000.00

2. Adjustments

The Estimated Disposal Consideration shall be subject to adjustment to determine the Actual Disposal Consideration based on the final audited balance sheet and profit and loss accounts of HLSB as at the Completion Date (“**Final Accounts**”) and a statement reflecting any difference between the Estimated Disposal Consideration and Actual Disposal Consideration (“**Adjustment Statement**”). Based on the Adjustment Statement, in the event:

(a) there is a surplus, the Purchaser shall pay the Vendors an amount equals to the surplus in accordance to their shareholding proportion after the expiry of the fifteen (15) Business Days from the Vendors’ receipt of the Final Accounts and Adjustment Statement (or, in the event the Vendors raise a dispute as contemplated in the Final Accounts and adjustments, the date on which an independent account makes a determination in accordance with the SSA); and

(b) there is shortfall, each Vendor shall proportionately pay to the Purchaser the shortfall in accordance to their shareholding proportion after the expiry of the fifteen (15) Business Days from the Vendors' receipt of the Final Accounts and Adjustment Statement (or, in the event the Vendors raise a dispute as contemplated in the Final Accounts and Adjustment Statement, the date on which an independent accountant makes a determination in accordance with the SSA).

3. Conditions Precedent

The Proposed Disposal are subject to the fulfilment of the conditions as set out below:

(a) the Purchaser shall obtain the written approval of the Ministry of Economy pursuant to the Guidelines on the Acquisition of Properties (effective 13 July 2022) issued by the Equity Development Division of the Ministry of Economy of Malaysia for the acquisition of the entire issued share capital of HLSB by the Purchaser; and

(b) AMSB shall obtain the approval of shareholders of the Company as its holding company for the sale and disposal of AMSB's shareholding in HLSB in accordance with the terms and conditions contained in the SSA.

The Conditions Precedent shall be fulfilled within six (6) months from the date of the SSA with an automatic extension of a further period of three (3) months and thereafter, for such extended period as may be mutually agreed.

4. Events of Default and Termination

<u>Purchaser's Default</u>

In the event that:

(a) the Purchaser fails to pay the full Disposal Consideration or any part thereof and/or any late payment interest payable;

(b) the Purchaser breaches or fails to perform any of its material covenants or obligations under the SSA;

(c) any of the Purchaser's warranties should be incorrect, untrue or misleading in any manner whatsoever;

(d) the Purchaser breaches or fails to comply with:

(i) Competition Act 2010 or any related regulations ("**Competition Laws**");

(ii) Malaysian Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Malaysian Anti-Corruption Commission Act 2009 and regulations or under any similar statute ("**ABC Laws**"); or

(iii) any applicable laws and regulations concerning economic sanctions of any jurisdictions ("**Sanction Laws**");

(e) any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of the Purchaser or a petition for winding up, as the case may be, is presented against the Purchaser; or

(f) the Vendors are ready to proceed to Completion and the Purchaser shall fail to complete the SSA in accordance with its terms due to no blameworthy conduct on the part of the Vendors, the Vendors shall be entitled to, in the event that such breach has not been rectified to the reasonable satisfaction of the Vendors within fifteen (15) Business Days from the date of the Purchaser's receipt of a written notice of the intention to terminate by the Vendors containing details of such breach (or within such extended period as the Vendors may agree to), terminate the SSA by serving a written notice on the Purchaser.

<u>Vendors' Termination</u>

Upon the termination of the SSA by the Vendors pursuant to the Purchaser's default, the entire Deposit paid to the Vendors shall be forfeited as agreed liquidated damages. Thereafter, the SSA shall be null and void and of no further effect (save for the clauses on confidentiality, public announcements and releases; notices; governing law and dispute resolution; general provisions; and definition and interpretation, which shall remain in force and save in respect of claims arising out of any antecedent breach of the SSA) and the Parties shall have no further claims of whatsoever nature against each other in respect of anything arising from or in connection with the SSA (save and except for any antecedent breaches).

<u>Vendors' Default</u>

In the event that:

(a) the Vendors fail to perform any of its material covenants or obligations under the SSA;

(b) any of the Vendors' fundamental warranties or any of the Vendors' general warranties that are set out in Clauses 2.3.1, 2.3.2, 2.6.1 and 2.6.2 of Schedule 8 of the SSA should be incorrect, untrue or misleading in any manner whatsoever;

(c) any of the Vendors breaches or fails to comply with ABC Laws and/or Sanctions Laws;

(d) the Vendors fail to complete the sale of the entire issued share capital of HLSB otherwise than by reason of delay or default caused by the Purchaser;

(e) any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of any of the Vendors or a petition for winding up is presented against any of the Vendor; or

(f) the Purchaser is ready to proceed to Completion and the Vendors fail to complete the SSA in accordance with its terms due to no blameworthy conduct on the part of the Purchaser,

the Purchaser shall be entitled, in the event that such breach has not been rectified to the reasonable satisfaction of the Purchaser within fifteen (15) Business Days from the date of the Vendors' receipt of a written notice of intention to terminate from the Purchaser or the Purchaser's solicitors containing details of such breach (or within such extended period as the Purchaser may agree) to forthwith terminate the SSA by serving a written notice on the Vendors.

<u>Purchaser's Termination</u>

Upon the termination of the SSA by the Purchaser:

(a) pursuant to a default by Vendors, the Vendors shall, within twenty one (21) Business Days from the date of the Vendors' or Vendors' solicitors' receipt of the Purchaser's or the Purchaser's solicitors' written notice aforesaid refund and/or cause to be refunded to the Purchaser's solicitors, the Disposal Consideration or such part thereof which has at such point in time already been paid to and received by the Vendors, free of interest, and pay to the Purchaser an additional sum equivalent to the Deposit as agreed liquidated damages, in exchange for and subject to the Vendors' receipt of all documents delivered to the Purchaser and/or the Purchaser's solicitors, as the case may be (if requested by the Vendors); or

(b) pursuant to any event causing the Property to be damaged by fire, floor, earthquake, inclement weather or other causes beyond the control of the Parties to the extent that is rendered unfit for occupation or use ("**Damage Event**") or a compulsory acquisition of the Impiana KLCC Hotel, the Vendors shall, within twenty one (21) Business Days from the date of the Vendors' or Vendors' solicitors' receipt of the Purchaser's or the Purchaser's solicitors' written notice aforesaid refund and/or cause to be refunded to the Purchaser's solicitors, the Disposal Consideration or such part thereof which has at such point in time already been paid to and received by the Vendors, free of interest, in exchange for and subject to the Vendors' receipt of all documents delivered to the Purchaser and/or the Purchaser's solicitors, as the case may be (if requested by the Vendors).

Thereafter, the SSA shall be null and void and of no further effect (save for the clauses on confidentiality, public announcements and releases; notices; governing law and dispute resolution; general provisions; and definition and interpretation, which shall remain in force and save in respect of claims arising out of any antecedent breach of the SSA) and the Parties shall have no further claims of whatsoever nature against each other in respect of anything arising from or in connection with the SSA (save and except for any antecedent breaches).

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1. HISTORY AND BUSINESS

HLSB was incorporated in Malaysia on 10 February 1999 as a private limited company under the Companies Act 1965 and is deemed registered under the Companies Act 2016. Its place of business is at Impiana KLCC Hotel, No. 13, Jalan Pinang, 50450, Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.

The principal business of HLSB is property investment. HLSB is the registered proprietor and beneficial owner of the Impiana KLCC Hotel.

Since the 3 years preceding the LPD, HLSB's main business activity has been property investment, as the registered owner of Impiana KLCC Hotel. For information, the Impiana KLCC Hotel commenced operations on 10 February 1999. The revenue of HLSB is generated from the operations of Impiana KLCC Hotel. Further details on the Impiana KLCC Hotel are set out in **Section 2.3.1** of this Circular.

HLSB is an associate company of Magma Group by virtue of AMSB's 20% equity interest in HLSB.

2. SHARE CAPITAL

As at the LPD, the issued and paid-up capital of HLSB is RM125,100,000 comprising 5,000,000 ordinary shares and 6,005 preference shares.

The HLSB preference shares are non-cumulative non-convertible redeemable preference shares. Hence, the HLSB preference shares are not convertible into ordinary shares or any other class of shares of HLSB. Subject to the Act and the provisions of any statutory modification or re-enactment thereof for the time being in force, the redemption of the HLSB Preference Shares is at the option of HLSB and shall be in a pro-rata basis among the preference shareholders of HLSB. For information purposes, the HLSB preference shares have no fixed tenure.

3. DIRECTORS

As at the LPD, the directors of HLSB and their shareholdings in HLSB are as follows:

			Direct		Indirect	
Name	**Nationality**	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Sri Liang Chee Fong	Malaysian	Director	-	-	-	-
Datuk Sr Mohd. Salem bin Kailany	Malaysian	Director	-	-	-	-
Ahmad Zahid bin Zainal Abidin	Malaysian	Director	-	-	-	-
		Total	**-**	**-**	**-**	**-**

None of the directors of HLSB has any interest, whether direct or indirect, in HLSB shares as at the LPD.

4. SHAREHOLDERS

As at the LPD, the ordinary shareholders of HLSB and their respective ordinary shareholdings in HLSB are as follows:

	Direct		Indirect	
Name	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
KHSB	4,000,000	80.00	-	-
AMSB	1,000,000	20.00	-	-
Total	**5,000,000**	**100.00**	**-**	**-**

As at the LPD, the preference shareholders of HLSB and their respective preference shareholdings are as follows:

	Direct		Indirect	
Name	**No. of preference shares**	**%**	**No. of preference shares**	**%**
KHSB	4,804	80.00	-	-
AMSB	1,201	20.00	-	-
Total	**6,005**	**100.00**	**-**	**-**

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, HLSB does not have any subsidiaries or associates.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by HLSB which, upon becoming enforceable, may have a material impact on the financial results or position of HLSB.

Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by HLSB which, upon becoming enforceable, may have a material impact on the financial results or position of HLSB.

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7. TYPE OF ASSETS OWNED

Based on HLSB's audited statement of financial position as at 31 December 2024, HLSB owns the following assets:

	RM	RM
Property, plant and equipment		
Freehold land [(1)]	34,941,442	
Hotel properties [(1)]	170,996,542	
Office equipment	209,648	
Furniture and fittings	187,287	
Motor vehicles	188,021	
Computers	144,954	
Crockery, linen and utensils	191,863	
Renovation [(1)]	34,546	
Project-in-progress	28,210	
		206,922,513
Right-of-use asset		137,937
Total		**207,060,450**

Note:

(1) For information purposes, the freehold land, hotel properties and renovation collectively form the audited net book value of the Impiana KLCC Hotel, with a total amount of RM205.97 million.

8. MATERIAL CONTRACTS

As at the LPD, HLSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years preceding the LPD save for the SSA.

9. MATERIAL LITIGATION

As at the LPD, HLSB is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and there are no proceedings pending or threatened against HLSB or any facts likely to give risk to any proceedings, which might materially affect the position or business of HLSB.

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10. FINANCIAL INFORMATION

A summary of the consolidated financial information of HLSB based on its audited financial statements for the past 3 FYEs 31 December 2022, 2023 and 2024 is as follows:

	Audited FYE 31 December		
	2022	**2023**	**2024**
	RM'000	**RM'000**	**RM'000**
Revenue	30,153	46,874	50,658
Gross profit	(1,963)	3,593	6,537
Profit / (loss) before tax	(3,555)	1,934	5,540
PAT / (LAT)	(2,603)	1,026	4,184
Weighted average number of shares in issue ('000)	5,000	5,000	5,000
Earnings per share (RM)	(0.52)	0.21	0.83
Share capital ('000)	109,000	112,100	112,100
Shareholders' funds / NA	177,744	181,870	186,055
Cash and cash equivalents	14,925	8,173	7,256
Total borrowings	39,108	28,459	8,447
No. of HLSB shares in issue ('000)	5,000	5,000	5,000
NA per share (RM)	35.55	36.37	37.21
Current ratio (times)	0.68	0.45	0.39
Gearing ratio (times)	0.22	0.16	0.05

<u>Commentary on past performance</u>

(i) FYE 31 December 2023 ("FYE 2023") vs FYE 31 December 2022 ("FYE 2022")

HLSB recorded a total revenue of RM46.87 million for the FYE 2023 as compared to RM30.53 million for the FYE 2022. The higher revenue was primarily attributable to higher occupancy rates at Impiana KLCC Hotel, arising from stronger corporate bookings, increased tourist arrivals and the hosting of special events. The improvement in occupancy rates was mainly driven by the recovery in travel activities following the post Covid-19 pandemic. Consequently, HLSB recorded a profit after tax of RM1.03 million for the FYE 2023, compared to a loss after tax of RM2.60 million in the FYE 2022.

(ii) FYE 31 December 2024 ("FYE 2024") vs FYE 2023

HLSB recorded a total revenue of RM50.66 million for the FYE 2024 as compared to RM46.87 million for the FYE 2023. The higher revenue is mainly due to continuous recovery in business and leisure travel activities from local and foreign tourists. Consequently, HLSB recorded a profit after tax of RM4.18 million for the FYE 2024, compared to a profit after tax of RM1.03 million in the FYE 2023.

<u>Accounting policies and audit qualification</u>

For the FYE 31 December 2022, FYE 31 December 2023 and FYE 31 December 2024:

(i) There are no accounting policies adopted by HLSB which are peculiar to HLSB due to the nature of its business or the industry in which it is involved; and

(ii) HLSB's external auditors have not issued any audit qualification on its financial statements.

HERITAGE LANE SDN. BHD.

(Registration No. 199901002104 (477004-U))
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Domiciled in Malaysia
Principal place of business:
Impiana KLCC Hotel
13, Jalan Pinang,
50450 Kuala Lumpur.

HERITAGE LANE SDN. BHD.
(Registration No. 199901002104 (477004-U))
(Incorporated in Malaysia)

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HERITAGE LANE SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2024.

PRINCIPAL ACTIVITY

The principal activity of the Company in the course of the financial year remained unchanged and consist of property investment company which owns and operates a hotel on its parcel of land.

HOLDING COMPANIES

The Directors regard KLCC (Holdings) Sdn. Bhd. ("KLCCH") and Petroliam Nasional Berhad ("PETRONAS"), all companies incorporated in Malaysia, as the immediate holding and ultimate holding companies respectively.

RESULTS

In RM	
Profit for the year	4,184,367

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

DIRECTORS

Directors who served during the financial year until the date of this report are:

Datuk Sr Mohd. Salem Bin Kailany	(appointed on 15 December 2024)
Dato' Sri Liang Chee Fong	
Ahmad Zahid Bin Zainal Abidin	
Mariah Binti Mohamad Said	(resigned on 30 April 2024)
Datuk Md. Shah Bin Mahmood	(resigned on 15 December 2024)

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2024 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit, by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million per occurrence and in the aggregate. The insurance premium for the Company is RM1,000.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain:

(i) that necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that there are no bad debts to be written off and adequate provision had been made for doubtful debts; and

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

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;

(ii) that would render the value attributed to the current assets in the financial statements of the Company misleading;

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; and

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

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

(ii) any material contingent liability in respect of the Company that has arisen since the end of the financial year.

As at 31 December 2024, the Company recorded a net current liability of RM19,951,221. This indicates the existence of conditions which may cast significant doubt on the Company's ability to continue as a going concern. The Company relies on its immediate holding company, KLCCH, for continued financial support to enable it to meet its obligations as and when they fall due. An undertaking to this effect has been obtained from its immediate holding company and the Directors have prepared the financial statements of the Company on a going concern basis.

No material contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2024 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

199901002104 (477004-U)

AUDITORS

The auditors, Ernst & Young PLT, have indicated their willingness to accept reappointment.

The auditors' remuneration for the financial year ended 31 December 2024 of the Company is as follows:

In RM	
Audit fees	
Ernst & Young PLT	71,000

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....

Datuk Sr Mohd. Salem Bin Kailany
Director

....

Ahmad Zahid Bin Zainal Abidin
Director

Kuala Lumpur, Malaysia
Date: 21 February 2025

199901002104 (477004-U)

HERITAGE LANE SDN. BHD.

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 7 to 48, are drawn up in accordance with MFRS Accounting Standards as issued by Malaysian Accounting Standards Board, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2024 and of its financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....

Datuk Sr Mohd. Salem Bin Kailany
Director

....

Ahmad Zahid Bin Zainal Abidin
Director

Kuala Lumpur, Malaysia
Date: 21 February 2025

199901002104 (477004-U)

HERITAGE LANE SDN. BHD.

(Incorporated in Malaysia)

STATUTORY DECLARATION

I, Rohizal Bin Kadir, the officer primarily responsible for the financial management of **Heritage Lane Sdn. Bhd.**, do solemnly and sincerely declare that the financial statements set out on pages 7 to 48 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Rohizal Bin Kadir,
MIA Membership Number: CA 50742
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 21 February 2025.

....
Rohizal Bin Kadir

BEFORE ME:

PESURUHJAYA SUMPAH
No. W881
Nama: YM TENGKU NUR ATHIYA TENGKU FARIDDUDIN
1 JAN 2025 - 31 DEC 2027
MALAYSIA

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

199901002104 (477004-U)

HERITAGE LANE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

In RM	Note	2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	3	206,922,513	211,023,824
Right-of-use asset	17	137,937	—
Deferred tax assets	5	—	347,407
		207,060,450	211,371,231
Current assets			
Inventories	6	401,959	344,375
Trade and other receivables	4	4,769,901	8,835,695
Tax recoverable		353,802	299,455
Cash and bank balances	7	7,255,792	8,173,419
		12,781,454	17,652,944
TOTAL ASSETS		219,841,904	229,024,175
EQUITY			
Share capital	8	112,100,000	112,100,000
Retained profits	9	73,954,517	69,770,150
TOTAL EQUITY		186,054,517	181,870,150
LIABILITIES			
Non-current liabilities			
Borrowings	10	—	8,220,000
Lease liability	10,17	87,103	—
Deferred tax liabilities	5	967,609	—
		1,054,712	8,220,000
Current liabilities			
Borrowings	10	8,308,208	20,239,432
Trade and other payables	11	24,372,421	18,694,593
Lease liability	10,17	52,046	—
		32,732,675	38,934,025
TOTAL LIABILITIES		33,787,387	47,154,025
TOTAL EQUITY AND LIABILITIES		219,841,904	229,024,175

The notes set out on pages 12 to 48 are an integral part of these financial statements.

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HERITAGE LANE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

In RM	Note	2024	2023
Revenue	12	50,658,052	46,874,411
Operating profit	12	6,536,509	3,592,659
Interest income		169,484	406,706
Financing costs	15	(1,166,227)	(2,065,056)
Profit before taxation	13	5,539,766	1,934,309
Tax expense	16	(1,355,399)	(907,997)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,184,367	1,026,312

The notes set out on pages 12 to 48 are an integral part of these financial statements.

HERITAGE LANE SDN. BHD.

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to Equity Holders of the Company		
	Non-distributable	Distributable	
In RM	Share Capital (Note 8)	Retained Profits (Note 9)	Total Equity
Balance at 1 January 2024	112,100,000	69,770,150	181,870,150
Profit for the year representing total comprehensive income for the year	—	4,184,367	4,184,367
Balance at 31 December 2024	112,100,000	73,954,517	186,054,517
Balance at 1 January 2023	109,000,000	68,743,838	177,743,838
Profit for the year representing total comprehensive income for the year	—	1,026,312	1,026,312
Issuance of 155 NCNCRPS at RM20,000 each	3,100,000	—	3,100,000
Balance at 31 December 2023	112,100,000	69,770,150	181,870,150

The notes set out on pages 12 to 48 are an integral part of these financial statements.

HERITAGE LANE SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

In RM	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,539,766	1,934,309
Adjustments for:			
Depreciation of:			
- Property, plant and equipment	3	4,653,661	4,669,378
- Right-of-use asset	17	22,248	—
Net impairment/(reversal) of impairment loss on trade receivables	20	153,919	(614)
Loss/(gain) on disposal of property, plant and equipment	13	2,427	(18,068)
Interest income		(169,484)	(406,706)
Financing costs	15	1,166,227	2,065,056
Operating profit before changes in working capital		11,368,764	8,243,355
Changes in working capital:			
Inventories		(57,584)	30,496
Trade and other receivables		2,705,644	(1,256,012)
Amount due from related companies		563,921	(459,689)
Amount due from ultimate holding company		609,585	(755,683)
Trade and other payables		1,418,950	(623,849)
Amount due to immediate holding company		(12,289)	(25,888)
Amount due to/from fellow subsidiaries		1,252,074	(61,757)
Cash generated from operation		17,849,065	5,090,973
Interest received		164,851	406,053
Taxation paid		(94,730)	(71,750)
Net cash generated from operating activities		17,919,186	5,425,276

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HERITAGE LANE SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(continued)

In RM	Note	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(557,627)	(477,800)
Proceeds from disposal of property, plant and equipment		2,850	34,530
Net cash used in investing activities		(554,777)	(443,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances received from corporate shareholder		2,604,000	446,000
Interest expenses paid	10	(926,286)	(1,611,279)
Repayment of:			
- Islamic financing facility	10	(11,600,000)	(6,100,000)
- Term loan	10	(8,336,000)	(4,468,000)
- Lease liability	10	(23,750)	—
Net cash used in financing activities		(18,282,036)	(11,733,279)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(917,627)	(6,751,273)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,173,419	14,924,692
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	7,255,792	8,173,419

The notes set out on pages 12 to 48 are an integral part of these financial statements.

HERITAGE LANE SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards as issued by Malaysian Accounting Standards Board ("MASB"), IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

As of 1 January 2024, the Company had adopted Amendments to MFRS ("pronouncements") that have been issued by MASB as described fully in Note 22.

MASB has also issued new and revised pronouncements which are not yet effective for the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 23. New and revised pronouncements that are not relevant to the operations of the Company are set out in Note 24.

These financial statements were approved and authorised for issue by the Board of Directors on 21 February 2025.

1.2 Basis of measurement

The financial statements of the Company have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in the accounting policies below.

As at 31 December 2024, the Company recorded a net current liability of RM19,951,221 (2023: RM21,281,081). This indicates the existence of conditions which may cast significant doubt on the Company's ability to continue as a going concern. The Company relies on its immediate holding company, KLCCH, for continued financial support to enable it to meet its obligations as and when they fall due. An undertaking to this effect has been obtained from its immediate holding company and the Directors have prepared the financial statements of the Company on a going concern basis.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

1. BASIS OF PREPARATION (continued)

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Critical judgment made in applying accounting policies

The following judgement is made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances and investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised and unrecognised tax losses, capital allowances, investment tax allowances and other deductible temporary differences of the Company are as disclosed in Note 5.

(ii) 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:

Useful life of property, plant and equipment

The Company estimates the useful life of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property, plant and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

2. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Company, unless otherwise stated. The Company continuously assess the application of material accounting policies to be disclosed in the financial statements.

2.1 Property, plant and equipment and depreciation

Recognition and measurement

Freehold land and project-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, financing costs are capitalised in accordance with the accounting policy on financing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than freehold land and project-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are available for use.

The estimated useful lives of the other property, plant and equipment are as follows:

Hotel properties	20 - 80 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computers	5 years
Crockery, line and utensils	3 years
Renovation	5 years

2. MATERIAL ACCOUNTING POLICIES (continued)

2.1 Property, plant and equipment and depreciation (continued)

Depreciation (continued)

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.2 Leases

(i) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company incremental borrowing rate is used. Generally, the Company uses their incremental borrowing rate as the discount rate.

The Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2 Leases (continued)

(ii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The Company will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognised as revenue in the period in which they are earned.

2.3 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

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

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

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

Amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

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

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, trade and other payables.

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

The Company's financial liabilities include borrowings, trade and other payables.

Amortised cost (borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the 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 financing costs in the statement of profit or loss.

This category generally applies to interest-bearing borrowings.

(iii) Effective interest method

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(iv) Derecognition of financial instruments

Financial asset

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Company 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 without retaining control of the asset or substantially all the risks and rewards of the asset.