

PRG HOLDINGS BERHAD
200101005950 (541706 - V)
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED
FINANCIAL STATEMENTS
31 DECEMBER 2019

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

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PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year from continuing operations	(68,939)	(2,032)
Loss for the financial year from discontinued operations	<u>(4,508)</u>	<u>-</u>
Loss for the financial year	<u><u>(73,447)</u></u>	<u><u>(2,032)</u></u>
Attributable to:		
Owners of the parent:		
- from continuing operations	(47,745)	(2,032)
- from discontinued operations	<u>(1,939)</u>	<u>-</u>
	(49,684)	(2,032)
Non-controlling interests	<u>(23,763)</u>	<u>-</u>
	<u><u>(73,447)</u></u>	<u><u>(2,032)</u></u>

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 310,751,274 to 403,300,521 by way of the issuance of 52,253,747 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an exercise price of RM0.375 per ordinary share for cash and issuance of 40,295,500 new ordinary shares at RM0.7445 per ordinary share as Consideration Shares for acquisition, by PRG Agro Sdn. Bhd., a wholly-owned subsidiary of the Company, of two parcels of agriculture land planted with teak trees in Kelantan.

The newly issued ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

TREASURY SHARES

The members of the Company, by a special resolution passed at the Extraordinary General Meeting held on 27 June 2005 authorised the Company's plan to purchase its own shares. The authority granted by the members was subsequently renewed during subsequent Annual General Meetings of the Company, including the last meeting held on 19 June 2019. The Directors of the Company are committed to enhancing the value of the Company to its members and believe that the repurchase plan can be applied in the best interest of the Company and its members.

The Company has the right to retain, cancel, resell these shares and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 403,300,521 (2018: 310,751,274) issued and fully paid ordinary shares as at 31 December 2019, 417,800 (2018: 417,800) ordinary shares bought for RM87,000 (2018: RM87,000) are held as treasury shares by the Company.

The number of outstanding ordinary shares in issue after deducting the treasury shares is 402,882,721 (2018: 310,333,474) ordinary shares as at 31 December 2019.

WARRANTS 2014/2019 ("Warrants")

On 7 July 2014, the Company issued 54,320,100 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

The Warrants are constituted by the Deed Poll dated 2 June 2014 ("Deed Poll").

The salient features of the Warrants are disclosed in Note 21(e) to the financial statements.

The movements in the Warrants are as follows:

	Number of unexercised Warrants
At 1 January 2019	92,819,926
Exercised	(52,253,747)
Expired	<u>(40,566,179)</u>
At 31 December 2019	<u>-</u>

The unexercised Warrants of 40,566,179 have since expired on 6 July 2019.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

PRG Holdings Berhad

Dato' Dr. Awang Adek Bin Hussin
 Dato' Lua Choon Hann
 Dato' Wee Cheng Kwan
 Datuk Dr. Wong Lai Sum
 Lim Chee Hoong
 Na Chun Wee (resigned on 7 April 2020)

Subsidiaries of PRG Holdings Berhad

Au Yeung Yiu Chung*
 Chan Kwong Pooi
 Cheah Eng Chuan
 Cheah Hannon
 Dato' Lim Heen Peok
 Dato' Lua Choon Hann
 Dato' Sheah Kok Fah
 Dato' Sri Dr. Hou Kok Chung
 Dato' Wee Cheng Kwan
 Dato' Zainuddin Bin Abd Rahman
 Feng Hui Fen*
 Ho Ming Hon
 Jim Ka Man*
 Lai Kong Meng
 Lee Sim Hak
 Ong Lock Hoo
 Rangith Jinadasa
 Tan Choong Wei
 Tan Chuan Dyi
 Tao Wah Wai Calvin*
 Lee Sieng Shuen @ Karen Lee
 Liew Ching Hoong
 Yang Guang
 Dato' Lee Chee Leong (appointed on 25 March 2020)
 Qu Weidong (appointed on 25 April 2019, resigned on 24 January 2020)
 Bernard Chin Sze Piau (resigned on 16 December 2019)
 Dato' Sri Wee Jeck Seng (resigned on 10 March 2020)
 Na Chun Wee (resigned on 7 April 2020)

* Directors of newly acquired subsidiaries.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	<-----Number of ordinary shares----->			
	Balance as at 1.1.2019	Bought	Disposed	Balance as at 31.12.2019
Shares in the Company				
<u>Direct interests:</u>				
Dato' Lua Choon Hann	56,325,500	18,552,400	-	74,877,900
Dato' Wee Cheng Kwan	30,419,200	9,076,200	-	39,495,400
Lim Chee Hoong	154,000	-	-	154,000

Indirect interests:

Lim Chee Hoong #	154,000	-	(20,000)	134,000
Dato' Lua Choon Hann #	222,000	78,000	-	300,000

	<-----Number of Warrants 2014/2019----->			
	Balance as at 1.1.2019	Bought	Exercised	Balance as at 31.12.2019
Warrants in the Company				
<u>Direct interests:</u>				
Dato' Lua Choon Hann	21,630,300	341,200	(14,169,700)	(7,801,800)
Dato' Wee Cheng Kwan	9,451,200	-	(9,451,200)	-

Indirect interests:

Dato' Lua Choon Hann #	38,000	-	(38,000)	-
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Deemed interest by virtue of their spouse's interest pursuant to Section 59(11)(c) of the Companies Act 2016.

None of the other Directors holding office at the end of the financial year held 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, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) 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 other than deemed benefits arising from related party transactions and remuneration received by certain Directors as Directors of subsidiaries as disclosed in Note 34 to the financial statements.

DIRECTORS' BENEFITS (continued)

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued as disclosed in Note 21(e) to the financial statements, which are also offered to shareholders.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The amount of insurance premium paid by the Group and the Company for the financial year 2019 was RM12,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)****(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT
(continued)**

(d) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SUBSIDIARIES

Details of subsidiaries are set out in Note 10 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

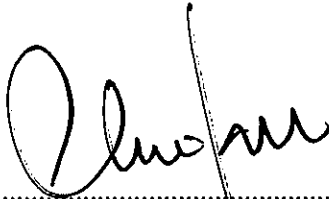
Significant events subsequent to the end of the reporting period are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Notes 26 and 30 to the financial statements.

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


.....
Dato' Lua Choon Hann
Director

Petaling Jaya
6 May 2020


.....
Dato' Wee Cheng Kwan
Director

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

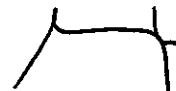
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 16 to 146 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



.....
Dato' Lua Choon Hann
Director



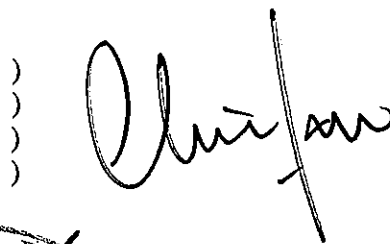
.....
Dato' Wee Cheng Kwan
Director

Petaling Jaya
6 May 2020

STATUTORY DECLARATION

I, Dato' Lua Choon Hann, being the Director primarily responsible for the financial management of PRG Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 146 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 the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Petaling Jaya, this
6 May 2020



Dato' Lua Choon Hann

Before me:



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Block E, Phileo Damansara 1,
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Off Jalan Damansara,
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Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PRG Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

a) Recognition of property development revenue

Revenue from property development is set out in Note 29 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocation and costs in applying the input method to recognise revenue over time.

Audit response

Our audit procedures included the following:

- (i) reviewed the terms and conditions of the sales transactions to determine that revenue recognised conforms with the Group policies and the requirements of *MFRS 15 Revenue from Contracts with Customers*;
- (ii) evaluated the appropriateness of the management's estimate of budgeted costs to be incurred by comparing historical budgets to actual costs incurred to assess the reliability of management's budgeting process and controls;
- (iii) assessed property development revenue recognition to determine that property development revenue is properly recognised in the current accounting period based on verified actual costs incurred to-date and budgeted costs; and
- (iv) performed site visit to assess the status of the property development.

b) Recoverability of trade receivables

The carrying amount of trade receivables has been disclosed in Note 15 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

The determination of whether trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. We focused on the audit risk that the impairment losses on trade receivables may be understated and hence, further impairment losses may be required.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

b) Recoverability of trade receivables (continued)

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

c) Valuation of biological assets

The carrying amount of biological assets has been disclosed in Note 19 to the financial statements.

The Group engaged independent valuers to value its biological assets. The independent valuers had used industry-accepted valuation methodology and approaches to determine the fair value of the underlying asset.

We determined this to be a key audit matter as it involves significant judgements and is subject to estimation uncertainty as subjective variables were used to derive the fair value.

Audit response

Our audit procedures included the following:

- (i) reviewed the valuation report prepared by the independent valuers for appropriateness of the valuation methodology and for reasonableness of the assumptions used;
- (ii) assessed the competency, independence and integrity of the independent valuers; and
- (iii) tested the integrity of the data and inputs used by the independent valuers.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

d) Impairment assessment of the carrying amount of goodwill

The carrying amount of the goodwill of the Group has been disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because the recoverable amount of goodwill requires significant judgement and estimates about the future results and the key assumptions applied to cash flow projections of the cash generating units, including projected growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) compared cash flow projections against recent performance and assessed the assumptions used in the projections to available sources of data, where applicable;
- (ii) evaluated the reasonableness of projected growth rates and operating profit margins to historical results as well as market and industry data;
- (iii) evaluated the reasonableness of the pre-tax discount rate by comparing to market data and relevant risk factors; and
- (iv) performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

We have determined that there are no key audit matters to be communicated in our auditors' report on the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

**Information Other than the Financial Statements and Auditors' Report Thereon
(continued)**

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRG HOLDINGS BERHAD (continued)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 10 to the financial statements.

Other Matters

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

A stylized signature or stamp for BDO PLT.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
6 May 2020

A handwritten signature in black ink.

Lum Chiew Mun
03039/04/2021 J
Chartered Accountant

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION**AS AT 31 DECEMBER 2019**

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	25,799	43,789	-	-
Right-of-use assets	8	36,144	-	-	-
Intangible assets	9	32,974	1,328	-	-
Investments in subsidiaries	10	-	-	60,921	63,760
Investments in associates	11	1,934	7,883	-	-
Investments in joint ventures	12	1,111	5,099	-	-
Other investments	13	6,452	-	6,452	-
Trade and other receivables	15	4,730	17,285	85,660	52,552
Deferred tax assets	14	381	4,964	-	-
		109,525	80,348	153,033	116,312
Current assets					
Inventories	17	59,788	205,756	-	-
Biological assets	19	83,100	-	-	-
Trade and other receivables	15	63,350	83,945	40,078	50,741
Contract assets	16	5,625	25,725	-	-
Current tax assets		585	2,876	-	-
Cash and bank balances	20	23,386	35,079	130	501
		235,834	353,381	40,208	51,242
Assets classified as held for sale	26	244,330	-	-	-
TOTAL ASSETS		589,689	433,729	193,241	167,554
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	134,975	83,289	134,975	83,289
Treasury shares	21	(87)	(87)	(87)	(87)
Reserves	22	23,907	48,756	38,677	64,675
		158,795	131,958	173,565	147,877
Non-controlling interests	10(h)	60,748	40,199	-	-
TOTAL EQUITY		219,543	172,157	173,565	147,877

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (continued)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	23	20,465	18,868	-	-
Trade and other payables	24	11,990	3,339	-	-
Lease liabilities	25	16,106	-	-	-
Deferred tax liabilities	14	1,894	747	-	-
		50,455	22,954	-	-
Current liabilities					
Borrowings	23	12,534	27,725	8,411	15,060
Trade and other payables	24	121,591	150,385	11,265	4,617
Contract liabilities	16	2,109	59,912	-	-
Lease liabilities	25	4,059	-	-	-
Current tax liabilities		2,732	596	-	-
		143,025	238,618	19,676	19,677
Liabilities directly associated with the assets held for sale	26	176,666	-	-	-
TOTAL LIABILITIES		370,146	261,572	19,676	19,677
TOTAL EQUITY AND LIABILITIES		589,689	433,729	193,241	167,554

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		Group		Company	
	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
<u>Continuing operations</u>					
Revenue	29	132,045	84,125	-	-
Cost of sales		(97,591)	(63,404)	-	-
Gross profit		34,454	20,721	-	-
Other income		3,449	2,990	13,174	4,904
Distribution costs		(12,185)	(2,435)	-	-
Administrative expenses		(86,555)	(32,633)	(15,555)	(6,512)
Other expenses		(1,456)	(99)	(721)	-
Interest income		479	654	2,672	2,670
Finance costs		(3,472)	(820)	(1,602)	(91)
Share of losses of associates, net of tax	11	(1,778)	(1,169)	-	-
Share of profit of joint ventures, net of tax	12	245	160	-	-
(Loss)/Profit before tax from continuing operations	30	(66,819)	(12,631)	(2,032)	971
Tax expense	31	(2,120)	(1,274)	-	(9)
(Loss)/Profit for the financial year from continuing operations		(68,939)	(13,905)	(2,032)	962
<u>Discontinued operations</u>					
(Loss)/Profit for the financial year from discontinued operations, net of tax	26	(4,508)	5,825	-	-
(Loss)/Profit for the financial year		(73,447)	(8,080)	(2,032)	962
Other comprehensive (loss)/income, net of tax					
<u>Continuing operations</u>					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(2,059)	462	-	-
Share of other comprehensive loss of associates	11	(49)	(32)	-	-
Share of other comprehensive loss of a joint venture	12	(21)	(4)	-	-
		(2,129)	426	-	-
Items that will not be reclassified subsequently to profit or loss:					
Fair value loss on equity investments at fair value through other comprehensive income		(21,875)	-	(21,875)	-

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Group 2019 RM'000	2018 RM'000 (Restated)	Company 2019 RM'000	2018 RM'000
Other comprehensive (loss)/income, net of tax (continued)					
<u>Discontinued operations</u>					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(27)	(70)	-	-
Total other comprehensive (loss)/ income, net of tax		(24,031)	356	(21,875)	-
Total comprehensive (loss)/income for the financial year		(97,478)	(7,724)	(23,907)	962
(Loss)/Profit attributable to:					
Owners of the parent					
- continuing operations		(47,745)	(14,311)	(2,032)	962
- discontinued operations		(1,939)	5,333	-	-
		(49,684)	(8,978)	(2,032)	962
Non-controlling interests					
- continuing operations		(21,194)	406	-	-
- discontinued operations		(2,569)	492	-	-
10(h)		(23,763)	898	-	-
		(73,447)	(8,080)	(2,032)	962
Total comprehensive (loss)/income attributable to:					
Owners of the parent					
- continuing operations		(70,802)	(13,383)	(23,907)	962
- discontinued operations		(1,956)	4,601	-	-
		(72,758)	(8,782)	(23,907)	962
Non-controlling interests					
- continuing operations		(22,141)	(96)	-	-
- discontinued operations		(2,579)	1,154	-	-
10(h)		(24,720)	1,058	-	-
		(97,478)	(7,724)	(23,907)	962

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Group 2019 RM'000	2018 RM'000 (Restated)
(Loss)/Earnings per ordinary share attributable to owners of the parent (sen)			
Basic and diluted:			
- continuing operations	32	(13.86)	(4.68)
- discontinued operations	32	<u>(0.56)</u>	<u>1.75</u>
		<u>(14.42)</u>	<u>(2.93)</u>

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		<-----Non-distributable----- Distributable							
Group	Note	Share capital RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance as at 1 January 2018		77,730	(3,077)	(87)	3,851	53,248	131,665	26,763	158,428
Loss for the financial year		-	-	-	-	(8,978)	(8,978)	898	(8,080)
Foreign currency translations, net of tax		-	232	-	-	-	232	160	392
Share of other comprehensive loss of an associate, net of tax	11	-	(32)	-	-	-	(32)	-	(32)
Share of other comprehensive loss of a joint venture, net of tax	12	-	(4)	-	-	-	(4)	-	(4)
Total comprehensive loss		-	196	-	-	(8,978)	(8,782)	1,058	(7,724)
Transactions with owners									
Ordinary shares issued pursuant to exercise of warrants	21	1,434	-	-	(138)	-	1,296	-	1,296
Shares acquired by non-controlling interests		-	-	-	-	3,654	3,654	12,378	16,032
Ordinary shares issued pursuant to acquisition of a joint venture	21	4,125	-	-	-	-	4,125	-	4,125
Total transactions with owners		5,559	-	-	(138)	3,654	9,075	12,378	21,453
Balance as at 31 December 2018		83,289	(2,881)	(87)	3,713	47,924	131,958	40,199	172,157

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Group	Note	<-----Non-distributable-----> Distributable					Total attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000		
Balance as at 1 January 2019		83,289	(2,881)	(87)	3,713	-	47,924	131,958	172,157
Effects of adoption of MFRS 16	5.1	-	-	-	-	-	(229)	(193)	(422)
Restated balance as at 1 January 2019		83,289	(2,881)	(87)	3,713	-	47,695	40,006	171,735
Loss for the financial year		-	-	-	-	-	(49,684)	(23,763)	(73,447)
Foreign currency translations, net of tax		-	(1,129)	-	-	-	-	(957)	(2,086)
Fair value loss on equity investments through other comprehensive income	13	-	-	-	-	(21,875)	-	-	(21,875)
Share of other comprehensive loss of associates, net of tax	11	-	(49)	-	-	-	-	(49)	(49)
Share of other comprehensive loss of a joint venture, net of tax	12	-	(21)	-	-	-	-	(21)	(21)
Total comprehensive loss		-	(1,199)	-	-	(21,875)	(49,684)	(72,758)	(97,478)

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

<-----Non-distributable-----> Distributable										
Group	Note	Share capital RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Total comprehensive loss		-	(1,199)	-	-	(21,875)	(49,684)	(72,758)	(24,720)	(97,478)
Transactions with owners										
Ordinary shares issued pursuant to exercise of warrants	21	21,686	-	-	(2,091)	-	-	19,595	-	19,595
Shares acquired by non-controlling interests		-	-	-	-	-	50,229	50,229	45,462	95,691
Ordinary shares issued pursuant to acquisition of land by a subsidiary	21	30,000	-	-	-	-	-	30,000	-	30,000
Transfer of warrants reserve to retained earnings upon expiry		-	-	-	(1,622)	-	1,622	-	-	-
Total transactions with owners		51,686	-	-	(3,713)	-	51,851	99,824	45,462	145,286
Balance as at 31 December 2019		134,975	(4,080)	(87)	-	(21,875)	49,862	158,795	60,748	219,543

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Company	Note	Non-distributable				Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Distributable Retained earnings RM'000	
Balance as at 1 January 2018		77,730	(87)	3,851	60,000	141,494
Profit for the financial year		-	-	-	962	962
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	962	962
Transactions with owners						
Ordinary shares issued pursuant to exercise of warrants	21	1,434	-	(138)	-	1,296
Ordinary shares issued pursuant to acquisition of a joint venture	21	4,125	-	-	-	4,125
Total transactions with owners		5,559	-	(138)	-	5,421
Balance as at 31 December 2018		83,289	(87)	3,713	60,962	147,877

PRG HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Company	Note	<-----Non-distributable----->					Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Distributable retained earnings RM'000	
Balance as at 1 January 2019		83,289	(87)	3,713	-	60,962	147,877
Loss for the financial year		-	-	-	-	(2,032)	(2,032)
Fair value loss on equity investments through other comprehensive income	13	-	-	-	(21,875)	-	(21,875)
Total comprehensive loss		-	-	-	(21,875)	(2,032)	(23,907)
Transactions with owners							
Ordinary shares issued pursuant to exercise of warrants	21	21,686	-	(2,091)	-	-	19,595
Ordinary shares issued pursuant to acquisition of land by a subsidiary	21	30,000	-	-	-	-	30,000
Transfer of warrants reserve to retained earnings upon expiry		-	-	(1,622)	-	1,622	-
Total transactions with owners		51,686	-	(3,713)	-	1,622	49,595
Balance as at 31 December 2019		134,975	(87)	-	(21,875)	60,552	173,565

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax from:					
Continuing operations		(66,819)	(12,631)	(2,032)	971
Discontinued operations		(2,681)	7,371	-	-
Adjustments for:					
Amortisation of intangible assets	9	495	80	-	-
Depreciation of:					
- property, plant and equipment	7	4,072	4,681	-	-
- right-of-use assets	8	4,457	-	-	-
Fair value adjustments on:					
- amounts owing by subsidiaries		-	-	1,556	-
- trade and other receivables		15	-	-	-
- trade and other payables		(1,782)	(202)	-	-
- financial assets at fair value through profit or loss		2,593	-	-	-
Inventories written down	17	1,612	429	-	-
Impairment losses on:					
- trade receivables	15(d)	12,592	471	-	-
- other receivables		23	-	-	-
- contract assets	16(d)	43	-	-	-
- amounts owing by subsidiaries	15(e)	-	-	8,214	50
- amounts owing by associates		197	8	-	-
- investments in associates	11	4,630	118	-	-
- investment in a joint venture	12	3,903	-	-	-
- goodwill	9	34,564	-	-	-
- assets classified as held for sale	26(g)	5,624	-	-	-
Finance costs		4,311	1,268	1,602	91
Net gain on disposals of:					
- property, plant and equipment		(22)	(303)	-	-
- subsidiaries		-	-	(12,916)	(4,765)
Interest income		(520)	(709)	(2,672)	(2,670)
Property, plant and equipment written off		65	2	-	-
Inventories written off	17	72	-	-	-
Reversal of inventories written down	17	(110)	(317)	-	-
Reversal of contract liabilities	16(a)	(2,121)	-	-	-
Reversal of impairment losses on:					
- trade receivables	15(d)	(373)	(23)	-	-
- amounts owing by subsidiaries	15(e)	-	-	-	(22)
Share of losses of associates, net of tax	11	1,778	1,169	-	-
Share of profit of joint ventures, net of tax	12	(245)	(160)	-	-
Net unrealised loss/(gain) on foreign exchange		127	(159)	2	(132)
Operating profit/(loss) before changes in working capital		6,500	1,093	(6,246)	(6,477)

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit/(loss) before changes in working capital (continued)		6,500	1,093	(6,246)	(6,477)
Change in inventories		(24,355)	5,157	-	-
Change in trade and other receivables		(24,911)	(12,354)	2,038	(16,891)
Change in contract assets		5,546	3,970	-	-
Change in trade and other payables		12,519	(4,198)	(1,196)	1,556
Change in contract liabilities		5,551	(22,885)	-	-
Cash used in operations		(19,150)	(29,217)	(5,404)	(21,812)
Tax refunded		1,102	18	1	*
Tax paid		(2,316)	(4,473)	(1)	(8)
Net cash used in operating activities		(20,364)	(33,672)	(5,404)	(21,820)

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Purchase of:					
- property, plant and equipment	7(c)	(2,218)	(5,188)	-	-
- right-of-use assets	8(c)	(5,540)	-	-	-
- intangible assets	9	(36)	-	-	-
- biological assets	19(f)	(3,676)	-	-	-
Advances to subsidiaries		-	-	(18,591)	(9,955)
Repayment from/(to) a joint venture		903	(1,307)	-	-
Advances to associates		(3,080)	-	-	-
Dividends received from a joint venture	12	309	291	-	-
Interest received		380	572	5	1
Proceeds from disposals of property, plant and equipment		114	1,674	-	-
Proceeds from partial disposal of a subsidiary		15,505	15,909	15,505	15,909
Net cash inflow from acquisition of subsidiaries	10(a)	1,043	-	-	-
Acquisition of additional interest in a subsidiary		-	-	-	(250)
Acquisition of investments in associates		(842)	(3,755)	-	-
Acquisition of equity investments	13	(13,401)	-	(13,401)	-
Deposits (placed with)/withdrawn from financial institutions with original maturity of more than three (3) months		(7,377)	1,170	-	-
(Placement)/Withdrawal of restricted cash		(845)	505	-	-
Net cash (used in)/from investing activities		(18,761)	9,871	(16,482)	5,705

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(2,929)	(1,177)	(1,377)	-
Proceeds from issuance of ordinary shares pursuant to exercise of warrants		19,595	1,296	19,595	1,296
Proceeds from issuance of shares to non-controlling interests		-	122	-	-
Advances from shareholders		10,073	-	9,920	-
Drawdowns of borrowings		41,116	21,329	23,142	15,192
Repayments of borrowings		(41,714)	(7,998)	(29,766)	-
Repayments of lease liabilities		(3,347)	(1,640)	-	-
Net cash from financing activities		<u>22,794</u>	<u>11,932</u>	<u>21,514</u>	<u>16,488</u>
Net (decrease)/increase in cash and cash equivalents		(16,331)	(11,869)	(372)	373
Effects of exchange rate changes on cash and cash equivalents		(310)	216	1	*
Cash and cash equivalents reclassified as held for sale	26(f)	5,168	-	-	-
Cash and cash equivalents as at beginning of financial year		<u>25,768</u>	<u>37,421</u>	<u>501</u>	<u>128</u>
Cash and cash equivalents as at end of financial year	20(e)	<u>14,295</u>	<u>25,768</u>	<u>130</u>	<u>501</u>

* Amount is less than RM1,000.

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)****RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Borrowings (Note 23)		Lease liabilities (Note 25)	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At 1 January 2019, as previously reported**	38,011	15,060	-	-
Effects of adoption of MFRS 16 (Note 5.1)	(839)	-	7,047	-
At 1 January 2019, as restated	37,172	15,060	7,047	-
Cash flows	(598)	(6,624)	(3,347)	-
Non-cash flows:				
- Unwinding of interest	-	-	1,124	-
- Acquisition of right-of-use assets	-	-	17,141	-
- Acquisition of subsidiaries	-	-	500	-
- Reclassified to liabilities directly associated with assets held for sale	(3,878)	-	(2,206)	-
- Effect of foreign exchange	(81)	(25)	(94)	-
At 31 December 2019**	<u>32,615</u>	<u>8,411</u>	<u>20,165</u>	<u>-</u>
At 1 January 2018**	28,569	-	-	-
Cash flows	11,691	15,192	-	-
Repayment of term loan with restricted cash	(2,198)	-	-	-
Non-cash flows:				
- Acquisition of property, plant and equipment	113	-	-	-
- Effect of foreign exchange	(164)	(132)	-	-
At 31 December 2018**	<u>38,011</u>	<u>15,060</u>	<u>-</u>	<u>-</u>

** Borrowings exclude bank overdraft.

The accompanying notes form an integral part of the financial statements.

PRG HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2019****1. CORPORATE INFORMATION**

PRG Holdings Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Lot C601, Capital 3, Oasis Square, No. 2, Jalan PJU 1A/7A, Ara Damansara, 47301, Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and the interest of the Group in associates and joint ventures. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 6 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities and details of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 16 to 146 have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 5.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* and IC Interpretation 23 *Uncertainty over Income Tax Treatments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

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

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combination

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 9 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 9. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value, or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combination (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Buildings	2% - 12.5%
Plant and machinery	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress representing machinery under installation and renovation-in-progress are stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period 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. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on 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 carrying amount is included in profit or loss.

4.5 Leases

(i) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value. The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Long-term leasehold land	34 - 78 years
Buildings	3 - 7 years
Leasehold improvements	5 years
Plant and machineries	5 years
Motor vehicles	3 - 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases (continued)

(ii) The Group as lessor

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

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

4.6 Contract assets/(liabilities)

A contract asset is recognised when the right to consideration of the Group and of the Company is conditional after transfer of goods or services.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or has billed the customer, and are recognised as revenue when performance obligations are satisfied.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

4.7 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

(a) Subsidiaries (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

(b) Associates (continued)

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the interest of the Group in the associate to the extent that there is no impairment.

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when the equity method is discontinued is recognised in profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(c) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

(c) Joint arrangements (continued)

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) the structure of the joint arrangement;
- (ii) the legal form of joint arrangements structured through a separate vehicle;
- (iii) the contractual terms of the joint arrangement agreement; and
- (iv) any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

Under the equity method, the investment in joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equal or exceeds its interest in a joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of associates and a joint venture is the excess of cost of investment over the share of the net fair value of net assets of the associates and joint venture's identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associates and joint venture is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associates and joint venture's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises an intangible asset of the acquiree at the acquisition date separately from goodwill, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the administrative expenses line item.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Intangible assets (continued)

(b) Other intangible assets (continued)

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Computer software

Costs that are associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one (1) year are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software costs are stated at cost less accumulated amortisation cost and accumulated impairment losses, if any. These costs are amortised using the straight line method over their estimated useful lives of two (2) to ten (10) years.

Customer relationships

Customer relationships acquired as part of acquisition of business are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Customer relationships are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method over their estimated useful lives of six (6) to seven (7) years.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries, associates and joint ventures), deferred tax assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Inventories

- (a) Inventories of raw materials, work-in-progress, trading merchandise and finished goods

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula. Cost of consumables, trading merchandise and raw materials comprises all costs of purchase plus other cost incurred in bringing the inventories to their existing location and condition. The cost of work-in-progress and manufactured inventories includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

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

- (b) Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time.

- (c) Land held for development

Land held for development consists of land on which no significant development work has been undertaken. The land is carried at the lower of cost and net realisable value.

The cost of land held for development consists of cost associated with the acquisition of land. These costs include the purchase price of the land, professional fees, stamp duties, commissions, conversion fee and other relevant levies.

4.11 Biological assets

Biological assets comprised teak trees in timber plantation. Biological assets are measured at fair value less costs to sell. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets. Market prices are obtained from observable market prices (where available), contracted prices or estimated future prices. The costs to sell include the incremental selling costs, including royalty payable to authority. Any gains or losses arising from changes in the fair value less costs to sell net of transfers to produce stocks are recognised net in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(a) Financial assets

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely for payment of principal and interest ("SPPI").

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify its debt instruments under amortised cost category.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss and other comprehensive income.

(ii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss in the period which it arises.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments (continued)

(b) Financial liabilities

A financial liability is any liability with contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost. The Group's and the Company's significant financial liabilities include trade and other payables, terms loans, long-term and deferred payables, short-term borrowings and bank overdrafts which are initially measured at fair value and subsequently measured at amortised cost.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when financial liabilities are either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

(ii) Financial liabilities measured at amortised cost

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments (continued)

(c) Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

Warrants reserve

Proceeds from warrants which are issued at fair value, are credited to a warrants reserve. Warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of the warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

4.13 Impairment of financial assets

The Group and the Company apply the simplified approach to measure expected credit losses ("ECL"). This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of receivables sharing the same credit risk characteristics and past due days.

Management assesses the ECL for portfolios of trade receivables collectively based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the countries.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Impairment of financial assets (continued)

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward-looking information (i.e. Gross domestic product growth rate, inflation rate, unemployment rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivable. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment. The individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

Impairment for other receivables, contract assets and intercompany balances are recognised based on the general approach within MFRS 9 using the three-stage model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition (i.e. significant deterioration in the financial instruments' external or internal credit rating). For those in which the credit risk has not increased significantly since initial recognition of the financial asset, 12-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

The probability of non-payment by other receivables, contract assets and intercompany balances are adjusted by forward-looking information (i.e. Gross domestic product growth rate, inflation rate, unemployment rate) and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables, contract assets and intercompany balances.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes and real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profit (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.16 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company. The Group and the Company do not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.18 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at the end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to items reflected in profit or loss or other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Revenue and other income

(a) Sale of goods

Revenue from the sale of goods is recognised at a point in time when the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery) and acceptance by customer. Following delivery, the customer has full discretion over the manner of distribution and price to sell the good, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(b) Property development

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

(c) Construction contracts

Revenue from contract works are recognised over the period of the contracts by reference to the progress towards complete satisfaction of that performance obligations. Progress is determined on the proportion of construction contract costs incurred for work performed to date against total estimated construction contract costs where the outcome of the project can be estimated reliably.

(d) Dividend income

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

(e) Management fees

Management fees are recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the services underlying the particular performance obligation is transferred to the customer.

(f) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on asset.

(g) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as a reduction of rental income over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 (Loss)/Earnings per share

(a) Basic

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.22 Operating segments

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the combined reported profit of all operating segments that did not report a loss; and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Operating segments (continued)

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.23 Fair value measurements

The fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement method assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Fair value measurements (continued)

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

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.24 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were between 3.5% to 6.3%.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

5.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- (c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- (d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group	Note	As at 31 December 2018 RM'000	Impact RM'000	As at 1 January 2019 RM'000
Property, plant and equipment		43,789	(7,793)	35,996
Right-of-use assets	(a)	-	13,603	13,603
Deferred tax assets		4,964	17	4,981
Borrowings		46,593	(839)	45,754
Lease liabilities	(b)	-	7,047	7,047
Trade and other payables		153,724	41	153,765
Retained earnings		47,924	(229)	47,695
Non-controlling interests		40,199	(193)	40,006

- (a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

5.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

(b) Lease liabilities are measured as follows:

	Group RM'000
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	29,134
Operating leases not yet commenced at 31 December 2018	<u>(20,720)</u>
	8,414
Weighted average incremental borrowing rate as at 1 January 2019	<u>3.7%</u>
Discounted operating lease commitments as at 1 January 2019	6,004
Finance lease liabilities recognised as at 31 December 2018	839
Extension options reasonably certain to be exercised	<u>204</u>
Lease liabilities recognised at 1 January 2019	<u>7,047</u>

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020 (continued)

Financial reporting updates

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee (“IFRIC”) issued a final agenda decision on 26 November 2019 regarding “Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)”.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group’s results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Recognition of property development revenue, costs estimates and profit recognition

Property development revenue, property development costs and the profit recognition thereof involve significant judgements in determining the satisfaction of performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- (a) Recognition of property development revenue, costs estimates and profit recognition (continued)

The Group identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies. The total costs to complete including sub-contractors' costs can vary with market conditions and may also be incorrectly forecasted due to unforeseen events during development.

- (b) Recoverability of trade receivables

The determination of whether trade receivables are recoverable involves significant management judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

- (c) Impairment on goodwill

The Group assesses the adequacy of impairment on goodwill on an annual basis. The recoverable amount of the cash-generating units ("CGUs") was determined based on value-in-use calculations which require significant management judgement and estimates about the future results and the key assumptions applied to cash flow projections of the CGUs.

- (d) Valuation of biological assets

In measuring the fair value of biological assets, significant management judgement and estimates were required in determining the market price of teak timbers and the discount rate used in the discounted cash flow model.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2018	1,009	6,859	34,358	53,037	3,198	3,317	162	101,940
Additions	-	-	198	2,907	221	113	1,862	5,301
Disposals	-	-	-	(1,342)	(98)	(1,824)	-	(3,264)
Written off	-	-	-	-	(6)	-	-	(6)
Reclassifications	-	-	-	163	-	-	(163)	-
Translation adjustments	-	-	14	62	1	-	34	111
At 31 December 2018	1,009	6,859	34,570	54,827	3,316	1,606	1,895	104,082
Effects of adoption of MFRS 16 (Note 5.1)	-	(6,859)	-	(2,953)	-	(538)	(778)	(11,128)
Additions	-	-	-	1,029	690	-	499	2,218
Acquisition of subsidiaries	-	-	-	3,936	79	702	-	4,717
Disposals	-	-	-	(28)	(34)	(317)	-	(379)
Written off	-	-	-	(452)	(4)	-	-	(456)
Reclassifications	-	-	-	526	1,090	-	(1,616)	-
Reclassification from right-of-use assets	-	-	-	1,835	-	260	-	2,095
Reclassification to assets held for sale	-	-	(9,213)	(17,720)	(755)	(81)	-	(27,769)
Translation adjustments	-	-	(207)	(532)	(11)	(25)	-	(775)
At 31 December 2019	1,009	-	25,150	40,468	4,371	1,607	-	72,605

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2018	-	1,570	10,773	40,671	2,410	2,021	-	57,445
Depreciation charge for the financial year	-	88	1,094	2,752	289	458	-	4,681
Disposals	-	-	-	(603)	(55)	(1,235)	-	(1,893)
Written off	-	-	-	-	(4)	-	-	(4)
Translation adjustments	-	-	24	37	2	1	-	64
At 31 December 2018	-	1,658	11,891	42,857	2,642	1,245	-	60,293
Effects of adoption of MFRS 16 (Note 5.1)	-	(1,658)	-	(1,369)	-	(308)	-	(3,335)
Acquisition of subsidiaries	-	-	-	2,846	69	590	-	3,505
Depreciation charge for the financial year	-	-	1,072	2,481	490	29	-	4,072
Disposals	-	-	-	(23)	(24)	(240)	-	(287)
Written off	-	-	-	(387)	(4)	-	-	(391)
Reclassification from right-of-use assets	-	-	-	989	-	241	-	1,230
Reclassification to assets held for sale	-	-	(5,154)	(11,911)	(603)	(81)	-	(17,749)
Translation adjustments	-	-	(105)	(394)	(11)	(22)	-	(532)
At 31 December 2019	-	-	7,704	35,089	2,559	1,454	-	46,806
Carrying amount								
At 31 December 2018	1,009	5,201	22,679	11,970	674	361	1,895	43,789
At 31 December 2019	1,009	-	17,446	5,379	1,812	153	-	25,799

7. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As at 31 December 2019, freehold land, long-term leasehold land, buildings and certain plant and machinery of the Group with a total carrying amount of RM16,225,000 (2018: RM28,754,000) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 23(a) to the financial statements.
- (b) In the previous financial year, included in property, plant and equipment of the Group were motor vehicles and plant and machinery acquired under hire purchase arrangements with carrying amounts of RM1,814,000.
- (c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2019	2018
	RM'000	RM'000
Purchase of property, plant and equipment	2,218	5,301
Financed by hire purchase arrangements	-	(113)
	<u>2,218</u>	<u>5,188</u>
Cash payments on purchase of property, plant and equipment	<u>2,218</u>	<u>5,188</u>

8. RIGHT-OF-USE ASSETS

Group	Long-term leasehold land RM'000	Leasehold improvements RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16 (Note 5.1)						
Additions	14,794	778	1,975	2,953	538	21,038
Acquisition of subsidiaries	6,484	5,086	17,502	-	271	29,343
Reclassification to property, plant and equipment	-	-	595	-	-	595
Reclassification to assets held for sale	-	-	-	(1,835)	(260)	(2,095)
Reclassification to assets held for sale	(2,873)	-	-	-	(155)	(3,028)
Translation adjustments	(151)	(2)	(11)	-	-	(164)
At 31 December 2019	18,254	5,862	20,061	1,118	394	45,689
Accumulated depreciation						
At 1 January 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16 (Note 5.1)						
Depreciation charge for the financial year	5,125	-	633	1,369	308	7,435
Acquisition of subsidiaries	272	758	2,922	376	129	4,457
Reclassification to property, plant and equipment	-	-	99	-	-	99
Reclassification to assets held for sale	-	-	-	(989)	(241)	(1,230)
Reclassification to assets held for sale	(1,119)	-	-	-	(23)	(1,142)
Translation adjustments	(68)	1	(7)	-	-	(74)
At 31 December 2019	4,210	759	3,647	756	173	9,545
Carrying amount						
At 31 December 2019	14,044	5,103	16,414	362	221	36,144

8. RIGHT-OF-USE ASSETS (continued)

- (a) As at 31 December 2019, long-term leasehold land of the Group with a total carrying amount of RM5,114,000 are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 23(a) to the financial statements.
- (b) Included in right-of-use assets of the Group are motor vehicles and plant and machinery acquired under hire purchase arrangements with carrying amounts of RM583,000.
- (c) During the financial year, the Group made the following cash payments to purchase right-of-use assets:

	Group 2019 RM'000
Additions on right-of-use assets	29,343
Additions via issuance of ordinary shares	(6,060)
Additions via lease liabilities (Note 25)	(17,141)
Amount remained outstanding in other payables	<u>(602)</u>
Cash payments on purchase of right-of-use assets	<u><u>5,540</u></u>

9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Customers relationship RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2018/1 January 2019	1,924	-	611	2,535
Additions	-	-	36	36
Acquisition of subsidiaries (Note 10)	62,184	5,502	-	67,686
Reclassification to assets held for sale (Note 26)	-	-	(201)	(201)
Translation adjustments	<u>(1,649)</u>	<u>(146)</u>	<u>(3)</u>	<u>(1,798)</u>
At 31 December 2019	<u><u>62,459</u></u>	<u><u>5,356</u></u>	<u><u>443</u></u>	<u><u>68,258</u></u>
Accumulated amortisation				
At 1 January 2018	-	-	435	435
Amortisation charge for the financial year	-	-	80	80
Translation adjustments	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
At 31 December 2018/1 January 2019	-	-	516	516
Amortisation charge for the financial year	-	422	73	495
Reclassification to assets held for sale (Note 26)	-	-	(194)	(194)
Translation adjustments	<u>-</u>	<u>(9)</u>	<u>(3)</u>	<u>(12)</u>
At 31 December 2019	<u><u>-</u></u>	<u><u>413</u></u>	<u><u>392</u></u>	<u><u>805</u></u>

9. INTANGIBLE ASSETS (continued)

	Goodwill RM'000	Customers relationship RM'000	Computer software RM'000	Total RM'000
Accumulated impairment loss				
At 1 January 2018/1 January 2019	691	-	-	691
Impairment loss for the financial year	34,564	-	-	34,564
Translation adjustments	(776)	-	-	(776)
At 31 December 2019	<u>34,479</u>	<u>-</u>	<u>-</u>	<u>34,479</u>
Carrying amount				
At 31 December 2018	<u>1,233</u>	<u>-</u>	<u>95</u>	<u>1,328</u>
At 31 December 2019	<u>27,980</u>	<u>4,943</u>	<u>51</u>	<u>32,974</u>

The carrying amount of goodwill arising from the acquisition of the respective subsidiaries and allocated to the Group's CGU is as follows:

	Group	
	2019 RM'000	2018 RM'000
Malaysia	1,233	1,233
China	<u>26,747</u>	<u>-</u>
	<u>27,980</u>	<u>1,233</u>

- (a) For the purpose of impairment testing, the recoverable amount of the CGU is determined based on a "value-in-use" calculation. The value-in-use of the CGU is determined by discounting the future cash flows to be generated from continuing use of the CGU. The value-in-use is derived based on management's cash flow projections for three (3) to six (6) financial years from 2020.

The key assumptions used in the value-in-use calculations are as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow projections of the CGU ranged from 9% to 12% (2018: 5% to 12%) per annum for the year 2020 onwards.
 - (ii) Profit margins are projected based on the historical profit margin achieved for the products.
 - (iii) Pre-tax discount rates ranged from 11.83% to 12.90% (2018: 16.75%) were applied over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre-tax and reflects the overall weighted average cost of capital of the CGU.
- (b) Sensitivity to changes in assumptions

The management believes that a reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to further exceed its recoverable amount.

9. INTANGIBLE ASSETS (continued)

- (c) During the financial year, the impairment losses on goodwill in Meinaide Holdings Group Limited of RM34,498,000 have been recognised due to the recoverable amounts determined based on the projected cash flows were lower than the carrying amount of the goodwill while impairment losses on goodwill in PRG Active Sdn. Bhd. of RM66,000 have been recognised due to cessation of business operation.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Quoted equity shares - at cost	55,921	58,510
Unquoted equity shares - at cost	5,000	5,250
	<u>60,921</u>	<u>63,760</u>

(a) Acquisition of subsidiaries

During the financial year, the Company acquired the following subsidiaries:

- (i) On 8 April 2019, a subsidiary of the Company, Furniweb Holdings Limited ("FHL") acquired 50,000 ordinary shares representing 100% equity interest in Delightful Grace Holdings Limited ("DGHL"), a limited liability company incorporated in British Virgin Islands, from Au Yeung Yiu Chung for a consideration of HKD1.00.
- (ii) On 25 April 2019, a subsidiary of the Company, DGHL acquired one (1) ordinary share representing 100% equity interest in Fly High Finance Limited, a limited liability company incorporated in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), from Au Yeung Yiu Chung for a consideration of HKD1.00.
- (iii) On 28 June 2019, a subsidiary of the Company, FHL acquired 50,000 ordinary shares representing 100% equity interest in Meinaide Holdings Group Limited ("MHGL"), a limited liability company incorporated in British Virgin Islands, from Triumph Star Global Limited for a consideration of HKD140,000,000 (approximately RM80,185,000) by way of 56,000,000 Consideration Shares of FHL at HKD2.50 per Consideration Share.

Upon completion of the acquisition, the wholly-owned subsidiaries of MHGL, comprising Meinaide Technology Development Limited, Perfect Moral Ventures Limited and Jiangmenshi Meinaide Technology Company Limited, had become subsidiaries of the Company.

Goodwill on consolidation arising from the acquisition of MHGL of RM62,118,000 was accounted for using the acquisition method of accounting.

10. INVESTMENTS IN SUBSIDIARIES (continued)**(a) Acquisition of subsidiaries (continued)**

- (iii) The fair value of the assets acquired and the liabilities assumed from the acquisition of MHGL and its subsidiaries are as follows:

	Acquiree's carrying amount RM'000	Fair value recognised on acquisition RM'000
Property, plant and equipment	1,176	1,176
Right-of-use assets	496	496
Inventories	4,217	4,217
Trade receivables	5,280	5,280
Other receivables, deposits and prepayments	6,582	6,582
Cash and bank balances	1,038	1,038
Trade payables	(2,109)	(2,109)
Other payables, deposits and accruals	(3,463)	(3,463)
Lease liabilities	(500)	(500)
Current tax liabilities	(1,497)	(1,497)
Net identifiable assets		11,220
Add: Goodwill		62,118
Add: Intangible assets		5,502
Add: Profit guarantee		2,593
Less: Deferred tax liabilities		(1,248)
Share consideration		<u>80,185</u>
Net cash inflow of the Group on acquisition		<u>1,038</u>

- (iv) On 13 December 2019, PRG Healthcare Sdn. Bhd. ("PRG Healthcare"), a wholly-owned subsidiary of the Company had entered into a shares sale agreement with Bernard Chin Sze Piaw ("Dr Chin") to acquire remaining 450 ordinary shares representing 45% of the issued and paid-up share capital of PRG Active Sdn. Bhd. ("PRGA"), which was a joint venture to the Group, from Dr Chin for a purchase consideration of RM1.00. Dr Chin had on 16 December 2019 resigned as a Director in PRGA and pursuant to that, PRG Healthcare has obtained control of PRGA. Consequently, the investment in PRGA had been transferred from investment in joint venture to investments in subsidiaries. The acquisition of the remaining 45% of the issued and paid-up share capital of PRGA is not completed as at the end of the financial year. The details of deemed disposal of the joint venture is disclosed in Note 12 to the financial statements.

Goodwill on consolidation arising from the acquisition of PRGA of RM66,000 was accounted for using the acquisition method of accounting.

10. INVESTMENTS IN SUBSIDIARIES (continued)**(a) Acquisition of subsidiaries (continued)**

- (iv) The fair value of the assets acquired and the liabilities assumed from the acquisition of PRGA are as follows:

	Acquiree's carrying amount RM'000	Fair value recognised on acquisition RM'000
Property, plant and equipment	36	36
Trade receivables	80	80
Other receivables, deposits and prepayments	*	*
Current tax assets	190	190
Cash and bank balances	5	5
Other payables, deposits and accruals	(377)	(377)
Net identifiable liabilities assumed		(66)
Add: Goodwill		66
Cash consideration		*
Less: Cash and cash equivalent of subsidiary acquired		(5)
Net cash inflow of the Group on acquisition		5

* Amount is less than RM1,000.

(b) Incorporation of subsidiary

On 28 October 2019, a subsidiary of the Company, DGHL incorporated and subscribed for 10,000 ordinary shares representing 100% equity interest in Rich Day Global Limited, a limited liability company incorporated in British Virgin Islands for a total consideration of USD10,000.

(c) Internal reorganisation

During the financial year, the Group undertook an internal reorganisation for the following subsidiaries:

- (i) On 7 November 2019, PRG Asset Sdn. Bhd. ("PRG Asset") acquired 250,000 ordinary shares representing 100% equity interest in PRG Agro Sdn. Bhd. ("PRG Agro") from the Company for a consideration of RM250,000.
- (ii) On 12 November 2019, PRG Asset acquired 250,000 ordinary shares representing 100% equity interest in Premier International Marketing Sdn. Bhd. from PRG Agro for a consideration of RM250,000.
- (iii) On 12 November 2019, PRG Asset acquired one (1) ordinary share representing 100% equity interest in Premier Food Processing Sdn. Bhd. from PRG Agro for a consideration of RM1.00.

10. INVESTMENTS IN SUBSIDIARIES (continued)**(c) Internal reorganisation (continued)**

- (iv) On 12 November 2019, the Company acquired two (2) ordinary shares representing 100% equity interest in Premier Electrify Sdn. Bhd. from PRG Agro for a consideration of RM2.00.

(d) Disposal of 2.79% equity interest in Furniweb Holdings Limited ("FHL")

On 16 January 2019, the Company obtained approval from its shareholders to dispose up to 60,480,000 ordinary shares, representing up to 12% equity interest in FHL, to buyers to be identified and at prices to be determined later in the open market and/or via direct business transactions, in cash ("Disposal Mandate"). The Disposal Mandate from its shareholders is valid for a period of 12 months from 16 January 2019.

On 30 May 2019, the Company has disposed 13,000,000 ordinary shares of HKD0.10 each ("Sale Shares") via direct business transactions, representing 2.58% equity interest in FHL at HKD2.00 (equivalent to RM1.07) per Sale Share for a total cash consideration of HKD26,000,000 (equivalent to RM13,907,000).

On 4 June 2019, the Company has disposed 1,052,000 ordinary shares of HKD0.10 each ("Sale Shares") in the open market, representing 0.21% equity interest in FHL at HKD2.85 (equivalent to RM1.52) per Sale Share for a total cash consideration of HKD2,998,200 (equivalent to RM1,598,000).

Upon completion of the disposal, the Company's shareholdings in FHL is reduced from 317,520,000 ordinary shares representing 63.00% to 303,468,000 ordinary shares representing 60.21%. The disposal of the 2.79% equity interest in FHL resulted in an increase in the Company's profit for the financial year by RM12,916,000.

The Company's gain on disposal of RM12,916,000 is reversed at the Group level as changes in a parent's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (i.e. transactions with owners in their capacity as owners).

The Disposal Mandate had expired on 15 January 2020.

(e) Dilution of 6.02% equity interest in Furniweb Holdings Limited ("FHL")

On 28 June 2019, FHL acquired 50,000 ordinary shares representing 100% equity interest in MHGL from Triumph Star Global Limited for a consideration of HKD140,000,000 by way of 56,000,000 Consideration Shares of FHL at HKD2.50 per Consideration Share.

Upon completion of the acquisition, total ordinary shares issued of FHL is increased from 504,000,000 to 560,000,000. The Company's shareholdings of 303,468,000 ordinary shares in FHL is diluted from 60.21% to 54.19% immediately after the completion of the acquisition.

10. INVESTMENTS IN SUBSIDIARIES (continued)

(f) In the previous financial year:

- (i) On 9 March 2018, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Asset Holdings Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.
- (ii) On 16 March 2018, a wholly-owned subsidiary of the Company, PRG Asset Holdings Sdn. Bhd. incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Land Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.
- (iii) On 11 April 2018, a subsidiary of the Company, Furniweb Holdings Limited ("FHL") incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PP Retail Pte. Ltd., a private company limited by shares in Singapore under the Companies Act (Chapter 50 of the Laws of Singapore) for a total consideration of SGD1.00.
- (iv) On 9 April 2018, a subsidiary of the Company, FHL acquired one (1) ordinary share representing 100% equity interest in Premier Management International Limited, a limited liability company incorporated in Hong Kong on 25 November 2016 under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), from Liew Ching Hoong for a cash consideration of HKD1.00.
- (v) On 4 January 2018, the Group undertook an internal reorganisation for the property division. PRG Property Sdn. Bhd. ("PRGPSB") disposed its entire equity interest in Premier Construction (International) Sdn. Bhd. ("PCISB") to PRG Construction Sdn. Bhd..
- (vi) On 3 October 2018, the Company has disposed 60,480,000 ordinary shares of Hong Kong Dollar (HKD) 0.10 each ("Sale Shares") to independent third parties, representing 12% equity interest in FHL at HKD0.50 (equivalent to RM0.26) per Sale Share for a total cash consideration of RM15,909,000. Upon completion of the Proposed Disposal, PRG's shareholdings in FHL is reduced from 378,000,000 ordinary shares representing 75% to 317,520,000 ordinary shares representing 63%.

The disposal of the above 12% equity interest in FHL resulted in an increase in the Company's profit for the financial year by RM4,765,000.

The Company's gain on disposal of RM4,765,000 is reversed at the Group level as changes in a parent's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (i.e. transactions with owners in their capacity as owners).

10. INVESTMENTS IN SUBSIDIARIES (continued)**(g) Interests in subsidiaries**

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company	Subsidiaries	2019	2018	
		2019	2018	2019	2018	
		%	%	%	%	
Furniweb Holdings Limited*	Cayman Islands	54.19	63	-	-	Investment holding company
Premier JPC Sdn. Bhd.	Malaysia	100	100	-	-	Investment holding company
PRG Asset Sdn. Bhd.	Malaysia	100	100	-	-	Investment holding company
PRG Construction Sdn. Bhd.	Malaysia	100	100	-	-	Investment holding company
PRG Healthcare Sdn. Bhd.	Malaysia	100	100	-	-	Investment holding company
PRG Management Services Sdn. Bhd.	Malaysia	100	100	-	-	Providing management services
PRG Property Sdn. Bhd.	Malaysia	100	100	-	-	Investment holding company
PRG Asset Holdings Sdn. Bhd.	Malaysia	100	100	-	-	Dormant
PRG Agro Sdn. Bhd.	Malaysia	-	100	-	-	Sale of agriculture produce
Premier Electrify Sdn. Bhd.	Malaysia	100	-	-	-	Dormant
Subsidiaries of Furniweb Holdings Limited						
FIPB International Limited*	British Virgin Islands	-	-	100	100	Investment holding company
Premier Management International Limited*	Hong Kong	-	-	100	100	Investment holding company
Delightful Grace Holdings Limited*	British Virgin Islands	-	-	100	-	Investment holding company
Meinaide Holdings Group Limited*	British Virgin Islands	-	-	100	-	Investment holding company

10. INVESTMENTS IN SUBSIDIARIES (continued)**(g) Interests in subsidiaries (continued)**

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company	Subsidiaries	2019	2018	
		2019	2018	2019	2018	
		%	%	%	%	
Subsidiaries of FIPB International Limited						
Furniweb Manufacturing Sdn. Bhd.*	Malaysia	-	-	100	100	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings
Texstrip Manufacturing Sdn. Bhd.*	Malaysia	-	-	100	100	Manufacture and marketing of rubber strips and sheets
TS Meditape Sdn. Bhd.*	Malaysia	-	-	100	100	Marketing and sale of rubber strips and sheets
Webtex Trading Sdn. Bhd.*	Malaysia	-	-	100	100	Investment holding and trading of machinery and accessories
Subsidiaries of Furniweb Manufacturing Sdn. Bhd.						
Furniweb Safety Webbing Sdn. Bhd.*	Malaysia	-	-	100	100	Manufacture and sale of safety webbings
Syarikat Sri Kepong Sdn. Bhd.*	Malaysia	-	-	100	100	Property holding company
Subsidiaries of Webtex Trading Sdn. Bhd.						
Furniweb (Vietnam) Shareholding Company#	Vietnam	-	-	100	100	Manufacture and sale of upholstery webbings and covered elastic yarn
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.#	Vietnam	-	-	43	43	Manufacture and sale of narrow elastic fabrics

10. INVESTMENTS IN SUBSIDIARIES (continued)**(g) Interests in subsidiaries (continued)**

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company	Subsidiaries	2019	2018	
		2019	2018	2019	2018	
		%	%	%	%	
Subsidiary of Furniweb (Vietnam) Shareholding Company						
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.#	Vietnam	-	-	57	57	Manufacture and sale of narrow fabrics
Subsidiary of Premier Management International Limited						
PP Retail Pte. Ltd.#	Singapore	-	-	100	100	Retail sale of clothing, footwear and ancillary products
Subsidiaries of Delightful Grace Holdings Limited						
Fly High Finance Limited*	Hong Kong	-	-	100	-	Money lending
Rich Day Global Limited*	British Virgin Islands	-	-	100	-	Dormant
Subsidiaries of Meinaide Holdings Group Limited						
Meinaide Technology Development Limited*	Hong Kong	-	-	100	-	Trading and sale of PVC and other plastic products
Perfect Moral Ventures Limited*	Hong Kong	-	-	100	-	Investment holding company

10. INVESTMENTS IN SUBSIDIARIES (continued)**(g) Interests in subsidiaries (continued)**

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company	Subsidiaries	2019	2018	
		2019	2018	2019	2018	
		%	%	%	%	
Subsidiary of Meinaide Technology Development Limited						
Jiangmenshi Meinaide Technology Company Limited*	China	-	-	90	-	Production and sale of PVC and other plastic products
Subsidiary of Perfect Moral Ventures Limited						
Jiangmenshi Meinaide Technology Company Limited*	China	-	-	10	-	Production and sale of PVC and other plastic products
Subsidiaries of PRG Property Sdn. Bhd.						
Premier Baycity Sdn. Bhd.	Malaysia	-	-	51	51	Property development and related activities
Premier De Muara Sdn. Bhd.	Malaysia	-	-	60	60	Property development and related activities
Premier PMC Sdn. Bhd.	Malaysia	-	-	100	100	Property development and related activities
Premier Construction Sdn. Bhd.	Malaysia	-	-	100	100	Construction related activities
Subsidiary of PRG Construction Sdn. Bhd.						
Premier Construction (International) Sdn. Bhd.	Malaysia	-	-	100	100	Construction related activities

10. INVESTMENTS IN SUBSIDIARIES (continued)**(g) Interests in subsidiaries (continued)**

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company	Subsidiaries	2019	2018	
		2019	2018	2019	2018	
		%	%	%	%	
Subsidiaries of PRG Asset Sdn. Bhd.						
Premier Food Processing Sdn. Bhd.	Malaysia	-	-	100	-	Dormant
Premier International Marketing Sdn. Bhd.	Malaysia	-	-	100	-	Dormant
PRG Agro Sdn. Bhd.	Malaysia	-	-	100	-	Sale of agriculture produce
Subsidiaries of PRG Agro Sdn. Bhd.						
Premier Food Processing Sdn. Bhd.	Malaysia	-	-	-	100	Dormant
Premier International Marketing Sdn. Bhd.	Malaysia	-	-	-	100	Dormant
Premier Electrify Sdn. Bhd.	Malaysia	-	-	-	100	Dormant
Subsidiary of PRG Asset Holdings Sdn. Bhd.						
PRG Land Sdn. Bhd.	Malaysia	-	-	100	100	Dormant
Subsidiary of PRG Healthcare Sdn. Bhd.						
PRG Active Sdn. Bhd.	Malaysia	-	-	55	-	Medical consultation

* Subsidiaries not audited by BDO PLT or member firms of BDO International.

Subsidiaries audited by member firms of BDO International.

10. INVESTMENTS IN SUBSIDIARIES (continued)**(h) Non-controlling interests in subsidiaries**

The subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

2019	Furniweb Holdings Limited	Premier De Muara Sdn. Bhd.	Premier Baycity Sdn. Bhd.	PRG Active Sdn. Bhd.	Total
NCI percentage of ownership interest and voting interest	45.81%	40%	49%	45%	
Carrying amount of NCI (RM'000)	<u>59,442</u>	<u>1,908</u>	<u>(592)</u>	<u>(10)</u>	<u>60,748</u>
(Loss)/Profit allocated to NCI (RM'000)	<u>(22,971)</u>	<u>(910)</u>	<u>128</u>	<u>(10)</u>	<u>(23,763)</u>
Total comprehensive (loss)/income allocated to NCI (RM'000)	<u>(23,928)</u>	<u>(910)</u>	<u>128</u>	<u>(10)</u>	<u>(24,720)</u>
2018	Furniweb Holdings Limited	Premier De Muara Sdn. Bhd.	Premier Baycity Sdn. Bhd.		Total
NCI percentage of ownership interest and voting interest		37%	40%	49%	
Carrying amount of NCI (RM'000)		<u>38,094</u>	<u>2,818</u>	<u>(713)</u>	<u>40,199</u>
Profit/(Loss) allocated to NCI (RM'000)		<u>260</u>	<u>1,165</u>	<u>(527)</u>	<u>898</u>
Total comprehensive income/(loss) allocated to NCI (RM'000)		<u>420</u>	<u>1,165</u>	<u>(527)</u>	<u>1,058</u>

10. INVESTMENTS IN SUBSIDIARIES (continued)**(h) Non-controlling interests in subsidiaries (continued)**

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period is as follows:

2019	Furniweb Holdings Limited RM'000	Premier De Muara Sdn. Bhd. RM'000	Premier Baycity Sdn. Bhd. RM'000	PRG Active Sdn. Bhd. RM'000
Assets and liabilities				
Non-current assets	86,702	3,295	266	-
Current assets	117,196	251,446	35,320	306
Non-current liabilities	(28,875)	(56,918)	(20,666)	-
Current liabilities	(49,564)	(193,052)	(16,128)	(411)
Net assets/(liabilities)	<u>125,459</u>	<u>4,771</u>	<u>(1,208)</u>	<u>(105)</u>
Results				
Revenue	125,938	(402)	3,905	-
(Loss)/Profit for the financial year	(50,826)	(2,274)	261	(23)
Total comprehensive (loss)/income	<u>(52,981)</u>	<u>(2,274)</u>	<u>261</u>	<u>(23)</u>
Cash flows from/(used in) operating activities	2,342	(3,326)	(5,764)	569
Cash flows (used in)/from investing activities	(16,124)	3,444	3,698	(898)
Cash flows (used in)/from financing activities	<u>(1,767)</u>	<u>(552)</u>	<u>2,499</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(15,549)</u>	<u>(434)</u>	<u>433</u>	<u>(329)</u>
2018	Furniweb Holdings Limited RM'000	Premier De Muara Sdn. Bhd. RM'000	Premier Baycity Sdn. Bhd. RM'000	
Assets and liabilities				
Non-current assets	46,776	4,426	-	
Current assets	75,121	246,881	26,775	
Non-current liabilities	(12,918)	(53,910)	(5,000)	
Current liabilities	<u>(10,317)</u>	<u>(190,351)</u>	<u>(23,230)</u>	
Net assets/(liabilities)	<u>98,662</u>	<u>7,046</u>	<u>(1,455)</u>	

10. INVESTMENTS IN SUBSIDIARIES (continued)**(h) Non-controlling interests in subsidiaries (continued)**

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period is as follows (continued):

2018	Furniweb Holdings Limited RM'000	Premier De Muara Sdn. Bhd. RM'000	Premier Baycity Sdn. Bhd. RM'000
Results			
Revenue	92,565	45,575	-
Profit/(Loss) for the financial year	926	2,913	(1,075)
Total comprehensive income/(loss)	<u>1,281</u>	<u>2,913</u>	<u>(1,075)</u>
Cash flows used in operating activities	(1,645)	(14,640)	(3,260)
Cash flows (used in)/from investing activities	(2,206)	9,559	3,003
Cash flows (used in)/from financing activities	<u>(1,987)</u>	<u>5,788</u>	<u>250</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,838)</u>	<u>707</u>	<u>(7)</u>

11. INVESTMENTS IN ASSOCIATES

	Group	
	2019 RM'000	2018 RM'000
Unquoted equity shares, at cost	3,815	2,973
Goodwill	6,597	6,597
Share of post-acquisition reserves	<u>(3,396)</u>	<u>(1,569)</u>
	7,016	8,001
Less: Impairment loss	(4,748)	(118)
Less: Reclassification to assets held for sale (Note 26)	<u>(334)</u>	<u>-</u>
	<u>1,934</u>	<u>7,883</u>

11. INVESTMENTS IN ASSOCIATES (continued)

The details of the associates are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiaries		Principal activities
		2019 %	2018 %	
Furnitech Components (Vietnam) Co., Ltd. ("Furnitech") *	Vietnam	45.06	45.06	Manufacture and sale of metal components for furniture
Premier Mirach Sdn. Bhd.	Malaysia	25	25	Construction related activities
Premier Aspirasi Development Sdn. Bhd. **	Malaysia	49	49	Property development and related activities
Esther Postpartum Care Sdn. Bhd. ("EPC") **	Malaysia	26.21	26.21	Confinement services
Skilltrain Co., Ltd. ("Skilltrain") ** #	Thailand	49	-	Retail sale of clothing, footwear and ancillary products

* Audited by a member firm of BDO International.

** Associates are equity accounted based on management accounts for the financial period ended 31 December 2019.

On 11 April 2019, a subsidiary of the Company, PP Retail Pte. Ltd. acquired 64,190 ordinary shares representing 49% equity interest in Skilltrain, a limited liability company incorporated in Thailand for a consideration of THB6,419,000 (equivalent to RM842,000).

The summarised financial information of the associates are as follows:

2019	Furnitech RM'000	EPC RM'000	Skilltrain RM'000	Other immaterial associates RM'000	Total RM'000
Assets and liabilities					
Non-current assets	5,222	3,629	1,991	1,078	11,920
Current assets	4,036	(467)	3,215	600	7,384
Non-current liabilities	-	-	-	(43)	(43)
Current liabilities	(8,515)	(3,291)	(5,247)	(4,687)	(21,740)
Net assets	743	(129)	(41)	(3,052)	(2,479)
Carrying amount of the investments in associates (including goodwill)	-	1,934	-	-	1,934

11. INVESTMENTS IN ASSOCIATES (continued)

The summarised financial information of the associates are as follows (continued):

	Furnitech	EPC	Skilltrain	Other immaterial associates	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000
Results					
Revenue	8,296	5,487	670	328	14,781
Loss for the financial year	(1,312)	(1,427)	(1,669)	(2,738)	(7,146)
Other comprehensive income/ (loss)	(10)	-	(90)	-	(100)
Total comprehensive loss	(1,322)	(1,427)	(1,759)	(2,738)	(7,246)
Share of results by the Group for the financial year					
Share of losses by the Group for the financial year	(592)	(374)	(798)	(14)	(1,778)
Share of other comprehensive loss by the Group for the financial year	(5)	-	(44)	-	(49)
2018					
	Furnitech	EPC		Other immaterial associates	Total
	RM'000	RM'000		RM'000	RM'000
Assets and liabilities					
Non-current assets	5,588	1,840		1,847	9,275
Current assets	5,741	403		5,298	11,442
Current liabilities	(9,264)	(944)		(5,334)	(15,542)
Net assets	2,065	1,299		1,811	5,175
Carrying amount of the investments in associates (including goodwill)	4,175	3,694		14	7,883
Results					
Revenue	5,771	1,643		2,956	10,370
Loss for the financial year	(2,284)	(215)		(343)	(2,842)
Other comprehensive loss	(70)	-		-	(70)
Total comprehensive loss	(2,354)	(215)		(343)	(2,912)

11. INVESTMENTS IN ASSOCIATES (continued)

The summarised financial information of the associates are as follows (continued):

	Furnitech RM'000	EPC RM'000	Other immaterial associates RM'000	Total RM'000
2018 (continued)				
Share of results by the Group for the financial year				
Share of losses by the Group for the financial year	(1,029)	(56)	(84)	(1,169)
Share of other comprehensive loss by the Group for the financial year	(32)	-	-	(32)

The reconciliation of net assets of the associates to the carrying amount of the investments in associates are as follows:

	Furnitech RM'000	EPC RM'000	Skilltrain RM'000	Other immaterial associates RM'000	Total RM'000
2019					
Share of net assets/(liabilities)	334	(33)	-	118	419
Goodwill	3,244	3,353	-	-	6,597
Less: Impairment loss	(3,244)	(1,386)	-	(118)	(4,748)
Less: Reclassification to disposal group classified as held for sale	(334)	-	-	-	(334)
Carrying amount in the statements of financial position	-	1,934	-	-	1,934
2018					
Share of net assets	931	341	-	132	1,404
Goodwill	3,244	3,353	-	-	6,597
Less: Impairment loss	-	-	-	(118)	(118)
Carrying amount in the statements of financial position	4,175	3,694	-	14	7,883

Movements in the impairment allowance for investments in associates are as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	118	-
Charge for the financial year	4,630	118
At 31 December	4,748	118

During the financial year, the impairment losses on investments in associates of RM4,630,000 have been recognised due to declining business operations.

12. INVESTMENTS IN JOINT VENTURES

	Group	
	2019	2018
	RM'000	RM'000
Unquoted equity shares, at cost	570	756
Goodwill	-	3,939
Share of post-acquisition reserves, net of dividends received	541	404
	<u>1,111</u>	<u>5,099</u>
Less: Impairment loss	<u>-</u>	<u>-</u>
	<u><u>1,111</u></u>	<u><u>5,099</u></u>

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiaries		Principal activities
		2019	2018	
		%	%	
Trunet (Vietnam) Co., Ltd. ("TNV")*	Vietnam	50	50	Manufacture and marketing of meat netting
PRG Active Sdn. Bhd. ("PRGA") #	Malaysia	-	55	Medical consultation

* Audited by a member firm of BDO International.

The Group considers that it has obtained control of PRGA as at 31 December 2019 and accounts for it as investment in a subsidiary (Note 10).

The joint ventures, in which the Group participates, are unlisted separate structured entities whose quoted market prices are not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint ventures and provides the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for liabilities of the joint arrangements resting primarily with the joint ventures. These joint arrangements have been classified as joint ventures and have been included in the consolidated financial statements using the equity method.

12. INVESTMENTS IN JOINT VENTURES (continued)

The summarised financial information of the joint ventures, adjusted for any differences in accounting policies, are as follows:

2019	TNV RM'000	PRGA RM'000	Total RM'000
Assets and liabilities			
Non-current assets	134	36	170
Current assets	2,585	276	2,861
Current liabilities	(498)	(377)	(875)
Net assets	<u>2,221</u>	<u>(65)</u>	<u>2,156</u>
Proportion of the ownership of the Group	50%	55%	
Carrying amount of the investments in joint ventures (including goodwill)	<u>1,111</u>	<u>-</u>	<u>1,111</u>
Results			
Revenue	4,050	5,569	9,619
Profit/(Loss) before tax	693	(90)	603
Tax expense	(104)	-	(104)
Profit/(Loss) after tax	589	(90)	499
Other comprehensive loss	(42)	-	(42)
Total comprehensive income/(loss)	<u>547</u>	<u>(90)</u>	<u>457</u>
Share of results by the Group for the financial year			
Share of profit/(loss) by the Group for the financial year	294	(49)	245
Share of other comprehensive loss by the Group for the financial year	<u>(21)</u>	<u>-</u>	<u>(21)</u>
	<u>273</u>	<u>(49)</u>	<u>224</u>
Other information			
Dividend income	<u>309</u>	<u>-</u>	<u>309</u>

12. INVESTMENTS IN JOINT VENTURES (continued)

The summarised financial information of the joint ventures, adjusted for any differences in accounting policies, are as follows (continued):

2018	TNV RM'000	PRGA RM'000	Total RM'000
Assets and liabilities			
Non-current assets	164	50	214
Current assets	2,803	1,986	4,789
Current liabilities	(674)	(2,012)	(2,686)
Net assets	<u>2,293</u>	<u>24</u>	<u>2,317</u>
Proportion of the ownership of the Group	50%	55%	
Carrying amount of the investments in joint ventures (including goodwill)	<u>1,146</u>	<u>3,953</u>	<u>5,099</u>
Results			
Revenue	3,884	3,084	6,968
Profit/(Loss) before tax	782	(106)	676
Tax expense	(117)	(208)	(325)
Profit/(Loss) after tax	665	(314)	351
Other comprehensive loss	(8)	-	(8)
Total comprehensive income/(loss)	<u>657</u>	<u>(314)</u>	<u>343</u>
Share of results by the Group for the financial year			
Share of profit/(loss) by the Group for the financial year	333	(173)	160
Share of other comprehensive loss by the Group for the financial year	<u>(4)</u>	<u>-</u>	<u>(4)</u>
	<u>329</u>	<u>(173)</u>	<u>156</u>
Other information			
Dividend income	<u>291</u>	<u>-</u>	<u>291</u>

12. INVESTMENTS IN JOINT VENTURES (continued)

The reconciliation of net assets of the joint ventures to the carrying amount of the investments in joint ventures are as follows:

	TNV RM'000	PRGA RM'000	Total RM'000
2019			
Share of net assets/(liabilities)	1,111	(36)	1,075
Goodwill	-	3,939	3,939
Less: Impairment loss	-	(3,903)	(3,903)
Carrying amount in the statement of financial position	<u>1,111</u>	<u>-</u>	<u>1,111</u>
2018			
Share of net assets	1,146	14	1,160
Goodwill	-	3,939	3,939
Carrying amount in the statement of financial position	<u>1,146</u>	<u>3,953</u>	<u>5,099</u>

The joint ventures had no contingent liabilities and capital commitments as at 31 December 2019 and 31 December 2018.

The details of deemed disposal of a joint venture during the financial year ended 31 December 2019 are as follows:

Group	At date of disposal PRGA RM'000
Cost of investment	4,125
Share of post-acquisition reserves	(222)
Accumulated impairment losses	<u>(3,903)</u>
Share of interest in joint venture	*
Fair value of interest held	<u>*</u>
Fair value gain on disposal	<u>-</u>

* Amount is less than RM1,000.

During the financial year, the impairment losses on investments in joint ventures of RM3,903,000 have been recognised due to cessation of business operation.

13. OTHER INVESTMENTS

	Group/Company	
	2019	2018
Financial assets at fair value through other comprehensive income	RM'000	RM'000
Equity securities:		
Quoted shares outside Malaysia	<u>6,452</u>	<u>-</u>

Equity securities which are not held for trading for which the Group and the Company have irrevocably elected to recognise at fair value through other comprehensive income. These are strategic investments for which the Group and the Company consider this classification to be appropriate and relevant. The quoted shares of the Group and the Company are categorised as Level 1 in the fair value hierarchy. Fair values of investments in quoted shares are based on the quoted prices in active market.

The reconciliation of the fair value of the investment in quoted shares are as follows:

	Group/ Company 2019 RM'000
Balance as at 1 January	-
Addition during the financial year	28,327
Fair value changes	<u>(21,875)</u>
Balance as at 31 December	<u>6,452</u>

During the financial year, the Group and the Company made the following cash payments for additions on other investments:

	Group/ Company 2019 RM'000
Additions on other investments	28,327
Deposit paid in previous financial year	<u>(14,926)</u>
Cash payments on addition of other investments	<u>13,401</u>

14. DEFERRED TAX (ASSETS)/LIABILITIES

- (a) The deferred tax (assets)/liabilities are made up of the following:

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 January	(4,217)	(4,820)
Effects of adoption of MFRS 16 (Note 5.1)	(17)	-
Acquisition of a subsidiary	1,248	-
Recognised in profit or loss		
- Continuing operations (Note 31)	(109)	(259)
- Discontinued operations	1,820	862
Reclassified to assets held for sale (Note 26)	2,818	-
Translation adjustments	(30)	-
Balance as at 31 December	<u>1,513</u>	<u>(4,217)</u>
Presented after appropriate offsetting:		
Deferred tax assets, net	(381)	(4,964)
Deferred tax liabilities, net	<u>1,894</u>	<u>747</u>
	<u>1,513</u>	<u>(4,217)</u>

- (b) The components and movements of deferred tax (assets)/liabilities during the financial year are as follows:

Deferred tax assets of the Group

	Other deductible temporary differences RM'000	Total RM'000
At 1 January 2018	(5,677)	(5,677)
Recognised in profit or loss	<u>713</u>	<u>713</u>
At 31 December 2018/1 January 2019	(4,964)	(4,964)
Effects of adoption of MFRS 16 (Note 5.1)	<u>(17)</u>	<u>(17)</u>
Restated balance as at 1 January 2019	(4,981)	(4,981)
Recognised in profit or loss	1,782	1,782
Reclassified to assets held for sale	<u>2,818</u>	<u>2,818</u>
At 31 December 2019	<u>(381)</u>	<u>(381)</u>

14. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

- (b) The components and movements of deferred tax (assets)/liabilities during the financial year are as follows (continued):

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Intangible assets RM'000	Others RM'000	Total RM'000
At 1 January 2018	857	-	-	857
Recognised in profit or loss	(114)	-	4	(110)
At 31 December 2018/ 1 January 2019	743	-	4	747
Acquisition of subsidiaries	-	1,248	-	1,248
Recognised in profit or loss	(13)	(64)	6	(71)
Translation adjustments	-	(30)	-	(30)
At 31 December 2019	730	1,154	10	1,894

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2019 RM'000	2018 RM'000
Unabsorbed capital allowances	1,958	1,301
Other temporary differences	725	690
Unused tax losses		
- No expiry date	3,301	-
- Expired by 31 December 2025	5,319	5,319
- Expired by 31 December 2026	6,226	-
	<u>17,529</u>	<u>7,310</u>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Trade receivables					
Retention sums	(b)	145	145	-	-
Amount owing by an associate	(g)	12,428	12,428	-	-
	(a)	12,573	12,573	-	-
Less: Impairment loss	(d)	(12,573)	-	-	-
		-	12,573	-	-
Other receivables					
Amount owing by a corporate shareholder		107	-	-	-
Amounts owing by subsidiaries	(f)(ii)	-	-	85,729	52,621
Amount owing by an associate	(g)	4,623	4,712	-	-
		4,730	4,712	85,729	52,621
Less: Impairment loss		-	-	(69)	(69)
		4,730	4,712	85,660	52,552
Total non-current		<u>4,730</u>	<u>17,285</u>	<u>85,660</u>	<u>52,552</u>
Current					
Trade receivables					
Third parties		41,551	54,628	-	-
Retention sums	(b)	309	1,399	-	-
Amount owing by a joint venture	(h)	90	28	-	-
	(a)	41,950	56,055	-	-
Less: Impairment loss - third parties	(d)	(226)	(1,265)	-	-
		41,724	54,790	-	-

15. TRADE AND OTHER RECEIVABLES (continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables					
Amounts owing by subsidiaries	(f)(i)	-	-	48,364	33,850
Amounts owing by associates	(g)	4,886	746	-	-
Amount owing by a joint venture	(h)	77	1,357	-	-
Amount owing by a corporate shareholder		12	12	-	-
Other receivables		8,851	4,970	3	2,040
Deposits		5,552	19,526	-	14,926
		19,378	26,611	48,367	50,816
Less: Impairment loss	(e)	(215)	(8)	(8,300)	(86)
		19,163	26,603	40,067	50,730
Total trade and other receivables					
		60,887	81,393	40,067	50,730
Prepayments		2,463	2,552	11	11
Total current					
		63,350	83,945	40,078	50,741
Grand total					
		68,080	101,230	125,738	103,293

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from twenty-one (21) days to ninety (90) days (2018: twenty-one (21) days to ninety (90) days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(b) The retention sums are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2019 RM'000	2018 RM'000
More than one (1) year	145	145
Within one (1) year	309	1,399

15. TRADE AND OTHER RECEIVABLES (continued)

- (c) Lifetime expected loss provision for trade receivables of the Group as at 31 December are as follows:

	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
2019			
Collective assessment			
Not past due	23,757	(25)	23,732
Past due			
1 - 30 days	9,541	(17)	9,524
31 - 60 days	3,604	(12)	3,592
61 - 90 days	2,599	(8)	2,591
Over 90 days	2,303	(18)	2,285
	41,804	(80)	41,724
Individual assessment	12,719	(12,719)	-
	<u>54,523</u>	<u>(12,799)</u>	<u>41,724</u>
2018			
Collective assessment			
Not past due	24,093	(42)	24,051
Past due			
1 - 30 days	4,154	(61)	4,093
31 - 60 days	278	(12)	266
61 - 90 days	232	(15)	217
Over 90 days	38,741	(26)	38,715
	67,498	(156)	67,342
Individual assessment	1,130	(1,109)	21
	<u>68,628</u>	<u>(1,265)</u>	<u>67,363</u>

During the financial year, the Group did not renegotiate the terms of any trade receivables.

- (d) Movements in the impairment allowance for trade receivables are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	1,265	811	-	-
Charge for the financial year	12,592	471	-	-
Reversal	(373)	(23)	-	-
Reclassification to assets held for sale	(682)	-	-	-
Exchange differences	(3)	6	-	-
At 31 December	<u>12,799</u>	<u>1,265</u>	<u>-</u>	<u>-</u>

15. TRADE AND OTHER RECEIVABLES (continued)

(e) Movements in the impairment allowance for other receivables are as follows:

	12-month ECL		
	2019	2018	
	RM'000	RM'000	
Group			
At 1 January	8	-	
Charge for the financial year	220	8	
Reclassification to assets held for sale	(13)	-	
At 31 December	215	8	
	12-month ECL	Lifetime ECL - Credit impaired	Total
	RM'000	RM'000	RM'000
Company			
At 1 January 2019	155	-	155
Charge for the financial year	-	8,214	8,214
At 31 December 2019	155	8,214	8,369
At 1 January 2018	127	-	127
Charge for the financial year	50	-	50
Reversal	(22)	-	(22)
At 31 December 2018	155	-	155

(f) Amounts owing by subsidiaries

- (i) The amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable within next twelve months in cash and cash equivalents.
- (ii) Included in non-current amount owing by a subsidiary of RM55,289,000 (2018: RM52,621,000) represents a loan, which is unsecured, bears interest at 6.36% (2018: 6.36%) per annum and is payable in cash and cash equivalents upon issuance of certificate for the completion for the development project.

(g) Amounts owing by associates

Trade amount owing by an associate is non-interest bearing and the normal trade credit terms granted by the Group is thirty (30) days (2018: thirty (30) days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Included in amounts owing by associates of the Group are loans to an associate amounting to RM4,623,000 (2018: RM4,748,000), which are unsecured, bear interest at 3% (2018: 3%) per annum and are payable in cash and cash equivalents.

The remaining amounts owing by associates represent advances and payments made on behalf, which are unsecured, interest-free and payable within next twelve months in cash and cash equivalents.

15. TRADE AND OTHER RECEIVABLES (continued)**(h) Amount owing by a joint venture**

Trade amount owing by a joint venture is non-interest bearing and the normal trade credit terms granted by the Group range from fifteen (15) days to ninety (90) days (2018: fifteen (15) days to ninety (90) days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Non-trade amount owing by a joint venture represents payments made on behalf and commission charges, which are unsecured, interest-free and payable within next twelve months in cash and cash equivalents.

(i) Currency exposure profile

The currency exposure profile of trade and other receivables (exclude prepayments) are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	6,333	60,025	125,218	103,282
United States Dollar	18,449	13,937	-	-
Vietnamese Dong	3,441	5,825	-	-
Hong Kong Dollar	26,454	1,968	-	-
Singapore Dollar	4,673	16,833	509	-
Chinese Renminbi	6,207	-	-	-
Pound Sterling	60	-	-	-
Others	-	90	-	-
	<u>65,617</u>	<u>98,678</u>	<u>125,727</u>	<u>103,282</u>

- (j) Information on financial risks of trade and other receivables is disclosed in Note 37 to the financial statements.

16. CONTRACT ASSETS/(LIABILITIES)

		Group	
	Note	2019	2018
		RM'000	RM'000
Contract assets			
Cost to obtain a contract		1,414	22,640
Property development contracts	(b)	1,451	-
Construction contracts	(a)	2,760	3,085
		5,625	25,725
Contract liabilities			
Construction contracts	(a)	(950)	(2,442)
Deferred income		(1,159)	(127)
Property development contracts	(b)	-	(57,343)
		(2,109)	(59,912)
		<u>3,516</u>	<u>(34,187)</u>

16. CONTRACT ASSETS/(LIABILITIES) (continued)**(a) Contract assets and contract liabilities from construction contracts**

	Group	
	2019 RM'000	2018 RM'000
Contract assets	2,760	3,085
Contract liabilities	(950)	(2,442)
	<u>1,810</u>	<u>643</u>
At 1 January	643	1,387
Impairment of contract assets	(28)	-
Termination of project	2,121	-
Revenue recognised during the year	2,084	10,452
Progress billings	(3,010)	(11,196)
At 31 December	<u>1,810</u>	<u>643</u>

Additions to aggregate costs incurred during the financial year include:

	Group	
	2019 RM'000	2018 RM'000
Employee benefits	912	1,107
Hire of plant and machinery	45	64
	<u>957</u>	<u>1,171</u>

(b) Contract assets and contract liabilities from property development contracts

	Group	
	2019 RM'000	2018 RM'000
Contract assets	1,451	-
Contract liabilities	-	(57,343)
	<u>1,451</u>	<u>(57,343)</u>
At 1 January, as previously reported	(57,343)	-
Effects of adoption of MFRS 15	-	(81,003)
At 1 January, as restated	(57,343)	(81,003)
Impairment of contract assets	(15)	-
Revenue recognised during the year	3,503	45,575
Progress billings	(5,864)	(21,915)
Reclassification to assets held for sale (Note 26)	61,170	-
At 31 December	<u>1,451</u>	<u>(57,343)</u>

16. CONTRACT ASSETS/(LIABILITIES) (continued)

- (c) Contract value yet to be recognised as revenue.

Revenue amounted to RM2,109,000 expected to be recognised within next twelve (12) months relating to performance obligations that are unsatisfied (or partial unsatisfied) at the end of the reporting period.

- (d) Movements in the 12-month ECL for contract assets are as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	-	-
Charge for the financial year	43	-
At 31 December	43	-

17. INVENTORIES

		Group	
	Note	2019 RM'000	2018 RM'000
At cost			
Raw materials		8,548	10,397
Work-in-progress		3,069	4,472
Manufactured inventories		7,267	5,112
Trading merchandise		251	-
Other consumables		1,408	1,730
		20,543	21,711
Property development costs	18	29,929	183,636
Land held for development		8,660	-
At net realisable value			
Raw materials		-	73
Work-in-progress		-	64
Manufactured inventories		-	272
Trading merchandise		650	-
		650	409
Agricultural produce		6	-
		59,788	205,756

- (a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM74,652,000 (2018: RM39,682,000). Inventories written down and written off during the financial year amounted to RM1,612,000 and RM72,000 (2018: RM429,000 and nil) respectively and are included in cost of sales.

17. INVENTORIES (continued)

- (b) The Group reversed RM110,000 (2018: RM317,000) in respect of inventories written down in previous financial years, which were subsequently not required as the Group was able to sell those inventories above their carrying amounts.

18. PROPERTY DEVELOPMENT COSTS

	Group	
	2019	2018
	RM'000	RM'000
Property development costs at beginning of financial year:		
- leasehold land	144,958	144,958
- development costs	141,015	112,113
- accumulated cost recognised in profit or loss	(102,337)	(67,544)
	<u>183,636</u>	<u>189,527</u>
Costs incurred during the financial year:		
- development costs	<u>6,038</u>	<u>28,902</u>
Costs recognised in profit or loss during the financial year:		
- leasehold land	(198)	(8,119)
- development costs	<u>8,585</u>	<u>(26,674)</u>
	<u>8,387</u>	<u>(34,793)</u>
Reclassification to assets held for sale (Note 26):		
- leasehold land	(123,389)	-
- development costs	(135,850)	-
- accumulated cost recognised in profit or loss	<u>91,107</u>	<u>-</u>
	<u>(168,132)</u>	<u>-</u>
Property development costs at end of financial year:		
- leasehold land	21,569	144,958
- development costs	11,203	141,015
- accumulated cost recognised in profit or loss	<u>(2,843)</u>	<u>(102,337)</u>
	<u>29,929</u>	<u>183,636</u>

- (a) Leasehold land represents costs incurred as a consequence of having right-of-use assets to produce inventories during the financial year in accordance with MFRS 102 *Inventories*.
- (b) Included in the leasehold land under development is a piece of land provided by Almaharta Sdn. Bhd. ("ASB"), a third party, pursuant to the Joint Venture Agreement ("JVA") dated 31 December 2013 for the development in Wilayah Persekutuan, Kuala Lumpur.

Pursuant to the JVA, ASB agreed to receive the purchase consideration of the leasehold land on a deferred payment basis progressively subject to the fulfilment of the conditions precedent contained in the JVA. All conditions precedent in accordance to the JVA had been fulfilled and the JVA was deemed unconditional with effect from 30 July 2014.

18. PROPERTY DEVELOPMENT COSTS (continued)

- (b) In the previous financial year, the Group has accrued the remaining amount of RM10,031,000 payable to ASB for the purchase consideration of the leasehold land as disclosed in Note 24(c)(i) to the financial statements.

During the financial year, the leasehold land has been reclassified to assets held for sale.

- (c) Included in the leasehold land under development is a piece of land purchased from Baycity Park Sdn. Bhd. ("BPSB") pursuant to the Development Joint Venture Agreement ("DJVA") entered between BPSB and Premier Baycity Sdn. Bhd. for the proposed development of the development land in Subang U5, Selangor.

The Group has accrued the remaining amount of RM9,308,000 (2018: RM10,569,000) payable to BPSB for the balance of the purchase consideration of the leasehold land as disclosed in Note 24(c)(ii) to the financial statements.

- (d) Included in property development costs is interest expense of RM330,000 (2018: RM329,000) capitalised during the financial year at interest rate of 6.27% (2018: 6.36%) per annum.
- (e) The leasehold land together with development costs with a total carrying amount of RM29,929,000 (2018: RM26,504,000) have been pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 23(a) to the financial statements.

19. BIOLOGICAL ASSETS

	Group 2019 RM'000
Balance as at 1 January	-
Addition during the financial year	83,140
Transfer to inventories	(40)
Balance as at 31 December	83,100

- (a) The fair value of the biological assets is stated at Level 3 of the fair value hierarchy.
- (b) The biological assets of the Group comprise of teak plantation. During the financial year, PRG Agro Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company, had acquired two parcels of agriculture land planted with teak trees in Kelantan.
- (c) The current age of teak trees ranges from 16 to 19 years, which are ready to be harvested as agricultural produce. The estimated number of trees planted on the purchased land was approximately 296,800 trees.
- (d) During the financial year, the Group harvested approximately 74.86m³ of teak trees. The estimated quantity of unharvested teak trees as at 31 December 2019 included in the fair valuation of teak trees of the Group was 153,211.00m³.

19. BIOLOGICAL ASSETS (continued)

- (e) The valuation of biological assets is based on income approach which considers the net present value of all directly attributable net cash flows. Significant unobservable inputs are used by the independent valuers in determining the fair value of the asset, which include the discount rate used in the discounted cash flow model and adjustment factors to account for the discounted cash flow methods. The resulting fair value based on the independent valuers' professional opinion is therefore sensitive to these unobservable inputs, and changes to these inputs may result in a significantly higher or lower fair value measurement.

Fair value measurements using significant unobservable inputs

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement:

	2019
Selling price per m ³	RM1,120
Discount rate	<u>16%</u>

Sensitivity analysis

As at 31 December 2019, with all other variables held constant, the Group's loss after taxation for the year would have been impacted as follows:

	2019 RM'000
Selling price	
- increase by 1%	(850)
- decrease by 1%	850
Discount rate	
- increase by 1%	1,462
- decrease by 1%	<u>(1,520)</u>

- (f) During the financial year, the Group made the following cash payments to purchase biological assets:

	Group 2019 RM'000
Addition on biological assets	83,140
Addition via issuance of ordinary shares	(23,940)
Amount remained outstanding in other payables	(54,724)
Deposit paid in previous financial year	<u>(800)</u>
Cash payments on purchase of biological assets	<u>3,676</u>

20. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	13,653	23,067	130	501
Deposits placed with financial institutions	9,733	11,837	-	-
Investments in short term funds	-	175	-	-
	<u>23,386</u>	<u>35,079</u>	<u>130</u>	<u>501</u>

- (a) Included in the Group's cash and bank balances is an amount of RM564,000 (2018: RM1,142,000) held under the Housing Development Account ("HDA") pursuant to Section 7A of Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2002.

Included in cash and bank balances of the Group is restricted cash of RM727,000 (2018: RM82,000) which represents minimum balances maintained in HDA amounted to RM200,000 (2018: nil) and deposits which are maintained in a designated Debt Service Reserve Account with a licensed bank amounted to RM527,000 (2018: RM82,000) in connection with banking facilities granted to the Group as disclosed in Note 23(a) to the financial statements.

- (b) Deposits placed with financial institutions of the Group have maturity periods ranging from 7 days to 365 days (2018: 14 days to 180 days) with interest rates ranging from 1.0% to 5.5% (2018: 0.6% to 5.5%) per annum.

Included in deposits placed with financial institutions of the Group is an amount of RM1,519,000 (2018: nil) pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 23(a) to the financial statements

- (c) Investments in short term funds are placements made in management funds that invest in fixed deposits and short term money market instruments offered by banks or financial institutions licensed under Financial Services Act 2013 or the Islamic Financial Services Act 2013 which allow redemption with a notice period of one (1) to thirty (30) business days.
- (d) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	4,594	9,461	83	340
United States Dollar	7,269	12,836	3	3
Hong Kong Dollar	2,198	7,377	23	158
Vietnamese Dong	6,816	3,674	-	*
Others	2,509	1,731	21	-
	<u>23,386</u>	<u>35,079</u>	<u>130</u>	<u>501</u>

* Amount is less than RM1,000.

20. CASH AND BANK BALANCES (continued)

- (e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances				
Cash and bank balances	13,653	23,067	130	501
Deposits placed with financial institutions	9,733	11,837	-	-
Investments in short term funds	-	175	-	-
As reported in statements of financial position	23,386	35,079	130	501
Less:				
Bank overdraft (Note 23)	(384)	(8,582)	-	-
Deposits placed with financial institutions with original maturity of more than three (3) months	(7,980)	(647)	-	-
Restricted cash	(727)	(82)	-	-
As reported in statements of cash flows	14,295	25,768	130	501

- (f) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.
- (g) Information on financial risks of cash and bank balances is disclosed in Note 37 to the financial statements.

21. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2019		2018	
	Number of shares (‘000)	RM’000	Number of shares (‘000)	RM’000
Ordinary shares				
Issued and fully paid:				
Balance as at 1 January	310,751	83,289	302,488	77,730
Issued for cash pursuant to exercise of warrants	52,254	21,686	3,457	1,434
Issued for acquisition of a joint venture	-	-	4,806	4,125
Issued for acquisition of land by a subsidiary	40,296	30,000	-	-
Balance as at 31 December	<u>403,301</u>	<u>134,975</u>	<u>310,751</u>	<u>83,289</u>

- (a) During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 310,751,274 to 403,300,521 by way of the issuance of 52,253,747 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an exercise price of RM0.375 per ordinary share for cash and issuance of 40,295,500 new ordinary shares at RM0.7445 per ordinary share as Consideration Shares for acquisition of two parcels of agriculture land planted with teak trees by a subsidiary of the Company, PRG Agro Sdn. Bhd..
- (b) In the previous financial year, the issued and paid-up share capital of the Company was increased from 302,488,174 to 310,751,274 by way of the issuance of 3,457,100 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an exercise price of RM0.375 per ordinary share for cash and issuance of 4,806,000 new ordinary shares as Consideration Shares for acquisition of 55% of the enlarged share capital of PRG Active Sdn. Bhd..
- (c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the residual assets of the Company.
- (d) Of the total 403,300,521 (2018: 310,751,274) issued and fully paid ordinary shares as at 31 December 2019, 417,800 (2018: 417,800) ordinary shares bought for RM87,000 (2018: RM87,000) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 402,882,721 (2018: 310,333,474) ordinary shares as at 31 December 2019.
- (e) Warrants 2014/2019 (“Warrants”)

On 7 July 2014, the Company issued 54,320,100 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

The Warrants are constituted by the Deed Poll dated 2 June 2014 (“Deed Poll”).

21. SHARE CAPITAL AND TREASURY SHARES (continued)**(e) Warrants 2014/2019 (“Warrants”) (continued)**

The salient features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new ordinary share of the Company at the exercise price;
- (ii) The exercise price for the Warrants was fixed at RM0.75 per Warrant (adjusted to RM0.375 pursuant to the share split in the financial year ended 31 December 2016);
- (iii) The issue date of Warrants is 7 July 2014 and are valid for exercise for a period of 5 years from its issue date and will expire on 6 July 2019. Any Warrants not exercised by its expiry date will thereafter lapse and cease to be valid for any purpose; and
- (iv) The new shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with then existing shares, save and except that the said new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, prior to the date of allotment of the said new shares.

The movements in Warrants are as follows:

	Number of unexercised Warrants
At 1 January 2019	92,819,926
Exercised	(52,253,747)
Expired on 6 July 2019	(40,566,179)
At 31 December 2019	-

22. RESERVES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Warrants reserve	(a)	-	3,713	-	3,713
Exchange translation reserve	(b)	(4,080)	(2,881)	-	-
Fair value reserve	(c)	(21,875)	-	(21,875)	-
		(25,955)	832	(21,875)	3,713
Distributable:					
Retained earnings		49,862	47,924	60,552	60,962
		<u>23,907</u>	<u>48,756</u>	<u>38,677</u>	<u>64,675</u>

(a) Warrants reserve

Warrants reserve arose from a renounceable rights issue of 54,320,100 new ordinary shares of RM0.50 each together with 54,320,100 free new detachable warrants in the previous financial years.

22. RESERVES (continued)**(a) Warrants reserve (continued)**

The fair value of RM0.08 per Warrant is determined using the Black Scholes pricing model based on the following key assumptions:

Share price	RM0.73 per Share
Exercise price	RM0.75 per Warrant
Tenure	5 years
Interest rate	4.25%
Expected volatility of the Company's share price	16.23%

In the previous financial years, the Company undertook a share split exercise involving the subdivision of every one (1) existing Warrant with an exercise price of RM0.75 each into two (2) Warrants with an exercise price of RM0.375 each. Consequently, the fair value had been adjusted to RM0.04 per Warrant.

The Warrants has expired on 6 July 2019 and any Warrants not exercised was thereafter lapsed and ceased to be valid for any purpose. Upon expiry of the Warrants, the balance within the warrants reserve account has been transferred to the retained earnings account during the financial year.

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Fair value reserve

The fair value reserve arose from gain or loss of equity instrument measured at fair value through other comprehensive income.

23. BORROWINGS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current liabilities					
Secured:					
Term loans	(a)	11,130	15,433	8,411	15,060
Trade bills		1,020	3,097	-	-
Hire purchase creditors	(b)	-	613	-	-
Bank overdraft	20(e)	384	8,582	-	-
		12,534	27,725	8,411	15,060
Non-current liabilities					
Secured:					
Term loans	(a)	20,465	18,642	-	-
Hire purchase creditors	(b)	-	226	-	-
		20,465	18,868	-	-
		32,999	46,593	8,411	15,060
Total borrowings					
Secured:					
Term loans	(a)	31,595	34,075	8,411	15,060
Trade bills		1,020	3,097	-	-
Hire purchase creditors	(b)	-	839	-	-
Bank overdraft	20(e)	384	8,582	-	-
		32,999	46,593	8,411	15,060

(a) Term loans of the Group with a total carrying amount of RM7,600,000 (2018: RM5,000,000) are secured by way of:

- (i) a charge over the leasehold land under development as disclosed in Note 18(e) to the financial statements; and
- (ii) deposits maintained in a designated Debt Service Reserve Account with a licensed bank as disclosed in Note 20(a) to the financial statements.

The term loans of the Group with a total carrying amount of RM13,591,000 (2018: RM14,015,000), trade bills and bank overdraft of the Group are secured by a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM16,225,000 (2018: RM28,754,000) as disclosed in Note 7(a) to the financial statements and the Group's long-term leasehold land with a total carrying amount of RM5,114,000 (2018: nil) as disclosed in Note 8(a) to the financial statements.

The term loans of the Group with a total carrying amount of RM1,993,000 (2018: nil) are secured by a pledge over the Group's deposits placed with financial institutions of RM1,519,000 (2018: nil) as disclosed in Note 20(b) to the financial statements.

23. BORROWINGS (continued)

- (a) Term loans of the Group with a total carrying amount of RM7,600,000 (2018: RM5,000,000) are secured by way of (continued):

Term loan of the Group and the Company with a total carrying amount of RM8,411,000 (2018: RM15,060,000) is secured over 285,600,000 (2018: 257,000,000) of shares of Furniweb Holdings Limited with the carrying amount of RM213,199,000 (2018: RM397,990,200).

The term loans, trade bills and bank overdraft granted to the subsidiaries are guaranteed by the Company amounted to RM27,641,000 (2018: RM21,092,000) as disclosed in Note 28 to the financial statements.

- (b) Hire purchase creditors

	Group	
	2019	2018
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one (1) year	-	643
- later than one (1) year but not later than five (5) years	-	237
Total minimum hire purchase payments	-	880
Less: Future interest charges	-	(41)
Present value of hire purchase payments	-	839
Repayable as follows:		
Current liabilities		
- not later than one (1) year	-	613
Non-current liabilities		
- later than one (1) year but not later than five (5) years	-	226
	-	839

The hire purchase liabilities are secured by assets acquired under hire purchase arrangements. During the financial year, the hire purchase liabilities have been transferred to lease liabilities account upon adoption of MFRS 16.

23. BORROWINGS (continued)

(c) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	21,575	28,436	-	-
United States Dollar	123	-	-	-
Hong Kong Dollar	8,411	15,060	8,411	15,060
Singapore Dollar	2,890	-	-	-
Vietnamese Dong	-	3,097	-	-
	<u>32,999</u>	<u>46,593</u>	<u>8,411</u>	<u>15,060</u>

(d) The borrowings of the Group and of the Company bear the following interest rates per annum:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Term loans	4.97 - 7.50	4.62 - 8.50	6.0	8.5
Trade bills	3.80 - 7.00	7.00 - 7.80	-	-
Hire purchase creditors	-	2.50 - 6.27	-	-
Bank overdraft	8.89	6.90 - 8.92	-	-

(e) Information on financial risks of borrowings and its remaining maturity is disclosed in Note 37 to the financial statements.

24. TRADE AND OTHER PAYABLES

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current					
Other payables	(c)	11,314	3,339	-	-
Accruals	(d)	676	-	-	-
		<u>11,990</u>	<u>3,339</u>	<u>-</u>	<u>-</u>

24. TRADE AND OTHER PAYABLES (continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade payables					
Third parties		35,090	20,185	-	-
Retention sums		4,294	6,377	-	-
Amounts owing to associates		2,053	2,479	-	-
(a)		41,437	29,041	-	-
Other payables					
Amounts owing to subsidiaries	(b)	-	-	549	2,851
Amounts owing to associates	(b)	43	163	-	-
Amounts owing to shareholders	(b)	10,073	-	9,920	-
Other payables	(c)	63,512	53,377	701	1,766
Deposits received from customers		1,000	38,857	-	-
Accruals	(d)	5,526	28,947	95	-
		80,154	121,344	11,265	4,617
Total current payables		121,591	150,385	11,265	4,617
Total payables		133,581	153,724	11,265	4,617

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one (1) month to three (3) months (2018: one (1) month to three (3) months) from the date of invoice. The amount owing to associates included in trade payables is subject to trade terms.

(b) Amounts owing to subsidiaries, shareholders and associates

The amounts owing to subsidiaries, shareholders and associates represent advances, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

24. TRADE AND OTHER PAYABLES (continued)**(c) Other payables**

- (i) In the previous financial year, non-current and current other payables of the Group included amounts of RM1,289,000 and RM8,742,000 respectively, which represent the present value of the remaining unpaid amount for the purchase consideration of the development land as disclosed in Note 18(b) to the financial statements.
 - (ii) Included in other payables of the Group is an amount of RM9,308,000 (2018: RM10,569,000), which represents the balance of the purchase consideration of the development land as disclosed in Note 18(c) to the financial statements.
 - (iii) Included in other payables of the Group is an amount of RM54,724,000 (2018: nil), which represents the remaining unpaid amount for the purchase consideration of biological assets as disclosed in Note 19(f) to the financial statements.
 - (iv) In the previous financial year, included in other payables of the Group was an amount of RM38,157,000 paid by the underwriter pursuant to the Promoter and Underwriter Agreement.
- (d) Included in accruals of the Group are provision for restoration cost amounting to RM676,000 (2018: nil), which is in respect of the obligation to dismantle and remove refurbishments on the premises and restore them at the end of the lease term to an acceptable condition. The liabilities for restoration are recognised at present value of the compounded future expenditure estimated using current price and discounted using a discount rate ranged from 4.80% to 7.50% (2018: nil).

A reconciliation of the provision for restoration cost is as follows:

	Group 2019 RM'000
At 1 January	-
Effects of adoption of MFRS 16 (Note 5.1)	41
Provision made during the year	602
Unwinding of discount	33
At 31 December	<u>676</u>

- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	105,448	148,723	11,039	4,617
United States Dollar	1,626	1,362	-	-
Vietnamese Dong	2,487	3,301	-	-
Hong Kong Dollar	17,481	308	226	-
Singapore Dollar	2,371	30	-	-
Chinese Renminbi	4,168	-	-	-
	<u>133,581</u>	<u>153,724</u>	<u>11,265</u>	<u>4,617</u>

- (f) Information on financial risks of trade and other payables is disclosed in Note 37 to the financial statements.

25. LEASE LIABILITIES**The Group as lessee**

Group	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount					
Balance as at 1 January 2019	-	-	-	-	-
Effects of adoption of MFRS 16 (Note 5.1)	4,818	1,390	629	210	7,047
Additions	-	16,900	-	241	17,141
Acquisition of subsidiaries (Note 10)	-	500	-	-	500
Lease payments	(278)	(2,388)	(527)	(154)	(3,347)
Interest expense	167	916	24	17	1,124
Translation adjustments	(90)	(4)	-	-	(94)
Reclassification to liabilities directly associated with assets held for sale (Note 26)	(2,082)	-	-	(124)	(2,206)
Balance as at 31 December 2019	<u>2,535</u>	<u>17,314</u>	<u>126</u>	<u>190</u>	<u>20,165</u>
Represented by:					2019 RM'000
Current liabilities					4,059
Non-current liabilities					<u>16,106</u>
					<u>20,165</u>
Lease liabilities owing to financial institutions					316
Lease liabilities owing to non-financial institutions					<u>19,849</u>
					<u>20,165</u>

(a) The Group has certain leases of assets with lease term of 12 months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the “short-term lease” and “lease of low-value assets” exemptions for these leases.

(b) During the financial year, the Group had total cash outflow for leases of RM3,347,000.

25. LEASE LIABILITIES (continued)

- (c) The following are the amounts recognised in profit or loss in relation to lease arrangements during the financial year:

	Group 2019 RM'000
Depreciation charge of right-of-use assets	
- included in cost of sales	457
- included in administrative expenses	1,589
- included in distribution costs	2,411
- included in discontinued operations	86
Interest expense on lease liabilities	
- included in finance costs	1,124
- included in discontinued operations	79
Expense relating to short-term leases	
- included in administrative expenses	207
- included in discontinued operations	11
Expense relating to leases of low-value assets (included in administrative expenses)	<u>29</u>
	<u><u>5,993</u></u>

- (d) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group	Weighted average incremental borrowing rate per annum %	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2019						
Lease liabilities						
Fixed rates	3.7% - 7.9%	4,059	4,254	9,687	2,165	<u>20,165</u>

- (e) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2019				
Lease liabilities	5,410	16,547	2,839	<u>24,796</u>

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

- (a) On 26 July 2019, the Company with its subsidiaries, PRG Property Sdn. Bhd. and Premier De Muara Sdn. Bhd. ("PDMSB") had entered into a conditional share sale agreement with Liveintent Sdn. Bhd. for the proposed disposal of 150,000 ordinary shares representing its entire 60% equity interest in PDMSB by PRG Property Sdn. Bhd. to Liveintent Sdn. Bhd.. Details of the proposed disposal are described in Note 38(v) to the financial statements. Accordingly, the assets and liabilities of PDMSB under property development and construction segment are classified as disposal group classified as held for sale and the financial results of PDMSB are classified as discontinued operations.
- (b) On 16 September 2019, an associate of the Group, Furnitech Components (Vietnam) Co., Ltd. ("FCV") had entered into a binding term sheet with an independent third party for the acquisition of entire 100% equity interest in FCV from the current owners of FCV. Details of the proposed disposal are described in Note 38(vi) to the financial statements. Accordingly, the investment in FCV under manufacturing segment is classified as disposal group classified as held for sale.
- (c) On 4 October 2019, a subsidiary of the Company, Furniweb Holdings Limited ("FHL") had entered into a binding term sheet with an independent third party potential purchaser for the sale of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("PEWA"), a subsidiary of FHL. Details of the proposed disposal are described in Note 38(vii) to the financial statements. Accordingly, the assets and liabilities of PEWA under manufacturing segment are classified as disposal group classified as held for sale and the financial results of PEWA are classified as discontinued operations.
- (d) The assets and associated liabilities held for sale as at 31 December 2019 are as follows:

	Note	PDMSB RM'000	PEWA RM'000	FCV RM'000	Total RM'000
Assets held for sale					
Property, plant and equipment	7	90	9,930	-	10,020
Intangible assets	9	2	5	-	7
Right-of-use assets	8	132	1,754	-	1,886
Investment in associates	11	-	-	334	334
Deferred tax assets	14	2,818	-	-	2,818
Inventories		168,132	4,578	-	172,710
Trade and other receivables		40,234	2,516	-	42,750
Contract assets		14,511	-	-	14,511
Current tax assets		2,117	39	-	2,156
Cash and bank balances		1,122	1,640	-	2,762
		229,158	20,462	334	249,954
Less: Impairment loss		-	(5,624)	-	(5,624)
		229,158	14,838	334	244,330

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

- (d) The assets and associated liabilities held for sale as at 31 December 2019 are as follows (continued):

	Note	PDMSB RM'000	PEWA RM'000	Total RM'000
Liabilities directly associated with assets held for sale				
Trade and other payables		99,576	2,069	101,645
Contract liabilities		61,170	37	61,207
Lease liabilities	25	124	2,082	2,206
Borrowings		7,730	3,878	11,608
		<u>168,600</u>	<u>8,066</u>	<u>176,666</u>

Included in the above assets are property, plant and equipment with carrying amounts of RM6,107,000 pledged as security for the borrowings classified under liabilities directly associated with assets held for sale.

Included in the above assets are right-of-use assets with carrying amounts of RM132,000 pledged as security for the lease liabilities classified under liabilities directly associated with assets held for sale.

Included in the above assets are cash and bank balances of RM1,048,000 held under the Housing Development Account pursuant to Section 7A of Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2002.

Included in the above liabilities are other payables of RM9,278,000, which represent the present value of the remaining unpaid amount for the purchase consideration of the development land in the inventories under assets held for sale.

- (e) Analysis of the results of the discontinued operations is as follows:

	2019			2018		
	PDMSB RM'000	PEWA RM'000	Total RM'000	PDMSB RM'000	PEWA RM'000	Total RM'000
Statement of profit or loss and other comprehensive income						
Revenue	(402)	16,899	16,497	45,575	18,926	64,501
Cost of sales	1,334	(18,688)	(17,354)	(33,931)	(19,333)	(53,264)
Gross profit/(loss)	932	(1,789)	(857)	11,644	(407)	11,237
Other income	978	112	1,090	395	11	406
Distribution costs	(72)	(488)	(560)	(683)	(570)	(1,253)
Administrative expenses	(499)	(984)	(1,483)	(1,243)	(1,215)	(2,458)
Other expenses	-	(73)	(73)	-	(168)	(168)
Interest income	40	1	41	53	2	55
Finance costs	(478)	(361)	(839)	(246)	(202)	(448)
Profit/(Loss) before tax	901	(3,582)	(2,681)	9,920	(2,549)	7,371
Taxation	(1,474)	(353)	(1,827)	(1,893)	347	(1,546)

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

(e) Analysis of the results of the discontinued operations is as follows (continued):

	2019			2018		
	PDMSB RM'000	PEWA RM'000	Total RM'000	PDMSB RM'000	PEWA RM'000	Total RM'000
Statement of profit or loss and other comprehensive income (continued)						
(Loss)/Profit for the financial year	(573)	(3,935)	(4,508)	8,027	(2,202)	5,825
Other comprehensive loss, net of tax						
Foreign currency translations	-	(27)	(27)	-	(70)	(70)
Total comprehensive (loss)/income	<u>(573)</u>	<u>(3,962)</u>	<u>(4,535)</u>	<u>8,027</u>	<u>(2,272)</u>	<u>5,755</u>
Profit/(Loss) before tax is arrived after charging:						
Auditors' remuneration:						
- Statutory audit	14	27	41	14	27	41
- Other services	3	-	3	3	-	3
Amortisation on intangible assets	3	9	12	6	15	21
Depreciation of:						
- property, plant and equipment	40	1,624	1,664	40	1,616	1,656
- right-of-use assets	23	63	86	-	-	-
Interest expense on:						
- term loans	-	-	-	-	6	6
- trade bills	-	285	285	-	196	196
- bank overdraft	475	-	475	246	-	246
- lease liabilities	4	75	79	-	-	-
Impairment losses on:						
- trade receivables	-	-	-	423	18	441
- other receivables	13	-	13	-	-	-
Loss on foreign exchange						
- realised	-	69	69	-	20	20
- unrealised	-	-	-	-	142	142
Rental expenses on:						
- land	-	-	-	-	109	109
- office equipment	11	-	11	16	-	16
- office premise	-	-	-	59	-	59
Inventories written down	-	-	-	-	114	114
Management fee expenses	1,634	-	1,634	4,194	-	4,194

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

(e) Analysis of the results of the discontinued operations is as follows (continued):

	2019			2018		
	PDMSB	PEWA	Total	PDMSB	PEWA	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
And after crediting:						
Unrealised gain on foreign exchange	-	83	83	-	-	-
Interest income from:						
- bank balances	40	1	41	53	2	55
Gain on disposal of property, plant and equipment	-	-	-	-	56	56
Reversal of impairment loss on trade receivables	338	10	348	-	9	9
Reversal of inventories written down	-	110	110	-	-	-
Fair value adjustment on other payables	478	-	478	202	-	202

(f) Analysis of the cash flows of the discontinued operations is as follows:

	2019			2018		
	PDMSB	PEWA	Total	PDMSB	PEWA	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Statement of cash flows						
Net cash (used in)/from operating activities	(3,326)	374	(2,952)	(14,255)	(548)	(14,803)
Net cash from/(used in) investing activities	3,444	(183)	3,261	9,666	(2,177)	7,489
Net cash (used in)/from financing activities	(552)	423	(129)	(2,444)	2,328	(116)
Net (decrease)/increase in cash and cash equivalents	(434)	614	180	(7,033)	(397)	(7,430)
Effect of exchange rate changes on cash and cash equivalents	-	(20)	(20)	-	(12)	(12)
Cash and cash equivalents at beginning of financial year	(6,374)	1,046	(5,328)	659	1,455	2,114
Cash and cash equivalents at end of financial year *	(6,808)	1,640	(5,168)	(6,374)	1,046	(5,328)

* Amount included bank overdraft and excluded restricted cash.

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

- (g) During the financial year, the impairment losses on assets held for sale of RM5,624,000 have been recognised as the carrying amount is lower than its fair value less costs to sell.

27. COMMITMENTS

- (a) Operating lease commitment

Non-cancellable operating lease rental are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Not later than one (1) year	-	2,221
Later than one (1) year but not later than five (5) years	-	19,617
Later than five (5) years	-	7,296
	<u>-</u>	<u>29,134</u>

In the previous financial year, the Group's operating lease commitments comprise the followings:

- (i) rental of three parcels of land under operating leases to industrial zone owners in Vietnam. The leases will expire in year 2044 and year 2048, with an option to renew the lease at the end of the lease term;
- (ii) rental of a factory for a period of three years, with an option to renew the lease at the end of the lease term; and
- (iii) rental of shops for a period of five years, with an option to renew the lease at the end of the lease term.

None of the leases included contingent rentals.

27. COMMITMENTS (continued)**(b) Capital commitment**

	Group	
	2019	2018
	RM'000	RM'000
Contracted but not provided for		
- Acquisition of property, plant and equipment	-	1,707
- Acquisition of agriculture lands	-	89,200
- Proposed subscription of shares in Capital World Limited	-	13,298
	<u>-</u>	<u>104,205</u>

28. CONTINGENT LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given to banks for credit facilities granted to subsidiaries - unsecured (Note 23)				
- Limit of guarantee	196,860	200,678	196,860	200,678
- Amount utilised	<u>27,641</u>	<u>21,092</u>	<u>27,641</u>	<u>21,092</u>
Corporate guarantees given to third parties for credit limit granted to subsidiaries - unsecured				
- Limit of guarantee	119,250	109,250	119,250	109,250
- Amount utilised	<u>438</u>	<u>1,590</u>	<u>438</u>	<u>1,590</u>
Corporate guarantee given to a bank for credit facilities granted to an associate - unsecured				
- Limit of guarantee	2,046	2,086	-	-
- Amount utilised	<u>2,046</u>	<u>2,086</u>	<u>-</u>	<u>-</u>

The Directors are of the view that the chances of the banks and the third parties to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to the subsidiaries for credit facilities are negligible.

29. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Revenue from contracts with customers				
Recognised over time:				
Construction contract	2,085	10,452	-	-
Property development revenue	3,904	-	-	-
Recognised at point in time:				
Sales of goods	125,996	73,638	-	-
Management fees	50	28	-	-
Others	10	7	-	-
	<u>132,045</u>	<u>84,125</u>	<u>-</u>	<u>-</u>

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market, major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the reportable segments of the Group.

	Malaysia	Asia Pacific (excluding Malaysia)	Europe	North America	Other countries	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major product and service line						
Revenue from property development	3,904	-	-	-	-	3,904
Revenue from construction contracts	2,085	-	-	-	-	2,085
Sales of goods	9,035	90,808	7,773	16,760	1,620	125,996
Management fees	50	-	-	-	-	50
Others	10	-	-	-	-	10
Revenue from external customers	<u>15,084</u>	<u>90,808</u>	<u>7,773</u>	<u>16,760</u>	<u>1,620</u>	<u>132,045</u>
31 December 2018 (Restated)						
Major product and service line						
Revenue from construction contracts	10,452	-	-	-	-	10,452
Sales of goods	8,368	40,132	8,285	16,545	308	73,638
Management fees	28	-	-	-	-	28
Others	7	-	-	-	-	7
Revenue from external customers	<u>18,855</u>	<u>40,132</u>	<u>8,285</u>	<u>16,545</u>	<u>308</u>	<u>84,125</u>

30. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Other than those disclosed elsewhere in the financial statements, the (loss)/profit before tax is arrived at:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
After charging:				
Auditors' remuneration:				
- statutory audit	583	446	44	42
- other services	19	21	16	21
Interest expense on:				
- term loans	2,324	689	1,602	91
- trade bills	36	5	-	-
- lease liabilities	1,045	-	-	-
- hire purchase creditors	-	118	-	-
- bank overdraft	34	8	-	-
- unwinding for other payables	33	-	-	-
Loss on foreign exchange:				
- unrealised	308	62	28	*
- realised	643	27	533	-
Management fee expenses	-	-	3,660	2,805
Rental expenses on:				
- factory	-	187	-	-
- hostel	5	150	-	-
- land	-	140	-	-
- office/sales gallery	112	72	-	-
- office equipment	19	22	-	-
- motor vehicles	-	1	-	-
and after crediting:				
Gain on foreign exchange:				
- unrealised	98	363	26	132
- realised	133	329	50	7
Interest income from:				
- bank balances	60	29	4	2
- deposits placed with financial institutions	279	488	-	-
- advances to subsidiaries	-	-	2,668	2,668
- advances to associates	140	137	-	-
Net gain on disposals of:				
- property, plant and equipment	22	247	-	-
- subsidiaries	-	-	12,916	-
Rental income on:				
- buildings	-	786	-	-
- equipment	789	1,164	-	-

* Amount is less than RM1,000.

31. TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Current tax expense based on (loss)/profit for the financial year:				
Malaysia				
- current year provision	514	505	-	-
- (over)/under-provision in prior years	(64)	115	-	9
Overseas				
- current year provision	1,698	913	-	-
- under-provision in prior years	81	-	-	-
	<u>2,229</u>	<u>1,533</u>	<u>-</u>	<u>9</u>
Deferred tax (Note 14)				
Origination and reversal of temporary differences	(113)	(117)	-	-
Under/(Over)-provision in prior years	4	(142)	-	-
	<u>(109)</u>	<u>(259)</u>	<u>-</u>	<u>-</u>
	<u>2,120</u>	<u>1,274</u>	<u>-</u>	<u>9</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

Tax on each component of other comprehensive income is as follows:

	Before tax	Group	After tax
	RM'000	Tax effect	RM'000
		RM'000	
2019			
Change in the fair value of equity investments at fair value through other comprehensive income	(21,875)	-	(21,875)
Foreign currency translations	(2,086)	-	(2,086)
Share of other comprehensive loss of an associate	(49)	-	(49)
Share of other comprehensive loss of a joint venture	(21)	-	(21)
	<u>(24,031)</u>	<u>-</u>	<u>(24,031)</u>
2018			
Foreign currency translations	392	-	392
Share of other comprehensive loss of an associate	(32)	-	(32)
Share of other comprehensive loss of a joint venture	(4)	-	(4)
	<u>356</u>	<u>-</u>	<u>356</u>

31. TAX EXPENSE (continued)

Tax on each component of other comprehensive income is as follows (continued):

	Before tax RM'000	Company Tax effect RM'000	After tax RM'000
2019			
Change in the fair value of equity investments at fair value through other comprehensive income	<u>(21,875)</u>	<u>-</u>	<u>(21,875)</u>

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

The numerical reconciliations between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(16,036)	(3,031)	(488)	233
Tax effects in respect of:				
Effects of different tax rates in:				
- foreign jurisdictions	(219)	(524)	-	-
Non-allowable expenses	19,879	5,940	4,290	1,572
Tax incentives	(22)	(47)	-	-
Income not subject to tax	(4,323)	(2,088)	(3,802)	(1,805)
Deferred tax assets not recognised	2,453	809	-	-
Share of (profit)/losses of associates	(59)	280	-	-
Share of losses/(profit) of joint ventures	426	(38)	-	-
Under/(Over)-provision in prior years:				
- tax expense	17	115	-	9
- deferred tax	<u>4</u>	<u>(142)</u>	<u>-</u>	<u>-</u>
	<u>2,120</u>	<u>1,274</u>	<u>-</u>	<u>9</u>

32. (LOSS)/EARNINGS PER ORDINARY SHARE**(a) Basic**

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year:

	Group	
	2019	2018
		(Restated)
(Loss)/Profit attributable to owners of the parent (RM'000)		
- Continuing operations	(47,745)	(14,311)
- Discontinued operations	(1,939)	5,333
	<u>(49,684)</u>	<u>(8,978)</u>
Weighted average number of ordinary shares in issue (units'000)	<u>344,573</u>	<u>305,500</u>
Basic (loss)/earnings per ordinary share (sen)		
- Continuing operations	(13.86)	(4.68)
- Discontinued operations	(0.56)	1.75
	<u>(14.42)</u>	<u>(2.93)</u>

(b) Diluted

The diluted (loss)/earnings per ordinary share equal basic (loss)/earnings per ordinary share because there were no potential dilutive ordinary shares as at the end of the reporting period:

33. EMPLOYEE BENEFITS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	31,703	29,282	232	313
Contributions to defined contribution plans	2,654	2,597	-	-
Social security contributions	1,868	2,007	-	-
Other benefits	3,926	3,730	12	-
	<u>40,151</u>	<u>37,616</u>	<u>244</u>	<u>313</u>

Included in employee benefits of the Group are Directors' remuneration amounting to RM10,803,000 (2018: RM8,965,000).

34. RELATED PARTY DISCLOSURES**(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries, associates, joint ventures, corporation in which a Director of an associate has interest, Directors and key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year which were carried out based on negotiated terms and conditions and mutually agreed with related parties:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Interest income	-	-	2,668	2,668
Associates				
Business development fee	211	206	-	-
Commission received/ receivable	172	109	-	-
Interest income	140	137	-	-
Purchase of goods	-	(114)	-	-
Progress billing payable	(507)	(2,479)	-	-
Sales of goods	543	66	-	-

34. RELATED PARTY DISCLOSURES (continued)

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year which were carried out based on negotiated terms and conditions and mutually agreed with related parties (continued):

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Joint venture				
Commission received/ receivable	91	90	-	-
Dividend income	309	291	-	-
Sales of goods	1,241	1,446	-	-
Sales of services	134	63	-	-
Purchase of materials	(60)	(67)	-	-
Rental income	101	99	-	-
	<u>2,207</u>	<u>2,400</u>	<u>-</u>	<u>-</u>
Joint venture partner *				
Sale of goods	2,207	2,400	-	-
	<u>2,207</u>	<u>2,400</u>	<u>-</u>	<u>-</u>
Directors of the Company and close family member of the Directors				
Progress billing	113	-	-	-
Discount allowed	(113)	-	-	-
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Director of subsidiary company				
Progress billing	57	-	-	-
Discount allowed	(57)	-	-	-
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

* The joint venture partner of the Group is Trunet (UK) Limited, a company that owns 50% of Trunet (Vietnam) Co., Ltd., a joint venture of the Group.

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

34. RELATED PARTY DISCLOSURES (continued)**(c) Compensation of key management personnel (continued)**

The remuneration of the Directors of the Group and of the Company during the financial year was as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
- Directors of the Company:				
- fees	210	284	210	284
- emoluments other than fees	2,999	3,404	22	29
	<u>3,209</u>	<u>3,688</u>	<u>232</u>	<u>313</u>
- Directors of subsidiaries:				
- fees	322	271	-	-
- emoluments other than fees	7,272	5,006	-	-
	<u>7,594</u>	<u>5,277</u>	<u>-</u>	<u>-</u>
	<u>10,803</u>	<u>8,965</u>	<u>232</u>	<u>313</u>

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM22,000 (2018: RM103,000).

(d) Transactions with corporation in which a Director of an associate (formerly a subsidiary) has interest

The aggregate value of transactions and outstanding balances relating to corporation in which a Director of an associate has interest were as follows:

	Transaction value		Balance	
	for the year ended		outstanding as at	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Shann Australia Pty. Ltd.				
- Sales	<u>701</u>	<u>639</u>	<u>255</u>	<u>-</u>

The Group sells goods to Shann Australia Pty. Ltd., a company that owns 3.27% (2018: 3.27%) of Furnitech Components (Vietnam) Co., Ltd., an associate of the Group.

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with related parties.

35. OPERATING SEGMENTS

PRG Holdings Berhad and its subsidiaries are principally engaged in the manufacturing and sale and marketing of webbings, yarn, furniture components, rubber strips and fabrics as well as being involved in property development, construction, retail and healthcare.

The Group has arrived at four (4) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements and which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Manufacturing

The manufacturing and sale and marketing of rubber strips and sheets and narrow elastic fabrics, upholstery webbings, covered elastic yarn, rigid webbings, safety webbings, metal components for furniture, PVC and other plastic products and trading.

(ii) Retail

Principally engaged in the retail sale of clothing, footwear and ancillary accessories.

(iii) Property development and construction

Development and construction of residential and commercial properties.

(iv) Healthcare

Investments in healthcare related businesses.

Other operating segments that do not constitute reportable segments comprise operations related to investment holding and agriculture.

The segmentation for the respective investment holding companies will be determined by the segment of its respective subsidiaries.

The above is in line with the manner the internal management reporting and operating results were reviewed by the Group's management to make decisions about the resources to be allocated to the segments and to assess their performance.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors. Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

35. OPERATING SEGMENTS (continued)

2019	Manufacturing RM'000	Retail RM'000	Property development & construction RM'000	Healthcare RM'000	Others RM'000	Elimination RM'000	Continuing operations Total RM'000	Discontinued operations Total RM'000	Total RM'000
Revenue									
Revenue from external customers	119,561	6,376	6,108	-	-	-	132,045	16,497	148,542
Inter-segment revenue	17,582	-	8,144	-	-	(25,726)	-	-	-
Total revenue	137,143	6,376	14,252	-	-	(25,726)	132,045	16,497	148,542
Finance costs	(898)	(939)	(399)	-	(1,602)	366	(3,472)	(839)	(4,311)
Interest income	726	1	152	-	2,672	(3,072)	479	41	520
Net finance (expense)/income	(172)	(938)	(247)	-	1,070	(2,706)	(2,993)	(798)	(3,791)
Amortisation of intangible assets	(426)	(5)	(52)	-	-	-	(483)	(12)	(495)
Depreciation of - property, plant and equipment	(1,181)	(231)	(996)	-	-	-	(2,408)	(1,664)	(4,072)
- right-of-use assets	(1,363)	(3,068)	(1,058)	-	-	1,118	(4,371)	(86)	(4,457)
Segment loss before tax	(37,348)	(7,688)	(11,470)	(6,128)	(4,185)	-	(66,819)	(2,681)	(69,500)
- Net gain/(loss) on disposals of property, plant and equipment	59	-	(37)	-	-	-	22	-	22
- Net gain on disposals of subsidiaries	-	-	-	-	12,916	(12,916)	-	-	-
- Share of profit/(loss) of joint ventures	294	-	-	(49)	-	-	245	-	245
- Share of losses of associates	(591)	(798)	(15)	(374)	-	-	(1,778)	-	(1,778)
- Impairment losses on investments in associates	(3,244)	-	-	(1,386)	-	-	(4,630)	-	(4,630)

35. OPERATING SEGMENTS (continued)

2019	Manufacturing RM'000	Retail RM'000	Property development & construction RM'000	Healthcare RM'000	Others RM'000	Elimination RM'000	Continuing operations Total RM'000	Discontinued operations Total RM'000	Total RM'000
Segment loss									
before tax (continued)									
- Impairment losses on investments in joint ventures	-	-	-	(3,903)	-	-	(3,903)	-	(3,903)
- Impairment losses on disposal group classified as held for sale	-	-	-	-	-	-	-	-	-
- Impairment losses on goodwill	(34,498)	-	-	(66)	-	-	(34,564)	-	(34,564)
- Impairment losses on trade and other receivables	(18)	-	(12,584)	-	-	-	(12,602)	(13)	(12,615)
- Impairment losses on amounts owing by associates	-	-	(3)	(194)	-	-	(197)	-	(197)
- Fair value loss on financial assets at FVTPL	(2,593)	-	-	-	-	-	(2,593)	-	(2,593)
- Inventories written off	(72)	-	-	-	-	-	(72)	-	(72)
- Reversal of inventories written down	110	-	-	-	-	-	110	-	110
- Reversal of impairment losses on trade receivables	25	-	-	-	-	-	25	348	373
- Reversal of contract liabilities	-	-	2,121	-	-	-	2,121	-	2,121
- Net unrealised (loss)/gain on foreign exchange	(271)	39	-	-	(2)	24	(210)	83	(127)
Capital expenditure	1,530	22,829	89,941	-	-	-	114,300	437	114,737
Investments in associates	-	-	-	1,934	-	-	1,934	334	2,268
Investments in joint ventures	1,111	-	-	-	-	-	1,111	-	1,111
Segment assets	155,628	32,427	147,386	2,356	6,596	-	344,393	239,356	583,749
Segment liabilities	44,366	21,176	104,175	11	19,126	-	188,854	176,666	365,520

35. OPERATING SEGMENTS (continued)

2018 (Restated)	Manufacturing RM'000	Retail RM'000	Property development & construction RM'000	Healthcare RM'000	Others RM'000	Elimination RM'000	Continuing operations Total RM'000	Discontinued operations Total RM'000	Total RM'000
Revenue									
Revenue from external customers	73,639	-	10,486	-	-	-	84,125	64,501	148,626
Inter-segment revenue	252	-	33,313	-	-	(33,565)	-	-	-
Total revenue	73,891	-	43,799	-	-	(33,565)	84,125	64,501	148,626
Finance costs	(677)	-	(281)	-	(91)	229	(820)	(448)	(1,268)
Interest income	877	1	3	-	2,670	(2,897)	654	55	709
Net finance income/(expense)	200	1	(278)	-	2,579	(2,668)	(166)	(393)	(559)
Amortisation of intangible assets	(5)	-	(54)	-	-	-	(59)	(21)	(80)
Depreciation of property, plant and equipment	(1,392)	(1)	(1,639)	-	-	7	(3,025)	(1,656)	(4,681)
Segment profit/(loss) before tax	5,001	(762)	(12,242)	(998)	(3,630)	-	(12,631)	7,371	(5,260)
- Net gain on disposals of property, plant and equipment	116	-	187	-	-	(56)	247	56	303
- Net gain on disposals of subsidiaries	-	-	-	-	4,765	(4,765)	-	-	-
- Share of profit of joint ventures	332	-	-	(172)	-	-	160	-	160
- Share of losses of associates	(1,029)	-	(84)	(56)	-	-	(1,169)	-	(1,169)
- Impairment losses on trade receivables	(30)	-	-	-	-	-	(30)	(441)	(471)
- Inventories written down	(315)	-	-	-	-	-	(315)	(114)	(429)

35. OPERATING SEGMENTS (continued)

2018 (Restated)	Manufacturing	Retail	Property development & construction	Healthcare	Others	Elimination	Continuing operations Total	Discontinued operations Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit/(loss)									
before tax (continued)									
- Reversal of inventories written down	317	-	-	-	-	-	317	-	317
- Reversal of impairment losses on trade receivables	14	-	-	-	-	-	14	9	23
- Net unrealised gain/(loss) on foreign exchange	161	-	-	-	132	8	301	(142)	159
Capital expenditure	1,245	1,843	527	-	-	(53)	3,562	1,739	5,301
Investments in associates	-	-	14	3,694	-	-	3,708	4,175	7,883
Investments in joint ventures	1,146	-	-	3,953	-	-	5,099	-	5,099
Segment assets	93,635	5,189	44,207	8,921	104,044	(89,167)	166,829	259,060	425,889
Segment liabilities	17,291	30	140,664	8,423	19,677	(89,322)	96,763	163,466	260,229

35. OPERATING SEGMENTS (continued)

Reconciliations of reportable profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2019 RM'000	2018 RM'000
Loss for the financial year		
Total loss for reportable segments	(69,500)	(5,260)
Tax expense	<u>(3,947)</u>	<u>(2,820)</u>
Group's loss for the financial year	<u><u>(73,447)</u></u>	<u><u>(8,080)</u></u>
Assets		
Total assets for reportable segments	583,749	425,889
Tax assets	<u>5,940</u>	<u>7,840</u>
Group's assets	<u><u>589,689</u></u>	<u><u>433,729</u></u>
Liabilities		
Total liabilities for reportable segments	365,520	260,229
Tax liabilities	<u>4,626</u>	<u>1,343</u>
Group's liabilities	<u><u>370,146</u></u>	<u><u>261,572</u></u>

Geographical information

With the exception of manufacturing facilities and sales offices set up in Vietnam, China and Singapore, the entire Group's active business operations are located in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers from which the sales transactions originated.

Segment assets are based on the geographical location of the Group's assets. The non-current assets do not include financial instruments, investments in associates, investments in joint ventures and deferred tax assets.

	2019 RM'000	2018 RM'000
Revenue from external customers		
Malaysia	15,085	18,855
Asia Pacific (excluding Malaysia)	90,808	40,132
Europe	7,773	8,285
North America	16,759	16,545
Others	<u>1,620</u>	<u>308</u>
	<u><u>132,045</u></u>	<u><u>84,125</u></u>

35. OPERATING SEGMENTS (continued)**Geographical information (continued)**

	2019 RM'000	2018 RM'000
Non-current assets		
Malaysia	66,480	29,376
Asia Pacific (excluding Malaysia)	28,437	15,741
	<u>94,917</u>	<u>45,117</u>

Major customer

There is no customer with revenue equal to or more than ten percent (10%) of the revenue of the Group.

36. FINANCIAL INSTRUMENTS**(a) Capital management**

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from the financial year ended 31 December 2018.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group regularly reviews the gearing ratio to ensure they are at acceptable levels and within industry norms. Net debts are calculated as total borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parent. A detailed calculation of the net debt is shown below:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	32,999	46,593	8,411	15,060
Less: Cash and bank balances	<u>(23,386)</u>	<u>(35,079)</u>	<u>(130)</u>	<u>(501)</u>
Net debt	<u>9,613</u>	<u>11,514</u>	<u>8,281</u>	<u>14,559</u>
Total capital	<u>158,795</u>	<u>131,958</u>	<u>173,566</u>	<u>147,877</u>
Gearing ratio	6%	9%	5%	10%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement during the financial year ended 31 December 2019.

36. FINANCIAL INSTRUMENTS (continued)**(b) Categories of financial instruments**

	2019 RM'000	2018 RM'000
Group		
Financial assets		
Amortised cost		
Trade and other receivables, net of prepayments	65,617	98,678
Cash and bank balances	23,386	35,079
Fair value through other comprehensive income		
Other investments	6,452	-
	<u>95,455</u>	<u>133,757</u>
Financial liabilities		
Amortised cost		
Trade and other payables	133,581	153,724
Borrowings	32,999	46,593
	<u>166,580</u>	<u>200,317</u>
Company		
Financial assets		
Amortised cost		
Other receivables, net of prepayments	125,727	103,282
Cash and bank balances	130	501
Fair value through other comprehensive income		
Other investments	6,452	-
	<u>132,309</u>	<u>103,783</u>
Financial liabilities		
Amortised cost		
Other payables	11,265	4,617
Borrowings	8,411	15,060
	<u>19,676</u>	<u>19,677</u>

(c) Fair value information

The carrying amounts of cash and bank balances, short term receivables and payables and borrowings are reasonable approximation of fair values either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value information (continued)

The fair values of long term receivables and payables are estimated by discounting the expected future cash flows at weighted average cost of capital, which is similar to the market incremental lending rate offered by financial institution and hence, the carrying amounts of the financial instruments are reasonable approximation of fair value.

Fair value of the borrowings, long term receivables and payables of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives of the Group are to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risks and credit risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Singapore Dollar ("SGD").

The Group and the Company also hold cash and bank balances denominated in foreign currencies for working capital purposes. Information regarding the currency exposure profile of cash and bank balances is disclosed in Note 20 to the financial statements.

The Group does not hedge these exposures by purchasing or selling forward currency contracts at present. However, the management keeps this policy under review.

In respect of its overseas subsidiaries, the Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the subsidiary is located or by borrowing in currencies that match the future revenue stream to be generated from its subsidiaries.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax to a reasonably possible change in the USD, HKD and SGD exchange rates against the Ringgit Malaysia ("RM") respectively, with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(i) Foreign currency risk (continued)**

The sensitivity analysis includes outstanding balances denominated in foreign currencies.

		Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
		Loss	Loss	Loss	Profit
		after tax	after tax	after tax	after tax
USD/RM	strengthen by 10%				
	(2018: 10%)	(1,781)	(1,931)	-	-
	weaken by 10%				
	(2018: 10%)	1,781	1,931	-	-
SGD/RM	strengthen by 10%				
	(2018: 10%)	(1)	(1,140)	(40)	1,019
	weaken by 10%				
	(2018: 10%)	1	1,140	40	(1,019)
HKD/RM	strengthen by 10%				
	(2018: 10%)	655	986	655	(992)
	weaken by 10%				
	(2018: 10%)	<u>(655)</u>	<u>(986)</u>	<u>(655)</u>	<u>992</u>

Sensitivity analysis of other currencies are not disclosed as the fluctuation of these foreign exchange rates against the Group's functional currency would not be significant.

(ii) Interest rate risk

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

The Group's and the Company's deposits placed with financial institutions and borrowings are exposed to a risk of changes in their fair values due to changes in market interest rates. The Group's and the Company's borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk.

The Group and the Company borrow for operations at fixed and variable rates using hire purchase, term loans, trade financing facilities and bank overdraft. There is no formal hedging policy with respect to interest rate exposure.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

Group	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2019									
Fixed rate									
Amounts owing by associates - USD	15(g)	3.00	4,623	-	4,623	-	-	-	-
Deposits placed with financial institutions	20								
- RM		3.12 - 3.36	1,133	1,133	-	-	-	-	-
- USD		1.45	762	762	-	-	-	-	-
- VND		4.80 - 7.20	6,319	6,319	-	-	-	-	-
- SGD		0.60	1,519	1,519	-	-	-	-	-
Floating rate									
Trade bills	23								
- USD		3.80	(122)	(122)	-	-	-	-	-
- EUR		7.00	(898)	(898)	-	-	-	-	-
Term loans	23								
- RM		4.97-6.30	(21,191)	(1,993)	(2,348)	(4,507)	(460)	(483)	(11,400)
- SGD		7.50	(1,993)	(726)	(1,267)	-	-	-	-
- HKD		6.00	(8,411)	(8,411)	-	-	-	-	-
Bank overdraft - RM	23	8.89	(384)	(384)	-	-	-	-	-

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk (continued):

Group	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2018									
Fixed rate									
Amounts owing by associates	15								
- USD		3.00	4,712	-	4,712	-	-	-	-
- VND		3.00	36	36	-	-	-	-	-
Deposits placed with financial institutions	20								
- RM		3.65 - 3.85	1,467	1,467	-	-	-	-	-
- USD		2.30 - 2.45	868	868	-	-	-	-	-
- VND		4.50 - 5.50	3,094	3,094	-	-	-	-	-
- HKD		2.00 - 2.10	6,408	6,408	-	-	-	-	-
Investments in short term funds	20	3.41 - 3.58	175	175	-	-	-	-	-
Hire purchase creditors	23	2.66 - 2.77	(839)	(613)	(193)	(33)	-	-	-
Floating rate									
Trade bills									
- VND	23	7.00 - 7.80	(3,097)	(3,097)	-	-	-	-	-
Term loans									
- RM	23	4.62 - 6.27	(19,015)	(374)	(2,462)	(2,076)	(1,701)	(457)	(11,945)
- HKD		8.50	(15,060)	(15,060)	-	-	-	-	-
Bank overdraft									
- RM	23	6.90 - 8.92	(8,582)	(8,582)	-	-	-	-	-

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk (continued):

Company	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2019									
Fixed rate									
Amount owing by a subsidiary									
- RM	15(g)(i)	6.36	55,289	-	-	55,289	-	-	-
Term loan									
- HKD	23	6.00	(8,411)	(8,411)	-	-	-	-	-
At 31 December 2018									
Fixed rate									
Amount owing by a subsidiary									
- RM	15	6.36	52,621	-	52,621	-	-	-	-
Term loan									
- HKD	23	8.50	(15,060)	(15,060)	-	-	-	-	-

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(ii) Interest rate risk (continued)**Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates at the end of reporting period changed by 50 basis points with all other variables held constant:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
	Loss	Loss	Loss	Profit
	after tax	after tax	after tax	after tax
Increase by 0.5% (2018: 0.5%)	71	113	(178)	142
Decrease by 0.5% (2018: 0.5%)	<u>(71)</u>	<u>(113)</u>	<u>178</u>	<u>(142)</u>

The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

(iii) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2019				
Financial liabilities				
Trade and other payables	121,591	11,990	-	133,581
Borrowings	<u>14,087</u>	<u>12,109</u>	<u>16,645</u>	<u>42,841</u>
Total undiscounted financial liabilities	<u>135,678</u>	<u>24,099</u>	<u>16,645</u>	<u>176,422</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(iii) Liquidity and cash flow risks (continued)****Analysis of financial instruments by remaining contractual maturities (continued)**

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations (continued).

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2018				
Financial liabilities				
Trade and other payables	150,385	3,339	-	153,724
Borrowings	28,748	8,380	13,440	50,568
Total undiscounted financial liabilities	179,133	11,719	13,440	204,292
Company				
As at 31 December 2019				
Financial liabilities				
Other payables	11,265	-	-	11,265
Borrowings	8,919	-	-	8,919
Total undiscounted financial liabilities	20,184	-	-	20,184
As at 31 December 2018				
Financial liabilities				
Other payables	4,617	-	-	4,617
Borrowings	15,858	-	-	15,858
Total undiscounted financial liabilities	20,475	-	-	20,475

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(iv) Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group mitigates its credit risk in trade receivables arising from the sale of development properties by maintaining its name as the registered owner of the development properties until full settlement by the purchaser of the self-financed portion of the purchase consideration or upon undertaking of end-financing by the purchaser's end-financier.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any individual customer or counterparty except that 35% (2018: 10%) of the Group's trade receivables as at reporting date were due from five (5) (2018: seven (7)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 99% (2018: 84%) of the total receivables of the Company.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2019		2018	
	RM'000	% of total	RM'000	% of total
By country				
Malaysia	3,540	9%	53,390	80%
Asia Pacific (excluding Malaysia)	34,409	82%	8,916	13%
Europe	1,243	3%	2,081	3%
North America	2,069	5%	2,976	4%
Other countries	463	1%	-	-
	<u>41,724</u>	<u>100%</u>	<u>67,363</u>	<u>100%</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(iv) Credit risk (continued)**Credit risk concentration profile (continued)

	2019		2018	
	RM'000	% of total	RM'000	% of total
By industry sectors				
Manufacturing	31,883	76%	14,525	22%
Retail	10	*	-	-
Healthcare	80	*	-	-
Property development and construction	9,751	24%	52,838	78%
	<u>41,724</u>	<u>100%</u>	<u>67,363</u>	<u>100%</u>

* Amount is less than 1%

At the end of the reporting period, approximately 35% (2018: 10%) of the Group's trade receivables were due from five (5) (2018: seven (7)) major customers located in Malaysia, Asia Pacific (excluding Malaysia), Europe and North America.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 21 December 2018, the Company announced that it had entered into a conditional Subscription and Options Agreement with Capital World Limited in relation to the proposed subscription of 265,000,000 new Capital World shares and an option to further subscribe for up to 44,000,000 new Capital World shares by PRG.

Following the fulfilment of all the relevant conditions of the Agreement, the Subscription was completed on 14 March 2019.

- (ii) On 28 December 2018, the Company announced that the Company and its wholly-owned subsidiary, PRG Agro Sdn. Bhd. ("PRG Agro") had entered into conditional sale and purchase agreement ("SPA") with Alifya Forestry Sdn. Bhd. ("Alifya") to acquire two parcels of agriculture land planted with teak trees in Kelantan. The Company, PRG Agro and Alifya had executed two supplemental letters to the SPA on 28 March 2019 and 10 June 2019 respectively to revise the purchase consideration. The total purchase consideration for the acquisition was RM89,200,000, to be satisfied via a combination of RM59,200,000 in cash and the issuance of 40,295,500 new ordinary shares of the Company at an issue price of RM0.7445 each. On 11 September 2019, the Company, PRG Agro and Alifya had executed the third supplemental letters to the SPA.

Following the fulfilment of all the relevant conditions of the SPA, the acquisition was completed on 29 November 2019.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (iii) On 16 January 2019, the Company obtained approval from its shareholders to dispose up to 60,480,000 ordinary shares in FHL, representing up to 12% equity interest in FHL, to buyer(s) to be identified and at price(s) to be determined later in the open market and/or via direct business transactions, in cash ("Disposal Mandate"). The Disposal Mandate from its shareholders is valid for a period of 12 months from 16 January 2019.

On 30 May 2019, the Company had disposed of 13,000,000 ordinary shares in FHL, representing 2.58% equity interest in FHL via direct business transactions for a total cash consideration of HKD26,000,000 (equivalent to RM13,900,000) at HKD2.00 (equivalent to RM1.0692) per share.

On 4 June 2019, the Company had sold 1,052,000 ordinary shares in FHL, representing 0.21% equity interest in FHL in the open market for a total cash consideration of HKD2,998,200 (equivalent to RM1,601,000) at HKD2.85 (equivalent to RM1.5216) per share.

Upon completion of the above disposals of ordinary shares in FHL, the Company's shareholdings in FHL was reduced from 317,520,000 ordinary shares representing 63% to 303,468,000 representing 60.21%.

- (iv) On 12 March 2019, a sale and purchase agreement ("S&P Agreement") was entered into among Furniweb Holdings Limited ("FHL"), Triumph Star Global Limited (the "Vendor") and Ms. Jim Ka Man, the guarantor. Pursuant to the S&P Agreement, FHL has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Meinaide Holdings Group Limited ("MHGL") for the consideration of HKD140,000,000, which shall be satisfied by FHL by way of allotment and issue of 56,000,000 shares of FHL at the issue price of HKD2.50 per share to the Vendor or its nominee credited as fully paid upon completion in accordance with the terms and conditions of the S&P Agreement. Following the fulfilment of all the relevant conditions of the S&P Agreement, the acquisition was completed on 28 June 2019.

Upon completion of the acquisition, the Company's shareholdings in FHL was diluted from 60.21% to 54.19% due to the enlarged total ordinary shares in FHL. Accordingly, MHGL and its wholly-owned subsidiaries comprising Meinaide Technology Development Limited, Perfect Moral Ventures Limited and Jiangmenshi Meinaide Technology Company Limited have become indirect 54.19%-owned subsidiaries of the Company.

- (v) On 18 June 2019, PRG Property Sdn. Bhd. ("PRG Property"), a wholly-owned subsidiary of the Company, had received a letter of intent from Liveintent Sdn. Bhd. ("Liveintent") for a conditional offer to purchase 150,000 ordinary shares in Premier De Muara Sdn. Bhd. ("PDMSB"), representing 60% equity interest in PDMSB. On 26 July 2019, the Company, PRG Property and PDMSB had entered into a conditional share sale agreement ("SSA") with Liveintent for the proposed disposal of 150,000 ordinary shares representing 60% equity interest in PDMSB by PRG Property to Liveintent for a cash consideration of RM7,200,000.

On 19 February 2020, the Company, PRG Property, PDMSB and Liveintent had executed a supplemental agreement to vary the clauses in relation to the manner of payment of the consideration and to extend the Cut-Off Date for a further period of 6 months to fulfil the Conditions Precedent as stated in the SSA.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (vi) On 16 September 2019, Furnitech Components (Vietnam) Co., Ltd. ("FCV") had entered into a binding term sheet with an independent third party potential purchaser for the acquisition of entire 100% equity interest in FCV from the current owners of FCV. FCV is a 45.06%-owned associate of the Group, principally engaged in the manufacture and sale of metal components for furniture. The proposed disposal is subject to among others, the signing of definitive agreements, the terms of which are to be agreed by related parties.
- (vii) On 4 October 2019, the Company announced that FHL had entered into a binding term sheet with an independent third party potential purchaser on 4 October 2019 for the sale of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("PEWA"), a subsidiary of FHL, principally engaged in the manufacture and sale of narrow elastic fabrics. A deposit of USD193,000 was paid by the potential purchaser to FHL and the balance consideration will be determined at a later stage by the parties. The proposed disposal is subject to, among others, the signing of a definitive capital transfer agreement, the terms of which are to be agreed by FHL and the potential purchaser.

On 13 January 2020, PRG announced that PEWA, Furniweb Vietnam Shareholdings Co., Ltd. ("Furniweb Vietnam") (an indirect wholly-owned subsidiary of FHL) and Webtex Trading Sdn. Bhd. ("Webtex") (an indirect wholly-owned subsidiary of FHL) had on 10 January 2020 entered into a capital transfer agreement with Four K Investment Limited for the transfer of the entire registered and paid-in charter capital of USD2,100,000 of PEWA, which is contributed and held as 57.14% by Furniweb Vietnam and 42.86% by Webtex for a cash consideration of VND68,212,569,000 (equivalent to approximately USD2,946,000).

- (viii) On 8 November 2019, the Company announced that FHL had entered into a subscription agreement with Ignatius International Private Limited (formerly known as JFCA Pte. Ltd.) ("Ignatius") to subscribe for 35% of the equity interests of Premier Management International Limited ("PMIL"), the wholly-owned subsidiary of FHL at the subscription price of RM6,450,000 (equivalent to approximately HK\$12,180,000).
- (ix) On 4 December 2019, the Company announced that PRG Asset Sdn. Bhd. ("PRG Asset") had on even date entered into a subscription agreement with MSK Plantation Sdn. Bhd. ("MSK") and Teh Choon Yean. MSK is principally involved in the business of mixed farming mainly on plantation estate and tropical fruit orchard management. Pursuant to the subscription agreement, PRG Asset had agreed to subscribe for 510 ordinary shares in MSK representing 51% of the equity interests in MSK at the subscription price of RM450.

On 10 February 2020, the Company announced that PRG Asset, MSK and Teh Choon Yean had mutually agreed in writing to extend the period for fulfilment of the condition precedent stipulated in the subscription agreement for a further period of three months from 5 February 2020 to 5 May 2020.

On 30 April 2020, the Company further announced that PRG Asset, MSK and Teh Choon Yean had mutually agreed in writing to extend the period for fulfilment of the condition precedent stipulated in the subscription agreement for a further period of three months from 6 May 2020 to 6 August 2020.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (x) On 13 December 2019, PRG Healthcare Sdn. Bhd. ("PRG Healthcare"), a wholly-owned subsidiary of the Company had entered into a shares sale agreement with Bernard Chin Size Piaw ("Dr Chin") to acquire 450 ordinary shares representing 45% of the issued and paid-up share capital of PRG Active Sdn. Bhd. ("PRGA") from Dr Chin for a purchase consideration of RM1.00. Dr Chin had on 16 December 2019 resigned as a Director in PRGA and pursuant to that, PRG Healthcare has obtained control of the PRGA and the investment in PRGA had been transferred from investment in joint venture to investments in subsidiaries.

Upon completion of the shares sale agreement on 14 January 2020, PRGA has become a wholly-owned subsidiary of PRG Healthcare.

- (xi) On 18 December 2019, the Company announced that FHL's wholly-owned subsidiary, Rich Day Global Limited had on 17 December 2019 proposed to acquire the entire issued share capital of RSI Securities Limited ("RSI Securities") for a total consideration of HKD8.50 million from RSI Capital Limited ("RSI Capital"). Rich Day Global Limited had on 18 December 2019 entered into an agreement with RSI Capital (as the vendor) and Cheung Hoi Tik Eddie (as the guarantor) for the acquisition.

39. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (i) On 17 January 2020, the Company announced that PRG Asset Sdn. Bhd. had on even date issued an Information Memorandum to sophisticated investors within the meaning of Section 230 of the Capital Markets and Services Act 2007 for the proposed issuance of irredeemable cumulative convertible preference shares ("ICCPS"). The issuance of ICCPS involves the issuance of up to 30,000,000 ICCPS at an issue price of RM1.00 each. The ICCPS bears a maturity period of 3 years (from the date of ICCPS issue respectively, or until 16 January 2023, whichever is earlier) and a dividend rate of 8% per annum. The ICCPS shall not be listed or quoted on the Main Market of Bursa Securities. The ICCPS are convertible into new ordinary shares of PRG Asset ("PRG Asset Shares") on the basis of 1 PRG Asset Share for every 1 ICCPS held by the subscriber on the maturity date of the ICCPS. Upon conversion, all the ICCPS shall become PRG Asset Shares and rank equally in all respects with PRG Asset Shares.
- (ii) On 3 December 2019, the Company announced on the Proposed Private Placement of 40,288,200 Placement Shares representing up to 10% of the total number of 402,882,721 issued shares of the Company (excluding 417,800 treasury shares). Bursa Malaysia Securities Berhad had, vide its letter dated 10 December 2019, approved the listing of and quotation for the Placement Shares to be issued pursuant to the Private Placement.

On 26 February 2020, a total number of 5,737,700 of PRG shares were allotted and issued pursuant to the Private Placement, representing 14.24% of the Placement Shares for a total cash consideration of RM3,499,997.00 at issue price of RM0.61 per share.

On 6 March 2020, a total number of 6,091,200 of PRG shares were allotted and issued pursuant to the Private Placement, representing 15.22% of the Placement Shares for a total cash consideration of RM3,500,003.52 at issue price of RM0.5746 per share.

The Proposed Private Placement is valid for 6 months from 10 December 2019 and is expiring on 9 June 2020.

39. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

- (iii) The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order (“MCO”) effective from 18 March 2020 to 31 March 2020 arising from COVID-19 pandemic. The MCO was extended for 2 weeks consecutively on 25 March 2020 and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on the further extension of the MCO for another 2 weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers’ ability to move freely;
- (b) Lack of investment in capital improvements and construction, thus reducing demand for goods and services of the Group;
- (c) Reduction in market prices of financial assets, including debt and equity instruments; and
- (d) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.