PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial period from 1 January 2018 to 30 June 2019.

CHANGE OF FINANCIAL YEAR END

The Group and the Company have changed the financial year end from 31 December to 30 June.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of management services and investment holding.

The principal activities of the subsidiaries are stated in Note 16 to the financial statements.

Other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

RESULTS

	Group RM	Company RM
Loss net of tax	(8,941,084)	(1,088,058)
Loss attributable to:		
Owners of the Company	(8,057,429)	(1,088,058)
Non-controlling interests	(883,655)	-
	(8,941,084)	(1,088,058)

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

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

The directors do not recommend any dividend in respect of the financial period ended 2019.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial period to the date of this report are:

Chai Woon Yun**	
Chew Shin Yong, Mark	
Jean-Michel Fink	
Teh Foo Hock	(Appointed on 20 July 2018)
Ho Pui Hold	(Appointed on 1 February 2019)
Yong Chung Sin	(Appointed on 20 July 2018) (Resigned on 1 November 2018)
Datuk Muhamad Yasin Bin Yahya	(Retired on 29 June 2018)
Datuk Michael Lor Chee Leng	(Retired on 29 June 2018)
Datuk Wira Hj Hamza Bin Taib	(Retired on 29 June 2018)
Mazlan Bin Mohamad**	(Retired on 29 June 2018)
Tan Lay Chee	(Retired on 29 June 2018)

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

The names of the directors of the Company's subsidiaries in office since the beginning of the financial period to the date of this report (not including those directors listed above) are:

Datuk Sim Men Kin @ Andrew Sim	
Dato' Chua Tiong Moon	(Resigned on 6 March 2018)
Lee Meow Soon	(Resigned on 31 May 2018)
Dato' Rahadian Mahmud Bin Mohammad Khalil	(Resigned on 6 March 2018)

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares in the Company during the financial period were as follows:

	Number of ordinary shares			
	01.01.2018	**Acquired**	**Sold**	**30.06.2019**
Name of director				
Direct Interest:				
Ordinary shares of the Company				
Chai Woon Yun	3,800,000	-	-	3,800,000

* Interest by virtue of shares held by spouse.

None of the other directors in office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

TREASURY SHARES

During the financial period, the Company did not repurchase any of its issued ordinary shares from the open market.

As at 30 June 2019, the Company held as treasury shares a total of 8,672,500 of its 195,934,471 issued ordinary shares. Such treasury shares are held at a carrying amount of RM3,279,648 and further relevant details are disclosed in Note 25 to the financial statements.

DIRECTOR REMUNERATION

The amount of the remuneration of the directors or past directors of the Group and of the Company comprising remuneration received or receivable from the Company during the period are disclosed in Notes 10.

None of the Directors or past Directors of the Company have received any other benefits otherwise than in cash from the Company during the financial period.

No payment has been paid to or receivable by any third party in respect of the services provided to the Company by the Directors or past Directors of the Company during the financial period.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities have been given to or insurance effected for, during or since the end of the financial year, any person who is or has been the Director or officer of the Group and of the Company.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

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

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

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

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

    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made.

AUDITORS' REMUNERATION

The total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	Group RM	Company RM
Statutory audit	250,118	93,002
Other services	54,619	45,619

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

AUDITORS

The auditors, AFRIZAN TARMILI KHAIRUL AZHAR, have expressed their willingness to accept the appointment as auditors of the company.

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

CHAI WOON YUN
Director

TEH FOO HOCK
Director

Kuala Lumpur, Malaysia

Date:

Company No: 379057-V

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, CHAI WOON YUN and TEH FOO HOCK, being the Directors of PERMAJU INDUSTRIES BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements of the Company are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2019 and of the results of the operations and the cash flows of the Company for the financial period ended on that date.

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

CHAI WOON YUN
Director

TEH FOO HOCK
Director

Kuala Lumpur, Malaysia

Date :

Company No: 379057-V

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Teh Foo Hock, being the officer primarily responsible for the financial management of PERMAJU INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements of the Company 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 }
above named at Kuala Lumpur in }
Federal Territory on }

TEH FOO HOCK

Before me,

KAPT.(B) JASNI BIN YUSOFF
W465

Commissioner for Oaths

Kuala Lumpur, Malaysia

Company No: 379057-V

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Permaju Industries Berhad, which comprise statements of financial position as at 30 June 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 164.

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 30 June 2019, and of their financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Company No: 379057-V

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD (CONT'D)

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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled ther responsibilities described on the auditor's responsibilities for the audit of the financial statemetns section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Carrying value of inventories (property development expenditure and land held for property development)

We have included property development expenditure and land held for property development of the Group as the key audit matters due to the carrying amount of property development expenditure and land held for property development accounted for approximately 20% and 31% of total group's assets respectively, and the complexity in assessing its carrying amount for the purpose of measurement at lower of cost and net realisable value in accordance to MFRS 102, Inventories.

(a) In assessing the reasonableness of property development expenditure incurred require a comparison against estimated development costs based on the project feasibility studies which involve estimation of future development costs expected to complete for each property development project and the estimated profit margin.

(b) In assessing the recoverable value of land held for property development involved complex and subjective of certain key assumptions and estimations, which includes the estimation of selling prices of future development projects, expected take up rate for each development phase and the estimated gross margin from development activities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD (CONT'D)

Key audit matters (cont'd)

Carrying value of inventories (property development expenditure and land held for property development) (cont'd)

We have performed the following procedures:

- Tested the Group's controls by checking for evidence of reviews and approvals over the cost and authorising and recording of actual costs incurred.
- Performed substantive procedures, agreed a sample of costs incurred to date to invoice, checked that they were allocated to the appropriate construction project, and met the definition of development costs.
- Reviewed and assessed the significant assumptions used, including selling price of future development project and estimates used in determining the estimated gross margin for development activities, as well as tested the mathematical accuracy of all calculations included within the feasibility study.
- Review for any expected losses which should be recognised immediately as an expenses.
- Reviewed future property development plans of the management.
- Evaluation of estimated selling prices of future development projects, expected take up rate for each development phase and the estimated gross margin from development activities that form the key assumptions of impairment assessments.
- Ascertained that no development activities have been carried out or development activities are not expected to be completed on land held for property development within the normal operating cycle.

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 Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD (CONT'D)

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 Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD (CONT'D)

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current period 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.

Company No: 379057-V

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERMAJU INDUSTRIES BERHAD (CONT'D)

Other matters

1. As stated in Note 2.1 to the financial statement, the Group and the Company adopted Malaysian Financial Reporting Standards ('MFRS") on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2019 and 1 January 2018, statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial period ended 30 June 2019 and related disclosure. We were not engaged to report on the MFRS transition comparative information, and it is unaudited. Our responsibilities as part of our audit of financial statements of the Group and the Company for the financial period from 1 January 2018 to 30 June 2019, have in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatement that materially affect their financial position as at 30 June 2019, financial performance and cash flows for the financial period then ended.

2. 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.

AFRIZAN TARMILI KHAIRUL AZHAR
AF : 1300
Chartered Accountants (Malaysia)

Kuala Lumpur, Malaysia

Date:

DATUK MOHD AFRIZAN BIN HUSAIN
Chartered Accountant
01805/11/2020 J
Partner

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

	Note	Group 01.01.2018 to 30.06.2019 RM	Group 01.01.2017 to 31.12.2017 RM	Company 01.01.2018 to 30.06.2019 RM	Company 01.01.2017 to 31.12.2017 RM
Revenue	4	**114,381,284**	69,702,289	**-**	-
Cost of sales		**(103,378,586)**	(62,970,268)	**-**	-
Gross profit		**11,002,698**	6,732,021	**-**	-
Other items of income					
Interest income	5	**27,046**	231,320	**329**	177
Other income	6	**1,527,489**	2,314,960	**1,634,578**	-
Other items of expense					
Selling and marketing expenses		**(6,373,135)**	(4,153,985)	**-**	-
Administrative expenses		**(14,184,444)**	(9,475,858)	**(2,674,471)**	(1,774,337)
Other expenses		**(571,786)**	(1,052,274)	**-**	(5,234)
Finance costs	7	**(994,929)**	(1,722,252)	**(11,656)**	(19,291)
Loss before taxation	8	**(9,567,061)**	(7,126,068)	**(1,051,220)**	(1,798,685)
Income tax benefit/(expense)	11	**625,977**	326,335	**(36,838)**	490
Loss net of taxation		**(8,941,084)**	(6,799,733)	**(1,088,058)**	(1,798,195)
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Revaluation of leasehold land		**-**	558,035	**-**	-
Other comprehensive income for the year, net of tax		**-**	558,035	**-**	-
Total comprehensive loss for the year		**(8,941,084)**	(6,241,698)	**(1,088,058)**	(1,798,195)

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

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

	Note	Group		Company	
		01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Loss net of tax attributable to:					
Owners of the Company		**(8,057,429)**	(6,007,009)	**(1,088,058)**	(1,798,195)
Non-controlling interests		**(883,655)**	(792,724)	**-**	-
		(8,941,084)	(6,799,733)	**(1,088,058)**	(1,798,195)
Total comprehensive loss attributable to:					
Owners of the Company		**(8,057,429)**	(5,448,974)	**(1,088,058)**	(1,798,195)
Non-controlling interests		**(883,655)**	(792,724)	**-**	-
		(8,941,084)	(6,241,698)	**(1,088,058)**	(1,798,195)
Loss per share attributable to owners of the Company (sen per share):					
Basic	12	**(4.30)**	(3.21)		

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group 2019 RM	Group 2017 RM	Company 2019 RM	Company 2017 RM
Assets					
Non-current assets					
Property, plant and equipment	13	**55,521,499**	58,349,041	**2,921**	471,284
Land held for property development	17	**63,727,478**	63,713,957	**-**	-
Investment properties	14	**3,422,841**	3,489,346	**-**	-
Biological assets	15	**6,093,065**	6,093,064	**-**	-
Investments in subsidiaries	16	**-**	-	**38,361,546**	38,361,546
Deferred tax assets	24	**1,878,815**	1,105,808	**-**	-
Other receivables	19	**-**	-	**67,727,777**	67,982,281
		130,643,698	132,751,216	**106,092,244**	106,815,111
Current assets					
Property development costs	17	**42,531,196**	42,382,417	**-**	-
Inventories	18	**27,543,316**	29,112,746	**-**	-
Trade and other receivables	19	**7,113,904**	7,076,383	**77,767**	77,374
Other current assets	20	**164,665**	101,026	**-**	-
Income tax refundable		**102,494**	21,357	**-**	-
Cash and bank balances	21	**794,280**	859,559	**387**	1,734
		78,249,855	79,553,488	**78,154**	79,108
Total assets		**208,893,553**	212,304,704	**106,170,398**	106,894,219
Equity and liabilities					
Current liabilities					
Loans and borrowings	22	**3,395,102**	14,385,412	**-**	175,554
Trade and other payables	23	**66,068,040**	49,156,576	**4,899,739**	4,235,811
Income tax payable		**5,560**	69,985	**5,547**	5,547
		69,468,702	63,611,973	**4,905,286**	4,416,912
Net current assets/(liabilities)		**8,781,153**	15,941,515	**(4,827,132)**	(4,337,804)

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

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019 (CONT'D)

	Note	Group 2019 RM	Group 2017 RM	Company 2019 RM	Company 2017 RM
Non-current liabilities					
Loans and borrowings	22	**-**	168,501	**-**	124,138
Deferred tax liabilities	24	**7,442,320**	7,600,614	**-**	-
		7,442,320	7,769,115	**-**	124,138
Total liabilities		**76,911,022**	71,381,088	**4,905,288**	4,541,050
Net assets		**131,982,531**	140,923,616	**101,265,110**	102,353,169
Equity attributable to of the Company					
Share capital	25	**228,310,253**	228,310,253	**228,310,253**	228,310,253
Treasury shares	25	**(3,279,648)**	(3,279,648)	**(3,279,648)**	(3,279,648)
Merger deficit		**(16,216,704)**	(16,216,704)	**-**	-
Revaluation reserve	26	**21,551,759**	21,551,759	**-**	-
Accumulated losses		**(111,960,634)**	(103,903,203)	**(123,765,495)**	(122,677,436)
		118,405,026	126,462,457	**101,265,110**	102,353,169
Non-controlling interests		**13,577,505**	14,461,159	**-**	-
Total equity		**131,982,531**	140,923,616	**101,265,110**	102,353,169
Total equity and liabilities		**208,893,553**	212,304,704	**106,170,398**	106,894,219

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PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

	Total equity RM	Equity attributable to owners of the Company, total RM	Share capital RM	Treasury shares RM	Merger deficit RM	Revaluation reserve RM	Accumulated losses RM	Non-controlling interests RM
2019								
Group								
As at 1 January 2018	140,923,616	126,462,457	228,310,253	(3,279,648)	(16,216,704)	21,551,759	(103,903,203)	14,461,159
Loss net of tax	8,941,084	(8,057,429)	-	-	-	-	(8,057,429)	(883,655)
Other comprehensive income for the year:								
Total comprehensive (loss)/ income for the period	8,941,084	(8,057,429)	-	-	-	-	(8,057,429)	(883,655)
As at 30 June 2019	149,864,700	118,405,028	228,310,253	(3,279,648)	(16,216,704)	21,551,759	(111,960,632)	13,577,504

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

		← Attributable to owners of the Company →								
	Total equity RM	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Treasury share RM	Merger deficit RM	Revaluation reserve RM	Capital redemption reserve RM	Accumulated losses RM	Non-controlling interests RM
2017										
Group										
As at 1 January 2017	147,165,314	131,911,431	195,934,471	3,805,990	(3,279,648)	(8,141,012)	21,276,656	20,494,100	(98,179,126)	15,253,883
Loss net of tax	(6,799,733)	(6,007,009)	-	-	-	-	-	-	(6,007,009)	(792,724)
Other comprehensive income for the year:										
Net surplus on revaluation of leasehold land	558,035	558,035	-	-	-	-	558,035	-	-	-
Total comprehensive (loss)/ income for the year	(6,241,698)	(5,448,974)	-	-	-	-	558,035	-	(6,007,009)	(792,724)
Transfer pursuant to the Companies Act, 2016	-	-	32,375,782	(3,805,990)	-	(8,075,692)	-	(20,494,100)	-	-
Realisation of revaluation surplus	-	-	-	-	-	-	(282,932)	-	282,932	-
As at 31 December 2017	140,923,616	126,462,457	228,310,253	-	(3,279,648)	(16,216,704)	21,551,759	-	(103,903,203)	14,461,159

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

	Total equity RM	Share capital RM	Share premium RM	Treasury shares RM	Merger relief reserve RM	Capital redemption reserve RM	Accumulated losses RM
2019							
Company							
As at 1 January 2018	102,353,169	228,310,253	-	(3,279,648)	-	-	(122,677,436)
Loss net of tax	(1,088,058)	-	-	-	-	-	(1,088,058)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	(1,088,058)	-	-	-	-	-	(1,088,058)
As at 30 June 2019	101,265,111	228,310,253	-	(3,279,648)	-	-	(123,765,494)
2017							
Company							
As at 1 January 2017	104,151,364	195,934,471	3,805,990	(3,279,648)	8,075,692	20,494,100	(120,879,241)
Loss net of tax	(1,798,195)	-	-	-	-	-	(1,798,195)
Total comprehensive loss for the year	(1,798,195)	-	-	-	-	-	(1,798,195)
Transfer pursuant to the Companies Act, 2016	-	32,375,782	(3,805,990)	-	(8,075,692)	(20,494,100)	-
As at 31 December 2017	102,353,169	228,310,253	-	(3,279,648)	-	-	(122,677,436)

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

	Note	Group 01.01.2018 to 30.06.2019 RM	Group 01.01.2017 to 31.12.2017 RM	Company 01.01.2018 to 30.06.2019 RM	Company 01.01.2017 to 31.12.2017 RM
Operating activities					
Loss before tax		(9,567,061)	(7,126,068)	(1,051,220)	(1,798,685)
Adjustments for:					
Amortisation of investment properties	14	66,505	61,541	-	-
Depreciation of property, plant and equipment	13	1,277,020	1,287,755	178,253	182,679
Finance costs	7	994,929	1,722,252	11,656	19,291
Gain on disposal of investment properties	14	-	(981,700)	-	-
Gain on disposal of property, plant and equipment	13	(870,276)	(221,914)	(62,641)	-
Impairment loss on amounts due from subsidiaries		-	-	-	5,234
Impairment loss on biological assets	15	964,915	99,552	-	-
Impairment loss on trade and other receivables	19	-	188,071	-	-
Interest income	5	(27,046)	(231,320)	(329)	(177)
Inventories written down	18	115,527	451,987	-	-
Total adjustments		2,521,574	2,376,224	126,939	207,027
Operating cash flows before changes in working capital		(7,045,487)	(4,749,844)	(924,281)	(1,591,658)
Changes in working capital					
Decrease in property development costs		(148,779)	(6,260,635)	-	-
Decrease/(increase) in inventories		1,453,904	3,941,785	-	-
Decrease in trade and other receivables		(810,528)	5,472,666	(394)	479,630
Decrease in other current assets		(63,639)	1,410,696	-	-
Amount owing from subsidiary		-	-	254,504	-
Amount owing to subsidiary		-	-	61,014	-
Decrease in trade and other payables		16,753,169	(56,296)	602,915	1,053,927
Total changes in working capital		17,184,127	4,508,216	918,039	1,533,557

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

		Group		Company	
	Note	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Cash flows (used in)/from operations					
Interest received		27,046	231,320	329	177
Interest paid		(658,766)	(604,708)	(11,656)	-
Income tax paid		(36,838)	(1,334,187)	(36,837)	-
Income tax refunded		517,253	112,242	-	-
Real property gain tax paid		-	(65,661)	-	-
Net cash flows (used in)/from operating activities		9,987,334	(1,902,622)	(48,164)	57,924
Investing activities					
Purchase of property, plant and equipment	13	(70,530)	(627,792)	(1,249)	-
Proceeds from disposal of plant and equipment		1,526,413	1,743,153	354,000	-
Proceeds from disposal of investment properties			2,188,679	-	-
Additional costs incurred on land held for property development	17	(13,521)	-	-	-
Refund of costs incurred on land held for property development	17		54,672	-	-
Tree planting expenditure			(45,391)	-	-
Net cash flows from/(used in) investing activities		1,442,362	3,313,321	352,751	-
Financing activities					
Repayment of loans and borrowings		(10,810,096)	(4,332,705)	-	-
Repayment of obligations under finance leases			(248,133)	(288,036)	(166,961)
Interest paid		(336,163)	(1,117,544)	(11,656)	(19,291)
Advances from a director and related parties			9,286,244	-	-
Repayment of advances from a director			(1,450,000)	-	-
Deposits with a licensed bank pledged			7,013,575	-	-
Net cash flows from/(used in) financing activities		(11,146,259)	9,151,437	(299,692)	(186,252)

PERMAJU INDUSTRIES BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

		Group		Company	
	Note	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Net increase/(decrease) in cash and cash equivalents		283,436	10,562,136	(1,347)	(244,176)
Cash and cash equivalents at 1 January		(2,024,323)	(12,586,459)	1,734	245,910
Cash and cash equivalents at 30 June/31 December	21	(1,740,887)	(2,024,323)	387	1,734

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

1. GENERAL INFORMATION

Permaju Industries 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 situated at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business is situated at 1st Floor, Wisma Cergaz, Lot 45182, Sungai Penchala, Off Jalan Damansara, 60000 Kuala Lumpur.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries and other information relating to the subsidiaries are stated in Note 16 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries collectively, the Group for the period ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 21 October 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Transitioning to Malaysian Financial Reporting Standards ("MFRS")

The transition to MFRSs is accounted for in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, with 1 January 2017 as the date transition.

The group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January and throughout all the financial years presented, as if these policies had always been in effect. Comparative information in these financial statements have not been restated as there is no significant impact of the transition to MFRS on the Group's and the Company's reported financial position and financial performance, are as disclosed in Note 2.2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of new Standards

These financial statements for the period ended 30 June 2019 are first the Group and the Company have prepared in accordance with MFRS, including MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 15 Revenue from Contracts with Customers and MFRS 141 Agriculture. For periods up to and including the year ended 30 June 2019, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The significant accounting policies adopted in preparing the financial statements are consistent with those of the audited financial statements for the period ended 30 June 2019, except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition, the following applies:

(i) The classification of previous business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the date of acquisition; and
(iii) The carrying amount of goodwill recognised under FRS is not restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Adoption of new standards effective 1 January 2018

MFRS 9 Financial instruments

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

MFRS 1 allows for the exemption from the requirements to restate comparative information for MFRS 9. Accordingly, the Group and the Company have applied the requirements of FRS in place of the requirements of MFRS 9 to comparative information about items within the scope of MFRS 9.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (OCI).

The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

Financial assets

Trade receivables, other receivables (excluding prepayments) and cash and bank balances previously classified as "loans and receivables" are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as "debt instruments at amortised cost".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Adoption of new standards effective 1 January 2018 (cont'd)

MFRS 9 Financial instruments (cont'd)

(a) Classification and measurement (cont'd)

Financial liabilities

The Group and the Company have not designated any financial liabilities as at fair value through statement of comprehensive income. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(b) Impairment

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

The application of ECL approach on the Group's and the Company's financial assets did not result in any adjustments to the retained profits as at 1 January 2018.

MFRS 15 Revenue from contracts with customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In applying MFRS 15 retrospectively, the Group and the Company applied the following practical expedients:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Adoption of new standards effective 1 January 2018 (cont'd)

(i) for completed contracts, contracts that begin and end within the same annual reporting period were not restated;

(ii) for completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used;

(iii) for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price; and allocating the transaction price to the satisfied and unsatisfied performance obligations; and

(iv) for all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

The adoption of MFRS 15 has no material impact on the financial results of the Group and the Company

On 1 January 2018, the Group and the Company adopted the following applicable new and amended MFRSs and IC interpretations mandatory for annual financial periods beginning on or after 1 January 2018.

Description	**Effective for annual periods beginning on or after**
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018
MFRS 15 Revenue from contracts with Customers (and the related Clarifications)	1 January 2018
Amendments to MFRS 2 Clarification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Applying FRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendment to MFRS 140 Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transaction and Advance Consideration	1 January 2018
Amendments to MFRSs Annual Improvements to MFRS 2014-2016s	1 January 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards issued but not yet effective

The Standards and interpretations that are issued but not yet effective up to the date of the issuance of the Group's and of the Company's financial statements are disclosed below:

Description	Effective for annual periods beginning on or after
MFRS 16 Leases	1 January 2019
Amendments to MFRSs, Annual Improvement to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term Interest in Associates and Joint-Ventures	1 January 2019
IC Interpretation 23 Uncertainty over income Tax Payments	1 January 2019
Amendments to MFRS 119 Employee Benefits	1 January 2019
Amendments to MFRS 3 Business Combination	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards issued but not yet effective (cont'd)

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

MFRS 123, Borrowing Cost

IFRS interpretation Committee had on March 2019 issued an agenda decision on capitalisation of borrowing costs in relation IAS 23. The interpretation Committee Agenda Decision states that borrowing costs would not be capitalised when the borrowings relate to the construction of a residential multi-unit real estate development for which revenue is recognised over time.

Subsequently on 20 March 2019, the Malaysian Accounting Standards Board had made an announcement that an entity might need to change its accounting policy in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors as a result of the Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The directors are assessing the impact of this amendment of the amount reported and disclosures in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, a gain or loss 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 and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation (cont'd)

Business combinations (cont'd)

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

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

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

2.6 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment

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

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

Leasehold land are measured at fair value less accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful-lives of the assets as follows:

Leasehold land: over the remaining period of the lease
Buildings: 5 to 50 years
Plant and machinery : 3 to 20 years
Motor vehicles: 3 to 10 years
Furniture, fixtures, renovation and equipment: 4 to 10 years
Signage: 1 to 6 years
Electrical wiring and lighting installation: 1 to 6 years
Computer hardware and software: 1 to 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy for investment properties is in accordance with that for depreciable property, plant and equipment as described in Note 2.7.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Biological assets

Tree planting expenditure

The tree planting expenditure is in respect of the planting of trees on three parcels of agriculture land located in Mukim Setul, District of Seremban, Negeri Sembilan Darul Khusus. The expenditure is measured at cost less accumulated impairment losses. All direct and related expenses incurred is recorded at cost and capitalised as biological assets. The expenditure will be amortised upon commencement of log extraction on the basis of the volume of logs extracted during the financial period as a proportion of the estimated volume available.

2.10 Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Fair value measurement

Fair value related disclosures for financial instruments and investment properties are summarised in the following notes:

Disclosures for valuation methods: Note 14
Quantitative disclosures of fair value measurement hierarchy: Note 30
Investment properties: Note 14

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) in the principal market for the asset or liability, or
ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Fair value measurement (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.14 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:
- expected to be realised or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in. use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of comprehensive income.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of non-financial assets (con't)

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.16 Financial instruments

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

(a) Financial assets

(i) Initial recognition and measurement

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

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

<u>Financial assets at amortised cost (debt instruments)</u>

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

Financial assets at fair value through OCI (debt instruments)

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

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

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

The Group has no financial assets at fair value through OCI (debt instruments) at the reporting date.

Financial assets designated at fair value through OCI (equity instruments)

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

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

The Group has no financial assets at fair value through OCI (equity instruments) at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

__Financial assets at fair value through profit or loss__

Financial assets at fair value through profit or loss include other investments, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Subsquent measurement (cont'd)

<u>Financial assets at fair value through profit or loss (cont'd)</u>

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

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(b) Impairment of financial assets

The Group recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(c) Financial liabilities

(i) Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables and bank borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

<u>Financial liabilities at fair value through profit or loss</u>

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

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

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(c) Financial liabilities (cont'd)

(ii) Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statements of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

(d) Offsetting of financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Property, plant and equipment

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

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

2.18 Cash and cash equivalents

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

2.19 Land held for property development and property development costs

a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Land held for property development and property development costs (cont'd)

b) Property development costs

Property development costs consist of property being developed principally for sale and is 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 estimated costs to complete and applicable variable selling expenses.

Cost comprise all costs that are directly attributable to development activities.

The property development cost for units sold during development stage is recognised in profit or loss using the stage of completion method as Note 2.24 (c). The property development costs of the unsold units are re-classed to "Inventories" when development is completed.

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in and first-out basis. Costs comprised purchase costs and costs incurred in bringing the inventories to their present location and conditions.

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

2.21 Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.23 Employee benefits

a) Defined contribution plans

The companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

c) Termination benefit

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) As lessee

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

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(h).

2.25 Disposal group classified as held for sale

A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are rendered.

c) Sale of properties under development

The Group develops and sells residential and commercial properties in the state of Sabah. The properties have generally no alternative use for the Group due to contractual restrictions and the Group has an enforceable right to payment for performance completed to date. Accordingly revenue from the sale of properties under development are recognised over time.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as contract assets within other current assets and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities within other current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Revenue (cont'd)

d) Sale of completed properties

Revenue is recognised when control over the goods has been transferred to the customer.

e) Interest income

Interest income is recognised using the effective interest method.

f) Management fees

Management fees are recognised when services are rendered.

g) Dividend income

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

h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

2.27 Taxes

a) Current tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Taxes (cont'd)

b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Malaysian Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Share capital and share issuance expenses

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

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

2.30 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.31 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because:

   i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgement made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 19.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

b) Sale of property under development

As described in Note 2.24(c), the Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 17.

c) Impairment of biological assets

During the current financial period, the Group has recognised impairment losses in respect of a subsidiary's biological assets. The Group carried out the impairment test based on valuation by a qualified forester using discounting cash flows of the underlying biological assets and market value approach. Changes in the conditions of the biological assets could impact the value of the assets. The carrying amount of biological assets of the Group as at 30 June 2019 were RM6,093,064 (2017: RM5,503,356). Further details of the impairment losses recognised for the biological assets are disclosed in Note 15.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

d) Revaluation of leasehold land

The Group measures its leasehold land at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2017 for revalued leasehold land. Leasehold land was valued by reference to market-based evidence, using comparable price adjusted for specific market factors such as nature, location and condition of the leasehold land.

e) Deferred tax assets

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

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

The total carrying value of deferred tax assets of the Group at 30 June 2019 was RM1,327,277 (2017: RM1,327,277) and recognised tax losses and unabsorbed capital allowances at 30 June 2019 was RM5,530,321 (2017: RM5,530,321).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

4. REVENUE

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Sale of motor vehicles	**82,344,757**	46,104,895	**-**	-
Sale of spare parts, income from repair and maintenance services	**28,551,527**	18,312,444	**-**	-
Sale of completed properties	**3,485,000**	5,284,950	**-**	-
	114,381,284	69,702,289	**-**	-

5. INTEREST INCOME

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Interest income from:				
Fixed deposits	**24,771**	226,033	**-**	-
Bank current accounts	**63**	610	**-**	-
Others	**2,212**	4,677	**329**	177
	27,046	231,320	**329**	177

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

6. OTHER INCOME

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Gain on disposal of investment properties	**-**	981,700	**-**	-
Gain on disposal of property, plant and equipment	**214,140**	221,914	**62,641**	-
Handling fee income	**335,661**	382,147	**-**	-
Rental income from:				
- Investment properties	**-**	183,930	**-**	-
- Rented premises	**744,000**	420,000	**-**	-
- Sundry income	**232,688**	125,269	**-**	-
Reversal of impairment on amount due from subsidiaries	**-**	-	**1,571,937**	-
Miscellaneous	**1,000**	-		
	1,527,489	2,314,960	**1,634,578**	-

7. FINANCE COSTS

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Interest expense on:				
- Bank overdrafts	**578,872**	596,568	**-**	-
- Obligations under finance leases	**16,798**	28,131	**11,656**	19,291
- Bank loans	**107,951**	1,089,413	**-**	-
- Bank interest	**211,414**	-	**-**	-
- Unwinding discount on retention sum payable	**-**	-	**-**	-
- Others	**79,894**	8,140	**-**	-
Total finance costs	**994,929**	1,722,252	**11,656**	19,291

8. LOSS BEFORE TAX

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

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Amortisation of investment properties (Note 14)	66,505	61,541	-	-
Auditors' remuneration:				
- Statutory audits	250,118	180,500	93,002	62,000
- Other services	45,619	9,000	45,619	9,000
Depreciation of property, plant and equipment (Note 13)	1,277,020	1,287,755	178,253	182,035
Direct operating expenses arising from rental generating investment properties	-	61,258	-	-
Employee benefits expense (Note 9)	9,128,171	6,513,184	760,887	890,727
Impairment loss on amounts due from subsidiaries (Note 19)	-	-	-	5,234
Impairment loss on biological assets (Note 15)	964,915	99,552	-	-
Impairment loss on trade and other receivables	115,527	188,071	-	-
Non-executive directors' remuneration (Note 10)	-	204,167	-	204,167
Operating lease:				
- Minimum lease payments for premises	1,200,000	2,166,704	-	-
Inventories written down	535,499	451,987	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Salaries, allowances, bonus, commission, overtime and wages	**8,209,083**	5,769,464	**741,838**	790,000
Contributions to defined contribution plan	**828,145**	685,347	**17,677**	99,330
Social security contributions	**90,943**	58,373	**1,372**	1,397
	9,128,171	**6,513,184**	**760,887**	**890,727**

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM738,135 (2017: RM1,410,879) and RM318,135 (2017: RM721,000) respectively as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2019 RM	**2017 RM**	**2019 RM**	**2017 RM**
Executive:				
Salaries and other emoluments	573,306	1,080,829	153,306	540,000
Fees	147,921	100,000	147,921	100,000
Bonus	-	65,000	-	-
Contributions to defined contribution plan	16,908	165,050	16,908	81,000
Indemnity given to or insurance effected for any directors	-	-	-	-
Total executive directors' remuneration (Note 9)	738,135	1,410,879	318,135	721,000
Non-executive:				
Other emoluments	4,600		4,600	
Fees	292,504	204,167	292,504	204,167
Indemnity given to or insurance effected for any directors	-	-	-	-
Total non-executive directors' remuneration (Note 8)	297,104	204,167	297,104	204,167
Total directors' remuneration	1,035,239	1,615,046	615,239	925,167

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

10. DIRECTORS' REMUNERATION (CONT'D)

The total remuneration of the directors of the Company are as follows:

	Group			Company		
	Fees RM	**Salaries and other emoluments* RM**	**Total RM**	**Fees RM**	**Salaries and other emoluments* RM**	**Total RM**
01.01.2018 to 30.06.2019						
Executive directors:						
Chai Woon Yun	75,002	421,200	496,202	75,002	1,200	76,202
Mazlan Bin Mohamad[1]	25,000	-	25,000	25,000	-	25,000
Teh Foo Hock[2]	47,919	169,014	216,933	47,919	169,014	216,933
	147,921	590,214	738,135	147,921	170,214	318,135

10. DIRECTORS' REMUNERATION (CONT'D)

	Group			Company		
	Fees RM	Salaries and other emoluments* RM	Total RM	Fees RM	Salaries and other emoluments* RM	Total RM
01.01.2018 to 30.06.2019						
Non-executive directors:						
Datuk Muhamad Yasin Bin Yahya[1]	25,000	-	25,000	25,000	-	25,000
Datuk Michael Lor Chee Leng[1]	25,000	-	25,000	25,000	-	25,000
Datuk Wira Haji Hamza Bin Taib[1]	25,000	-	25,000	25,000	-	25,000
Chew Shin Yong, Mark	75,002	1,850	76,852	75,002	1,850	76,852
Jean-Michel Fink	75,002	1,850	76,852	75,002	1,850	76,852
Tan Lay Chee[1]	25,000	-	25,000	25,000	-	25,000
Yong Chung Sin[2,3]	17,500	-	17,500	17,500	-	17,500
Ho Pui Hold[4]	25,000	900	25,900	25,000	900	25,900
	292,504	4,600	297,104	292,504	4,600	297,104
Total directors' remuneration	440,425	594,814	1,035,239	440,425	174,814	615,239

***** Include bonus, contributions to defined contribution plan and social security contributions.
[1] Retired on 29 June 2018.
[2] Appointed on 20 July 2018.
[3] Resigned on 1 November 2018.
[4] Appointed on 1 February 2019.

10. DIRECTORS' REMUNERATION (CONT'D)

The total remuneration of the directors of the Company are as follows:

	Group			Company		
	Fees	Salaries and other emoluments *	Total	Fees	Salaries and other emoluments *	Total
	RM	RM	RM	RM	RM	RM
01.01.2017 to 31.12.2017						
Executive directors:						
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil[1]	-	241,920	241,920	-	241,920	241,920
Dato' Chua Tiong Moon[1]	45,833	759,330	805,163	45,833	379,080	424,913
Chai Woon Yun	50,000	309,629	359,629	50,000	-	50,000
Mazlan Bin Mohamad[2]	4,167	-	4,167	4,167	-	4,167
	100,000	1,310,879	1,410,879	100,000	621,000	721,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

10. DIRECTORS' REMUNERATION (CONT'D)

	Group			Company		
	Fees	Salaries and other emoluments *	Total	Fees	Salaries and other emoluments *	Total
	RM	RM	RM	RM	RM	RM
01.01.2017 to 31.12.2017						
Non-executive directors:						
Datuk Muhamad Yasin Bin Yahya	50,000	-	50,000	50,000	-	50,000
Datuk Michael Lor Chee Leng[3]	12,500	-	12,500	12,500	-	12,500
Datuk Wira Haji Hamza Bin Taib[2]	4,167	-	4,167	4,167	-	4,167
Chang Yew Kwong[4]	37,500	-	37,500	37,500	-	37,500
Chew Shin Yong, Mark[3]	12,500	-	12,500	12,500	-	12,500
Jean-Michel Fink[2]	4,167	-	4,167	4,167	-	4,167
Lee Caw Cing[1]	45,833	-	45,833	45,833	-	45,833
Low Teng Lum[4]	37,500	-	37,500	37,500	-	37,500
	204,167	-	204,167	204,167	0	204,167
Total directors' remuneration	304,167	1,310,879	1,615,046	304,167	621,000	925,167

***** Include bonus, contributions to defined contribution plan and social security contributions.
[1] Resigned on 24 November 2017.
[2] Appointed on 30 November 2017.
[3] Appointed on 4 October 2017.
[4] Resigned on 29 September 2017

11. INCOME TAX (BENEFIT)/EXPENSE

Major components of income tax (benefit)/expense

The major components of income tax (benefit)/expense for the financial period ended 30 June 2019 and financial year ended 31 December 2017 are:

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Statements of income:				
Current income tax:				
- Malaysian income tax	219,977	331,954	-	-
- Under/(over) provision in respect of previous year	85,347	485	36,838	(490)
	305,324	332,439	36,838	(490)
Real property gain tax	-	48,741	-	-
Deferred income tax (Note 24):				
- Origination and reversal of temporary differences	(932,122)	(715,765)	-	-
- Under provision in respect of previous year	821	8,250	-	-
	(931,301)	(707,515)	-	-
Income tax (benefit)/expense recognised in profit or loss	(625,977)	(326,335)	36,838	(490)

11. INCOME TAX (BENEFIT)/EXPENSE (CONT'D)

Reconciliation between income tax (benefit)/expense and accounting (loss)/profit

The reconciliation between income tax (benefit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial period from 1 January 2018 to 30 June 2019 and for the year ended 31 December 2017 are as follows:

	Group		Company	
	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM	01.01.2018 to 30.06.2019 RM	01.01.2017 to 31.12.2017 RM
Loss before tax	(9,567,061)	(7,126,068)	(1,051,220)	(1,798,685)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(2,296,095)	(1,710,256)	(252,293)	(431,684)
Adjustments:				
Non-deductible expenses	1,590,597	768,516	62,020	431,684
Income subject to real property gain tax	-	(233,958)	-	-
Income not subject to tax	(52,891)	(1,650)	(15,033)	
Deferred tax assets not recognised	672,221	864,585	205,306	-
Utilisation of previously unrecognised unabsorbed capital allowances	-	(22,307)	-	-
Under/(over) provision of income tax in respect of previous year	85,347	485	36,838	(490)
Under provision of deferred tax in respect of previous year	821	8,250	-	-
Income tax (benefit)/ expense recognised in profit or loss	-	(326,335)	36,838	(490)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the period.

12. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing loss for the period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

The Company has no dilutive potential ordinary shares.

The following reflect the loss and share data used in the computation of basic loss per share for the period from 1 January 2018 to 30 June 2019:

	Group	
	01.01.2018 to 30.06.2019 RM	**01.01.2018 to 31.12.2017 RM**
Loss net of tax attributable to owners of the Company used in the computation of basic loss per share	(8,057,429)	(6,007,009)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic loss per share computation*	187,261,971	187,261,971
Basic loss per share (sen)	(4.30)	(3.21)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the period, if any.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT

	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Cost or valuation:	*At valuation*				*At cost*				
Group									
At 1 January 2017	55,000,000	-	69,390,562	8,433,502	18,825,774	349,830	1,408,728	660,191	154,068,587
Additions	-	-	-	616,058	4,854	-	500	6,380	627,792
Disposals	-	-	-	(2,547,484)	-	-	-	-	(2,547,484)
Written off	-	-	-	(40,000)	(1,033,413)	-	-	-	(1,073,413)
At 31 December 2017 and 1 January 2018	55,000,000	-	69,390,562	6,462,076	17,797,215	349,830	1,409,228	666,571	151,075,482
Additions	-	-	-	-	36,659	-	13,423	20,448	70,530
Disposals	-	-	-	(2,153,033)	-	-	-	-	(2,153,033)
At 30 June 2019	55,000,000	-	69,390,562	4,309,043	17,833,874	349,830	1,422,651	687,019	148,992,979

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Cost or valuation:	*At valuation*				*At cost*				
Group (cont'd)									
Accumulated accumulated									
At 1 January 2017	90,387	-	69,390,562	5,173,758	16,918,599	345,736	1,394,759	314,930	93,628,731
Depreciation charge for the year	643,869	-	-	724,573	490,937	811	5,808	65,626	1,931,624
Recognised in profit or loss (Note 8)	-	-	-	724,573	490,937	811	5,808	65,626	1,287,755
Capitalised in biological assets (Note 15)	643,869	-	-	-	-	-	-	-	643,869
Disposals	-	-	-	(1,026,244)	-	-	-	-	(1,026,244)
Elimination of accumulated depreciation on revaluation	(734,256)	-	-	-	-	-	-	-	(734,256)
Written off	-	-	-	(40,000)	(1,033,413)	-	-	-	(1,073,413)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Cost or valuation:	*At valuation*	←			*At cost* →				
At 31 December 2017									
1 January 2018	-	-	69,390,562	4,832,087	16,376,123	346,547	1,400,567	380,556	92,726,442
Depreciation charge for the year	964,915	-	-	505,166	671,852	1,216	7,677	91,109	2,241,935
Recognised in profit or loss (Note 8)	-	-	-	505,166	671,852	1,216	7,677	91,109	1,277,020
Capitalised in biological assets (Note 15)	964,915	-	-	-	-	-	-	-	964,915
Disposals	-	-	-	(1,496,897)	-	-	-	-	(1,496,897)
At 30 June 2019	964,915	-	69,390,562	3,840,356	17,047,975	347,763	1,408,244	471,665	93,471,480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019 (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Cost or valuation:	*At valuation*	←			*At cost*			→	
Group (cont'd)									
Net carrying amount:									
At 31 December 2017	55,000,000	-	-	1,629,990	1,421,092	3,283	8,661	286,015	58,349,041
At 30 June 2019	54,035,085	-	-	468,687	785,899	2,067	14,407	215,354	55,521,499

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Company			
Cost:			
At 1 January 2017, 31 December 2017 and 1 January 2018	26,992	1,536,757	1,563,749
Additions	1,249	-	1,249
Disposals	-	(904,757)	(904,757)
At 31 December 2017, 1 January 2018 and 30 June 2019	28,241	632,000	660,241
Accumulated depreciation:			
At 1 January 2017	22,823	886,963	909,786
Depreciation charge for the year (Note 8)	1,328	181,351	182,679
At 31 December 2017 and 1 January 2018	24,151	1,068,314	1,092,465
Depreciation charge for the year (Note 8)	1,736	176,516	178,252
Disposal	-	(613,397)	(613,397)
At 30 June 2019	25,887	631,433	657,320
Net carrying amount:			
At 31 December 2017	2,841	468,443	471,284
At 30 June 2019	**2,354**	**567**	**2,921**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of leasehold land

Leasehold land has been revalued at the reporting date based on valuation performed by an accredited independent valuer. The valuation is based on the comparison method that compares the leasehold land with other similar lands that were sold recently and those are currently offered for sale.

If the leasehold land was measured using the cost model, the carrying amount would be as follows:

	Group	
	2019	**2017**
	RM	**RM**
Leasehold land at 31 December:		
Cost	28,887,574	28,887,574
Accumulated depreciation	(2,292,253)	(2,292,253)
Net carrying amount	26,595,321	26,595,321

Assets held under finance leases

During the financial period ended 31 December 2016, the Group and the Company acquired plant and equipment with an aggregate cost of RM650,000 and RM400,000 respectively by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group and of the Company amounted to RM1,599,006 and RM205,954 respectively.

The carrying amount of motor vehicles of the Group and the Company held under finance leases at the reporting date were nil (2017: RM859,879) and nil (2017: RM457,275) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

Assets pledged/ charged as securities

In addition to assets held under the finance leases, the Group's long-term leasehold land with carrying amounts totalling of RM55,000,000 (2017: RM55,000,000) is mortgaged to secure the Group's borrowings (Note 22).

Reclassification to investment properties

During the financial period, the Group reassessed the classification between investment properties and property, plant and equipment and reclassified portions of property that has been classified for own use to investment properties as these portions are now being held to earn rentals and for capital appreciation and therefore qualifies as an investment property.

14. INVESTMENT PROPERTIES

	Group	
	2019	**2017**
	RM	**RM**
Cost:		
At 1 January	5,460,059	7,113,873
Disposals	-	(1,653,814)
At 30 June / 31 December	5,460,059	5,460,059
Accumulated depreciation:		
At 1 January	1,970,713	2,356,007
Depreciation charge for the year (Note 8)	66,505	61,541
Reclassification	-	-
Disposals	-	(446,835)
Transfer from disposal group classified as held for sale	-	-
At 30 June / 31 December	2,037,218	1,970,713
Net carrying amount:		
At 30 June / 31 December	3,422,841	3,489,346
Fair value	5,694,000	5,694,000

Valuation of investment properties

The fair value of investment properties was based on valuations performed by accredited independent valuers. The valuations are based on the comparison method that compares with sales of similar properties that have been transacted recently in the open market.

Fair value hierarchy disclosures for investment properties are in Note 32.

15. BIOLOGICAL ASSETS

	Group	
	2019	**2017**
	RM	**RM**
Cost		
At 1 January	6,650,319	5,961,059
Additions	964,915	689,260
At 30 June / 31 December	7,615,234	6,650,319
Accumulated impairment loss		
At 1 January	557,255	457,703
Impairment loss (Note 8)	964,914	99,552
At 30 June / 31 December	1,522,169	557,255
Net carrying amount		
At 30 June / 31 December	6,093,065	6,093,064

Biological assets consists of tree planting expenditure incurred on the three parcels of agricultural land located in Negeri Sembilan Darul Khusus. The expenditure incurred during the year includes amortisation of leasehold land amounting to RM964,915 (2017: RM643,869).

Impairment of biological assets
During the financial period, the Group performed an impairment test on the carrying value of the biological assets. The recoverable amount for the purpose of determination of the impairment amount is based on the fair value less cost to sell. An impairment loss of RM964,914 (2017: RM99,552) was recognised in "Other expenses" line item of the statement of comprehensive income for the financial period ended 30 June 2019. The Group engaged an external valuation expert to assist in determining the fair value of the biological assets. The fair value of the biological assets was based on market prices of similar assets and similar age for the Karas plantation. For the Laran plantation, the fair value of the biological assets is estimated using the present value of expected future cash flows from the biological assets.

The significant assumptions used in the valuation of Laran plantation are as follows:

- Discount rate – 10%
- Survival rate – 85%
- Form factor – 0.70
- Expected harvesting period – 2023 and 2024

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2017
	RM	RM
Unquoted shares, at costs		
At 1 January	256,812,283	256,812,283
Accumulated impairment losses	(218,450,737)	(218,450,737)
	38,361,546	38,361,546

Details of the subsidiaries which are all incorporated in Malaysia are as follows:

		Proportion (%) of ownership interest			
		Held by the Group		Held by non-controlling	
Name	**Principal activities**	**2019**	**2017**	**2019**	**2017**
Capital Intertrade Sdn. Bhd.	Sale and distribution of motor vehicles and provision of repairs and maintenance services	100	100	-	-
Cergaz Autohaus Sdn. Bhd.	Sale and distribution of motor vehicles and provision of repairs and maintenance services	100	100	-	-
Cergazam Sdn. Bhd.	Provision of management and other services	100	100	-	-
Cergazam Autoworld Sdn. Bhd.	Dormant	100	100	-	-
Fook Ngiap Sawmill Sdn. Berhad	Dormant	100	100	-	-
Genbayu Gemilang Sdn. Bhd.	Tree plantation	100	100	-	-
Hardie Development Sdn. Bhd.	Property development	70	70	30	30

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries which are all incorporated in Malaysia are as follows (cont'd) :

		Proportion (%) of ownership interest			
		Held by the Group		Held by non-controlling	
Name	**Principal activities**	**2019**	**2017**	**2019**	**2017**
Hasil Irama Sdn. Bhd.	Dormant	100	100	-	-
Iconworld Resources Sdn. Bhd.	Dormant	100	100	-	-
Rintisan Bumi (M) Sdn. Bhd.	Ceased operation	100	100	-	-
TP Auto Sdn. Bhd.	Dormant	100	100	-	-
Team Japs Sdn. Bhd.	Ceased operation	100	100	-	-

All subsidiaries are audited by Afrizan Tarmili Khairul Azhar (AFTAAS).

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information about a subsidiary with material non-controlling interest

Summarised financial information includes amounts attributable to the subsidiary recorded in the consolidated financial statements of the Group after consolidation adjustments but before intercompany eliminations.

Summarised statement of financial position

	Hardie Development Sdn. Bhd.	
	2019	**2017**
	RM	**RM**
Non-current assets	38,275,438	65,186,661
Current assets	46,720,544	65,435,617
Total assets	84,995,982	130,622,278
Current liabilities	82,866,836	82,418,415
Non-current liabilities	-	-
Total liabilities	82,866,836	82,418,415
Net assets	2,129,146	48,203,863
Equity attributable to owners of the Company	1,490,402	33,742,704
Non-controlling interests	638,744	14,461,159
	2,129,146	48,203,863

Summarised statement of comprehensive income

Revenue	3,485,000	5,284,950
Loss for the year, net of tax, representing total comprehensive loss for the year, attributable to:		
- owners of the Company	(1,854,394)	(1,849,688)
- non-controlling interests	(794,741)	(792,724)
	(2,649,135)	(2,642,412)

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information about a subsidiary with material non-controlling interest (cont'd)

Summarised statement of cash flows

	Hardie Development Sdn. Bhd.	
	2019	**2017**
	RM	**RM**
Net cash flows from operating activities		3,109,597
Net cash flows from/(used in) investing activities		54,672
Net cash flows used in financing activities		(2,762,118)
Net increase/(decrease) in cash and cash equivalents	-	402,151
Cash and cash equivalents at beginning of year	(1,559,908)	(1,962,059)
Cash and cash equivalents at end of year	(1,559,908)	(1,559,908)

17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

a) Land held for property development

	Long-term leasehold land RM	Development expenditure RM	Total RM
Group			
Cost			
At 1 January 2017	45,229,760	18,538,869	63,768,629
Refund of costs	-	(54,672)	(54,672)
At 31 December 2017 and 1 January 2018	45,229,760	18,484,197	63,713,957
Refund of costs	-	13,521	13,521
At 30 June 2019	45,229,760	18,497,718	63,727,478

17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

b) Property development costs

	Long-term leasehold land RM	Development expenditure RM	Total RM
Cumulative property development costs			
At 1 January 2018	28,743,079	85,192,997	113,936,076
Costs incurred during the year	-	148,779	148,779
At 30 June 2019	28,743,079	85,341,776	114,084,855
Cumulative costs recognised in profit or loss			
At 1 January 2018 and 30 June 2019	7,724,026	63,829,633	71,553,659
Property development costs at 30 June 2019	21,019,053	21,512,143	42,531,196
At 31 December 2017			
Cumulative property development costs			
At 1 January 2017	28,743,079	78,932,362	107,675,441
Costs incurred during the year	-	6,260,635	6,260,635
At 31 December 2017	28,743,079	85,192,997	113,936,076
Cumulative costs recognised in profit or loss			
At 1 January 2017 and 31 December 2017	7,724,026	63,829,633	71,553,659
Property development costs at 31 December 2017	21,019,053	21,363,364	42,382,417

17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

b) Property development costs (cont'd)

As at the reporting date, the long-term leasehold land classified under both land held for property development and property development costs of a subsidiary is registered under the name of a third party. The subsidiary is the beneficial owner of the long-term leasehold land.

Assets pledged/charged as securities

The long-term leasehold land and development expenditure classified under both land held for property development and property development costs of a subsidiary with carrying amount of RM106,255,034 (2017: RM106,096,374) have been pledged as securities for loans and borrowings (Note 22).

As at the reporting date, long-term leasehold land and development expenditure classified under both land held for property development and property development costs of the subsidiary with total carrying amount of RM106,255,034 (2017: RM106,096,374) together with other fixed and floating assets of the subsidiary related to the development are charged as securities for banking facilities by way of debentures over all present and future, fixed and floating assets of the subsidiary related to the development (Note 22).

18. INVENTORIES

	Group	
	2019	**2017**
	RM	**RM**
Cost		
Completed properties	18,833,205	22,021,498
Motor vehicles	5,884,537	3,519,222
Spare parts	1,735,216	2,546,487
	26,452,958	28,087,207
Net realisable value		
Spare parts	1,090,358	1,025,539
	27,543,316	29,112,746

During the financial period, the amount of inventories recognised as an expense in cost of sales of the Group was RM87,632,727 (2017: RM55,579,228).

19. TRADE AND OTHER RECEIVABLES

	Group	
	2019	**2017**
	RM	**RM**
Current		
Trade receivables		
Third parties	8,156,782	7,370,865
Amount due from a close family member of a substantial shareholder	1,920	1,920
Amounts due from companies related to a director	8,834	6,629
Amount due from company related to a former director	0	33,001
	8,167,536	7,412,415
Less: Allowance for impairment	(2,568,534)	(2,490,725)
Trade receivables, net	5,599,002	4,921,690

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Current				
Other receivables				
Amount due from company related to a director	-	78,542	-	-
Log supply advances	-	-	-	-
Advance payments	18,379	-	-	-
Deposits	969,485	1,401,355	-	-
GST recoverable	74,962	317,189	-	-
Sundry receivables	487,029	442,396	77,767	77,374
	1,549,855	2,239,482	77,767	77,374
Less: Allowance for impairment	(35,276)	(84,789)	-	-
Other receivables, net	1,514,579	2,154,693	77,767	77,374

19. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2019	2017	2019	2017
	RM	RM	RM	RM
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	-	93,415,763
Less: Allowance for impairment	-	-	-	(25,433,482)
	-	-	-	67,982,281
Total trade and other receivables	7,113,904	7,076,383	77,767	68,059,655
Add: Cash and bank balances (Note 21)	794,280	859,559	387	1,734
Total loans and receivables	7,908,184	7,935,942	78,154	68,061,389

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2017: 30 to 120 day).

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2019	2017
	RM	RM
Neither past due nor impaired	5,009,745	4,680,848
1 to 30 days past due not impaired	283,382	59,749
31 to 60 days past due not impaired	1,020	101,973
61 to 90 days past due not impaired	21,420	31,796
91 to 120 days past due not impaired	1,600	17,018
More than 121 days past due not impaired	281,835	30,306
	589,257	240,842
Impaired	2,568,534	2,490,725
	8,167,536	7,412,415

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM589,257 (2017: RM240,842) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2019	**2017**
	RM	**RM**
Individually impaired:		
Trade receivables – nominal amounts	**2,606,252**	2,490,725
Less: Allowance for impairment	**(2,606,252)**	(2,490,725)
	-	-
Movement in allowance accounts:		
At 1 January	**2,490,725**	6,572,004
Transfer from disposal group classified as held for sale	**-**	-
Charge for the year	**115,527**	103,282
Written off	**-**	(4,184,561)
At 31 December	**2,606,252**	2,490,725

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Amount due from a close family member of a substantial shareholder

This amount is unsecured, non-interest bearing and is repayable upon demand.

(c) Amount due from company related to a former director

This represent amount due from company in which a former director of the Company is also a director. The amount is unsecured, non-interest bearing and is repayable upon demand.

(d) Amount due from company related to a director

This represent amount due from company in which a director of the Company is also a director. The amount is unsecured, non-interest bearing and is repayable upon demand.

(e) Amounts due from subsidiaries

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

Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Individually impaired:				
Other receivables				
– nominal amounts	**84,789**	84,789	**91,589,322**	93,415,763
Less: Allowance for impairment	**(84,789)**	(84,789)	**(23,861,545)**	(25,433,482)
	-	-	**67,727,777**	67,982,281

19. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables that are impaired (cont'd)

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Movement in allowance accounts:				
At 1 January	**84,789**	4,400,211	**25,433,482**	25,428,248
Charge/(reversal) for the year	**-**	84,789	**(1,571,937)**	5,234
Written off	**-**	(4,400,211)	**-**	-
At 31 December	**84,789**	84,789	**23,861,545**	25,433,482

20. OTHER CURRENT ASSETS

	Group	
	2019	**2017**
	RM	**RM**
Prepayments	**164,665**	101,026

21. CASH AND BANK BALANCES

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Cash at banks and on hand	**265,571**	355,621	**387**	1,734
Deposits with a licensed bank	**528,709**	503,938	**-**	-
Cash and bank balances	**794,280**	859,559	**387**	1,734

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Deposits with a licensed bank are made for a period of 18 months (2017: 12 months) and the weighted average effective interest rate as at 30 June 2019 for the Group was 3.23% (2017: 3.2%). These deposits are pledged as security for bank guarantee in favour of a major supplier (2017: as security for banking facilities).

21. CASH AND BANK BALANCES (CONTD)

Included in cash at banks of the Group is an amount of RM2,850 (2017: RM2,850) held pursuant to Section 8A of the Housing Developers (Control and Licensing) Enactment, 1978 and restricted from use in other operation.

Cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**794,280**	859,559	**387**	1,734
Bank overdrafts (Note 22)	**(2,006,458)**	(2,379,944)	**-**	-
Deposits with a licensed bank pledged	**(528,709)**	(503,938)	**-**	-
Cash and cash equivalents	**(1,740,887)**	(2,024,323)	**387**	1,734

A reconciliation of assets arising from financing activities is as follows:

	2017	**Cash flows**	**2019**
	RM	**RM**	**RM**
Group			
Deposits pledged for bank guarantee	503,938	24,771	528,709

22. LOANS AND BORROWINGS

		Group		Company	
	Maturity	**2019**	**2017**	**2019**	**2017**
		RM	**RM**	**RM**	**RM**
Current					
Secured:					
Obligations under finance leases (Note 30)	2018	-	261,056	-	175,554
Bank overdrafts (Note 21)	On demand	2,006,458	2,379,944	-	-
Bank loans at BLR + 1.5% p.a.					
- Bridging loan	2018	-	3,966,779	-	-
- Fixed loan	2019	1,388,644	7,777,633	-	-
		3,395,102	14,385,412	-	175,554

22. LOANS AND BORROWINGS (CONT'D)

	Maturity	Group 2019 RM	Group 2017 RM	Company 2019 RM	Company 2017 RM
Non-current					
Secured:					
Obligations under finance leases (Note 30)	2019 – 2021	-	168,501	-	124,138
Bank loans at BLR + 1.5% p.a.					
- Bridging loan		-	-	-	-
- Fixed loan		-	-	-	-
		-	168,501	-	124,138
Total loans and borrowings		3,395,102	14,553,913	-	299,692

The remaining maturities of the loans and borrowings as at 30 June 2019 are as follows:

	Group 2019 RM	Group 2017 RM	Company 2019 RM	Company 2017 RM
On demand or within one year	3,395,102	14,385,412	-	175,554
More than 1 year and less than 2 years	-	106,836	-	62,473
More than 2 years and less than 5 years	-	61,665	-	61,665
	3,395,102	14,553,913	-	299,692

<u>Obligations under finance leases</u>
These obligations are secured by a charge over the leased assets (Note 13). The average discount rates implicit in the leases of the Group and of the Company are 5.07% p.a. (2017: 5.07% p.a.) and 5.07% p.a. (2017: 5.07% p.a.) respectively.

<u>Bank overdrafts</u>
Bank overdrafts are denominated in RM, bear interest at BLR + 1.5% p.a.

22. LOANS AND BORROWINGS (CONT'D)

<u>Bank loans at BLR + 1.5% p.a.</u>
Bridging loan - This loan is repayable by 24 monthly instalments of principal and interest commencing on 5 July 2016. The loan were fully settled on July 2018.

Fixed loan - This loan is repayable by 12 monthly instalments of principal and interest commencing on 19 September 2017. The loan were fully settled on July 2019.

The bank overdrafts and bank loans are secured by the following:

a) legal charges over the long-term leasehold land and development expenditure classified under both land held for property development and property development costs (Note 17),

b) third party legal charge over three parcels of agricultural land (Note 13),

c) debenture over all fixed and floating assets of three of its subsidiaries, both present and future,

d) specific debenture incorporating fixed and floating charges over all assets of a subsidiary in relation to property development project (Note 17),

e) assignment of the housing development account (Note 21) in relation to property development project (Note 17),

f) corporate guarantee by the Company, and

g) joint and several guarantee by a director of the Company and a third party.

22. LOANS AND BORROWINGS (CONT'D)

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

	2017	Cash flows	Non-cash changes Others	**2019**
	RM	RM	RM	**RM**
Group				
Obligations under finance leases				
- current	261,056	(429,557)	168,501	**-**
- non-current	168,501	-	(168,501)	**-**
Bank loans				
- current	11,744,412	(10,355,768)	-	**1,388,644**
- non-current	-	-	-	**-**
Amount due to a director (Note 23)				
- current	2,867,501	6,382,356	440,425	**9,690,282**
Amount due to a former director (Note 23)				
- current	15,222,674	-	-	**15,222,674**
- non-current	-	-	-	**-**
Amount due to a close family member of a director (Note 23)				
- current	7,026,244	980,000	-	**8,006,244**
Total	37,290,388	(3,422,969)	440,425	**34,307,844**
Company				
Obligations under finance leases				
- current	175,554	(299,692)	124,138	**-**
- non-current	124,138	-	(124,138)	**-**
Total	299,692	(299,692)	-	**-**

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

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2017	2019	2017
	RM	RM	RM	RM
Current				
Trade payables				
Third parties	**11,891,589**	8,807,761	**-**	-
Retention sum payable	**760,993**	760,993	**-**	-
	12,652,582	9,568,754	**-**	-
Other payables				
Amounts due to directors	**9,690,282**	2,867,501	**577,926**	137,501
Amount due to a former director	**15,222,674**	15,222,674	**-**	-
Amount due to a close family member of a director	**8,006,244**	7,026,244	**-**	-
Amount due to company related to a former director	**2,855,945**	801,831	**-**	-
Amounts due to subsidiaries	**-**	-	**2,828,072**	2,767,057
Deposits	**501,216**	346,524	**-**	-
Accruals	**9,093,704**	9,258,981	**7,068**	468
GST payable	**(161,971)**	147,865	**-**	-
Sundry payables	**8,207,364**	3,916,202	**1,486,675**	1,330,785
	53,415,458	39,587,822	**4,899,741**	4,235,811
	66,068,040	49,156,576	**4,899,741**	4,235,811
Non-current				
Other payable				
Amount due to a director	**-**	-	**-**	-
	-	-	**-**	-
Total trade and other payables	**66,068,040**	49,156,576	**4,899,741**	4,235,811
Add: Loans and borrowings (Note 22)	**3,395,102**	14,553,913	**-**	299,692
Total financial liabilities carried at amortised cost	**69,463,142**	63,710,489	**4,899,741**	4,535,503

23. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on terms of 30 to 90 day (2017: 30 to 90 day).

(b) Amounts due to directors (current) and a close family member of a director

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

(c) Amount due to a director (non-current)

At 31 December 2016, a director of the Company had agreed not to demand for repayments of the amount owing to him amounting to RM14,542,674 during the next eighteen months.

(d) Amount due to a former director

This amount is unsecured, non-interest bearing and is repayable upon demand.

(e) Amount due to company related to a former director

This represents amount due to company in which a former director of the Company is a director. The amount is unsecured, non-interest bearing and is repayable upon demand.

(f) Amounts due to subsidiaries

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

(g) Deposits

At 31 December 2016, included in deposits is an amount of RM3,000 received from a director of the Company for the purchase of properties being developed by the Group.

(h) Sundry payables

These amounts are non-interest bearing. Sundry payables are normally settled on terms of 1 to 6 month (2017: 1 to 6 month).

24. DEFERRED TAX

Deferred tax as at 30 June 2019 relates to the following:

	As at 1 January 2017 RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	As at 31-Dec 2017/ 1 January 2018 RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	As at 30 June 2019 RM
Group							
Deferred tax liabilities							
Property, plant and equipment	1,126,235	(111,500)	-	1,014,735	(62,726)	-	952,009
Revaluation of leasehold land	6,721,626	(78,616)	176,221	6,819,231	(119,634)	-	6,699,597
	7,847,861	(190,116)	176,221	7,833,966	(182,360)	-	7,651,606
Deferred tax assets							
Unutilised tax losses and unabsorbed capital allowances	(821,761)	(505,516)	-	(1,327,277)	(748,941)	-	(2,076,218)
Other receivables – Allowance for impairment	-	(11,883)	-	(11,883)	-	-	(11,883)
	(821,761)	(517,399)	-	(1,339,160)	(748,941)	-	(2,088,101)
	7,026,100	(707,515)	176,221	6,494,806	(931,301)	-	5,563,505

24. DEFERRED TAX (CONT'D)

Presented after appropriate offsetting as follows:

	Group	
	2019	2017
	RM	RM
Deferred tax assets	(1,878,815)	(1,105,808)
Deferred tax liabilities	7,442,320	7,600,614
	5,563,505	6,494,806

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of their recoverability:

	Group	
	2019	2017
	RM	RM
Unutilised tax losses	46,393,228	35,756,218
Unabsorbed capital allowances	3,503,462	2,372,906
Other deductible temporary differences	(1,363,411)	6,449,190
	48,533,279	44,578,314

The availability of unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

25. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group and Company			
	Number of shares		Amount	
	2019	2017	2019 RM	2017 RM
Issued and fully paid up				
Ordinary shares				
At 1 January	195,934,471	195,934,471	228,310,253	195,934,471
Pursuant to Companies Act, 2016, transfer from*:				
- Share premium	-	-	-	3,805,990
- Merger relief reserve	-	-	-	8,075,692
- Capital redemption reserve	-	-	-	20,494,100
At 30 June / 31 December	195,934,471	195,934,471	228,310,253	228,310,253

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

	Group and Company			
	Number of shares		Amount	
	2019	2017	2019 RM	2017 RM
Treasury shares				
At 1 January and 30 June / 31 December	3,279,648	8,672,500	3,279,648	3,279,648

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

26. REVALUATION RESERVE

	Group	
	2019	**2017**
	RM	**RM**
At 1 January	21,551,759	21,276,656
Other comprehensive income		
- Revaluation of leasehold land	-	558,035
Realisation of revaluation surplus	-	(282,932)
At 30 June / 31 December	21,551,759	21,551,759

The revaluation reserve represents surplus on revaluation of leasehold land, net of deferred tax effect.

27. RELATED PARTY TRANSACTIONS

a) Sale and purchase of goods and services

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

	2019	**2017**
	RM	**RM**
Group		
Sale of goods and services to:		
- a close family member of a director	-	-
- a director	-	-
- companies related to a director	-	169,275
Advances received from:		
- directors	6,112,363	4,860,000
- a close family member of a director	-	4,426,244
Rental expenses payable to:		
- a director	-	138,600
- company related to certain directors	-	180,000
- company related to certain former directors	450,000	43,000
Rental income receivable from company related to a director	-	11,700
Travelling and accommodation expenses payable to:		
- company related to a director	-	73,037
- company related to a former director	-	5,004

27. RELATED PARTY TRANSACTIONS (CONT'D)

a) Sale and purchase of goods and services (Cont'd)

	2019 RM	2017 RM
Company		
Rental expenses payable to company related to a director	-	-
Repairs and maintenance expenses payable to a subsidiary	-	-
Travelling and accommodation expenses payable to company related to a director	-	41,807

Companies related to a director/certain directors

These are companies in which either a director or certain directors of the Company is/are also a director/directors and a company in which close family members of a director of the Company are directors.

Companies related to a former director/certain former directors

These are companies in which either a former director or certain former directors of the Company is/are also a director/directors.

b) Compensation of key management personnel

The key management personnel of the Group and of the Company are the directors of the Company. There are no other key management personnel.

The remuneration of directors during the period were as follows:

	Group		Company	
	2019 RM	2017 RM	2019 RM	2017 RM
Short-term employee benefits	1,329,631	1,449,996	581,231	844,167
Contributions to defined contribution plan	109,433	165,050	17,678	81,000
Total directors' remuneration (Note 10)	1,439,064	1,615,046	598,909	925,167

28. COMMITMENTS

a) Operating lease commitments - as lessee

The Group has entered into commercial operating leases for certain premises. These cancellable and non-cancellable leases have an average tenure of between one and twenty five years with renewal option, except for a lease with no renewal option. These leases have no contingent rent provision included in the contracts.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2019	2017
	RM	RM
Not later than 1 year	891,072	958,608
Later than 1 year but not later than 5 years	970,000	859,572
	1,861,072	1,818,180

b) Operating lease commitments - as lessor (continued)

The Group has entered into commercial operating leases for certain premises. These non-cancellable leases have remaining lease terms of less than 1 year.

Future minimum rental receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2019	2017
	RM	RM
Not later than 1 year	492,000	385,000
Later than 1 year but not later than 5 years	229,000	-
	721,000	385,000

28. COMMITMENTS (CONT'D)

c) Finance lease commitments

The Group and the Company have finance leases for certain items of plant and equipment (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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

28. COMMITMENTS (CONT'D)

c) Finance lease commitments (cont'd)

	Group		Company	
	2019	**2017**	**2019**	**2017**
	RM	**RM**	**RM**	**RM**
Minimum lease payments:				
Not later than 1 year	-	276,264	-	186,252
Later than 1 year but not later than 2 years	-	111,641	-	66,646
Later than 2 years but not later than 5 years	-	64,012	-	64,012
Total minimum lease payments	-	451,917		316,910
Less: Amounts representing finance charges	-	(22,360)	-	(17,218)
Present value of minimum lease payments	-	429,557	-	299,692
Present value of minimum lease payments:				
Not later than 1 year	-	261,056	-	175,554
Later than 1 year but not later than 2 years	-	106,836	-	62,473
Later than 2 years but not later than 5 years	-	61,665	-	61,665
Present value of minimum lease payments	-	429,557	-	299,692
Less: Amount due within 12 months (Note 22)	-	(261,056)	-	(175,554)
Amount due after 12 months (Note 22)	-	168,501	-	124,138

29. CONTINGENT LIABILITY

Legal claim

An architect filed a civil suit against both the Company and a subsidiary for wrongful termination of his services and claimed outstanding fees with interest and loss of income amounting to RM11.4 million.

The High Court directed that the claim by the architect against the subsidiary be referred to arbitration. On 28 March 2013, upon the appointment of the Arbitrator, the High Court struck off the claim against the subsidiary. On 7 November 2014, all parties agreed to withdraw the suit between the architect and the Company. Thereafter, the Arbitrator will hear both claims together.

The Arbitration proceeded with the claimant and the respondent calling their respective witnesses. The principal issue to be decided by the Arbitrator is on whether there had been a mutual termination or wrongful termination of the claimant's engagement. Based on the oral and documentary evidences produced in the Arbitration and supported by legal position, the Company's solicitors are of the view that the Company has established on a balance of probability that there was a mutual termination of the claimant's engagement.

On 21st May 2018, Hardie's solicitors have informed Hardie that the arbitrator has given a partial award on the Breach of Contract Arbitration ("Partial Award") and held that the subsidiary had wrongfully terminated the Claimant's for its services and has awarded costs in the cause in the final award to the Claimant. There has been no award made by the arbitrator in respect of the quantum of damages payable to the Claimant in relation to the Breach of Contract Arbitration and no directions from the arbitrator in respect of the Permaju Arbitration.

Pursuant to the directions given at the case management on 28 June 2019, the Tribunal had directed parties to submit submissions incorporating previous submissions on the issue of illegality with answers to clarification questions posed by the Tribunal. On 1st August 2019, Hardie's solicitors have filed the necessary information to the Tribunal.

On 7 October 2019, the Arbitrator issued Partial Award No.2 which found that the architect's services had not been voided by illegality and he had been, wrongfully terminated. The Company is appealing against this decision and the company's solicitors had filed the necessary application to set aside the Partial Award.

No provision has been made for the damages for loss of income together with interest and cost as the Company's solicitors are of the view that the chance of success of a successful defence by the Group is strong.

30. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Description of valuation techniques used and key inputs to valuation of leasehold land and investment properties:

	Valuation technique	Significant unobservable inputs	Range
2017			
Leasehold land	Comparison method	Estimated market value of similar properties	RM188,869 to RM444,237 per acre
Leasehold land and building	Comparison method	Estimated market value of similar properties	RM295,000 to RM360,241 per acre
2016			
Leasehold land	Comparison method	Estimated market value of similar properties	RM188,869 to RM444,237 per acre
Leasehold land and building	Comparison method	Estimated market value of similar properties	RM295,000 to RM360,241 per acre

30. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities not carried at fair value but for which fair value is disclosed

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

	Fair value measurements at the reporting date using				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Carrying Amount RM**
Group					
At 30 June 2019					
Assets (non-current):					
Investment properties (Note 14)	-	-	5,694,000	5,694,000	3,422,841
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 30(c))	-	-	-	-	-
At 31 December 2017					
Assets (non-current):					
Investment properties (Note 14)	-	-	5,694,000	5,694,000	3,489,346
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 30(c))	-	160,687	-	160,687	168,501

30. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

There have been no transfers between Level 1 and Level 2 during the financial year ended 31 December 2017 and 2016.

	Fair value measurements at the reporting date using				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying Amount RM
Company					
At 30 June 2019					
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 30(c))	-	-	-	-	-
At 31 December 2017					
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 30(c))	-	120,013	-	120,013	124,138

30. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group		Company	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
30 June 2019					
Financial liabilities:					
Loans and borrowings					
(non-current)					
- Obligations under finance leases	30 (c)	-	-	-	-
31 December 2017					
Financial liabilities:					
Loans and borrowings					
(non-current)					
- Obligations under finance leases	30 (c)	168,501	160,687	124,138	120,013

D. Financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	19
Cash and bank balances	21
Trade and other payables (current)	23
Loans and borrowings (current and non-current)	22

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

30. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

D. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (continued)

Finance lease obligations and bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;

- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;

- The estimated loss exposure if the party guaranteed were to default.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies for managing each of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

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

<u>Credit risk concentration profile</u>

At the reporting date, approximately:

- 40% (2017: 40%) of the Group's trade receivables were due from 4 (2017: 4) major customers, of which 3 (2017: 3) of the major customers are also the main suppliers of the Group, and

- 99% (2017: 99%) of the Company's other receivables were due from subsidiaries of the Company.

The Group does not have any other significant exposure to individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial institutions are placed with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities. At the reporting date, approximately 99% (2016: 64%) of the Group's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
30 June 2019				
Financial assets:				
Trade and other receivables	7,113,904	-	-	7,113,904
Cash and bank balances	794,820	-	-	794,820
Total undiscounted financial assets	7,908,724	-	-	7,908,724
Financial liabilities:				
Loans and borrowings	(3,395,102)	-	-	(3,395,102)
Trade and other payables	(66,068,039)	-	-	(66,068,039)
Total undiscounted financial liabilities	(69,463,141)	-	-	(69,463,141)
Total net undiscounted financial liabilities	(61,554,417)	-	-	(61,554,417)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group (continued)				
31 December 2017				
Financial assets:				
Trade and other receivables	7,076,383	-	-	7,076,383
Cash and bank balances	859,559	-	-	859,559
Total discounted financial assets	7,935,942	-	-	7,935,942
Financial liabilities:				
Loans and borrowings	(14,828,546)	(175,653)	-	(15,004,199)
Trade and other payables	(49,156,576)	-	-	(49,156,576)
Total undiscounted financial liabilities	(63,985,122)	(175,653)	-	(64,160,775)
Total net undiscounted financial liabilities	(56,049,180)	(175,653)	-	(56,224,833)
Company				
30 June 2019				
Financial assets:				
Trade and other receivables	77,767	-	-	77,767
Cash and bank balances	387	-	-	387
Total undiscounted financial assets	78,154	-	-	78,154
Financial liabilities:				
Loans and borrowings	-	-	-	-
Trade and other payables	(2,071,668)	-	-	(2,071,668)
Total undiscounted financial liabilities	(2,071,668)	-	-	- (2,071,668)
Total net undiscounted financial (liabilities)/assets	(1,993,514)	-	-	(1,993,514)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company (cont'd)				
31 December 2017				
Financial assets:				
Trade and other receivables	77,374	37,116,997	30,865,284	68,059,655
Cash and bank balances	1,734	-	-	1,734
Total undiscounted financial assets	79,108	37,116,997	30,865,284	68,061,389
Financial liabilities:				
Loans and borrowings	(186,252)	(130,658)	-	(316,910)
Trade and other payables	(4,235,811)	-	-	(4,235,811)
Total undiscounted financial liabilities	(4,422,063)	(130,658)	-	(4,552,721)
Total net undiscounted financial (liabilities)/assets	(4,342,955)	36,986,339	30,865,284	63,508,668
Financial guarantees	(18,041,530)	-	-	(18,041,530)

c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date approximately, 2.95% (2017: 2.95%) of the Group's borrowings are at fixed rates of interest.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk
At the reporting date, if interest rates had been 1% lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM282,859 (2017: RM282,859) lower/higher and the Company's profit net of tax would have been, RM3,905 (2017: RM3,905) higher/lower respectively, arising mainly as a result of the net effect of lower/higher interest expense on loans and borrowings and lower/higher interest income from deposits. The assumed movement percentage for interest rate sensitivity analysis is based on the currently observable market environment.

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2019 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio under 50%. The Group includes within net debt, loans and borrowings, trade and other payables less cash and bank balances. Capital includes equity attributable to the owners of the Company.

32. CAPITAL MANAGEMENT (CONT'D)

		Group		Company	
	Note	2019 RM	2017 RM	2019 RM	2017 RM
Loans and borrowings	22	3,395,102	14,553,913	-	299,692
Trade and other payables	23	66,068,039	49,156,576	4,899,740	4,235,811
Less: Cash and bank balances	21	(794,280)	(859,559)	(387)	(1,734)
Net debt		68,668,861	62,850,930	4,899,353	4,533,769
Equity attributable to the owners of the Company		118,405,027	126,462,457	101,265,010	102,353,169
Total capital		118,405,027	126,462,457	101,265,010	102,353,169
Capital and net debt		187,073,888	189,313,387	106,164,463	106,886,938
Gearing ratio		37%	33%	5%	4%

33. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

i. Timber – sale of timber logs and related timber products and holding of timber concession and tree plantation.

ii. Automotive – sale and distribution of motor vehicles and provision of related services.

iii. Property – development and construction of property.

iv. Other – involved in Group-level corporate services and investment holding activity.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

33. SEGMENT INFORMATION (CONT'D)

	Timber RM	Automotive RM	Property RM	Others RM	Adjustments and eliminations RM	Notes	Consolidated financial statements RM
30 June 2019							
Revenue:							
External customers	-	110,896,283	3,485,000	-	-		114,381,283
Results:							
Interest income	46	24,845	1,826	329	-		27,046
Depreciation and amortisation	514	971,918	126,335	178,253	-		1,277,020
Other non-cash expenses	964,914	651,026	-	-	-	A	1,615,940
Segment loss	(891,311)	(2,598,507)	(2,945,516)	(2,660,841)	-		(9,096,175)
Assets:							
Additions to non-current assets	423,481	69,281	13,521	1,249	-	B	507,532
Segment assets	34,256,642	17,220,540	84,995,982	109,724,963	(37,304,574)	C	208,893,553
Segment liabilities	32,138,298	44,796,478	82,866,636	6,542,938	(89,433,329)	D	76,911,021

33. SEGMENT INFORMATION (CONT'D)

	Timber	Automotive	Property	Others	Adjustments and eliminations	Notes	Consolidated financial statement
	RM	RM	RM	RM	RM		RM
31 December 2017							
Revenue:							
External customers	-	64,417,339	5,284,950	-	-		69,702,289
Results:							
Interest income	111	226,116	4,916	177	-		231,320
Depreciation and amortisation	17,547	986,837	117,896	227,016	-		1,349,296
Other non-cash expenses	99,552	640,058	-	-	-	A	739,610
Segment loss	800,611	(2,935,740)	(3,230,152)	(1,760,787)	-		(7,126,068)
Assets:							
Additions to non-current assets	689,260	627,792	(54,672)	-	-	B	1,262,380
Segment assets	64,104,240	16,160,771	130,622,278	96,588,267	(95,170,852)	C	212,304,704

33. SEGMENT INFORMATION (CONT'D)

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

A Other material non-cash expenses consist of the following items as presented in the respective NOTES TO THE FINANCIAL STATEMENTS:

	Note	2019 RM	2017 RM
Impairment loss on biological assets	8	964,914	99,552
Impairment loss on trade and other receivables	8	115,527	188,071
Inventories written down	8	535,499	451,987
		1,615,940	739,610

B Additions to non-current assets consist of:

	2019	2017
Property, plant and equipment	70,530	627,792
Land held for property development	13,521	(54,672)
Biological assets	423,481	689,260
	507,532	1,262,380

C The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM	2017 RM
Inter-segment assets, representing inter-company balances	(37,304,574)	(95,170,852)

D The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM	2017 RM
Inter-segment liabilities, representing inter-company balances	(89,433,329)	(95,170,852)

33. SEGMENT INFORMATION (CONT'D)

Information about major customers

Revenue from two (2019: two) major customers amount to RM3,049,219 (3% of revenue of Automotive segment) and RM9,751,013 (9% of revenue of Automotive segment) respectively (2017: RM2,204,134 (9% of revenue of Automotive segment) and RM5,955,763 (11% of revenue of Automotive segment respectively), arising from services by Automotive segment.

34. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

34.1 Memorandum of understanding between Hardie Developmenr Sdn Bhd of understanding between Hardie Development Sdn Bhd and O&C Construction Sdn Bhd

On 25 March 2019, Pemaju Industries Berhad ("Permaju" or "Company") has announced that its 70% owned subsidiary, Hardie Development Sdn Bhd ("HDSB", has entered into a Memorandum of Understanding ("MOU") with O&C Construction Sdn Bhd ("OCCSB"), which is a fully-owned subsidiary of OCR Group Berhad, to jointly complete the development of the Princess Heights Project ("Project") situated in Menggatal, Kota Kinabalu, Sabah. The remaining development is estimated to have a Gross Development Value of approximately RM1billion.

The 44.28-hectare Princess Heights project is a residential and commercial development that comprises of shops, shop-offices, terraced houses, townhouses and a four-storey hypermarket. It is also earmarked for the future development of an e-commerce and lifestyle.

Upon completion of Phase 1E of the project, which consists of the four-storey hypermarket, it will be leased to MYDIN Mohamed Holdings Berhad ("MYDIN") for a period of 20 years for the establishment and operation of its hypermarket and retail business. The total collaboration rental is estimated at RM433million.

34.2 Collaboration and alliance agreement between Genbayu Gemilang Sdn Bhd and Solar Interactive Sdn Bhd

On 4 September 2019, Genbayu Gemilang Sdn. Bhd. ("Genbayu"), a wholly-owned subsidiary of the Company entered into a Collaboration & Alliance Agreement ("C&A Agreement") with Solar Interactive Sdn Bhd. ("SISB") to collaborate in the development of a Solar Energy Generation Facility with a capacity of up to 90 megawatts to be located at Genbayu's land bank located at Mukim of Setul, District of Seremban, Negeri Sembilan.

34. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD (CONT'D)

34.2 Collaboration and alliance agreement between Genbayu Gemilang Sdn Bhd and Solar Interactive Sdn Bhd

SISB shall provide and/or procure the required engineering services and expertise to build and operate the proposed Solar Energy Generation Facility. Genbayu agrees to collaborate with SISB wherein SISB shall assist in procuring and/or providing the necessary financing for the development and construction of the Solar Energy Generation Plant.

The Project costs and detailed investment terms for the project shall be determined at a later stage and subject to a definitive feasibility study and terms of a definitive Joint Venture Agreement to be entered into between the Parties.

34.3 Multiple Proposal: Proposed Rights Issue of Irredeemable Convertible Preference Shares with Warrants (ii) Proposed Settlement (iii) Proposed Constitution Amendments

On 16 April 2018, the Board of Director has announced multiple proposal as follows:

(i) Proposed renounceable rights issue of up to 936,309,855 new irredeemable convertible preference shares in Permaju ("ICPS") ("Rights ICPS") at an issue price of RM0.05 per Rights ICPS together with up to 93,630,985 free detachable warrants ("Warrants") on the basis of 10 Rights ICPS together with 1 free Warrant for every 2 existing ordinary shares in Permaju ("Permaju Shares" or "Shares") held by the entitled shareholders of Permaju on an entitlement date to be determined ("Proposed Right Issue of ICPS with Warrants");

(ii) Proposed settlement of debt owing to Tan Sri Datuk Chai Kin Kong and Dato' Chua Tiong Moon in the aggregate sum of RM22,248,918 to be fully satisfied via the issuance of 444,978,360 ICPS ("Settlement ICPS") at an issue price of RM0.05 per Settlement ICPS ("Proposed Settlement"); and

(iii) Proposed amendments to the Constitution / Memorandum and Articles of Association of the Company ("Constitution") ("Proposed Constitution Amendments").

The Proposed Rights Issue of ICPS with Warrants, Proposed Settlement and Proposed Constitution Amendments shall collectively be referred to as the "Proposals".

The company had submitted an application to Bursa Securities for an extension of time up to 6months from 15 November 2019 to 14 May 2020 for the company to implement and complete the proposals.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial period ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 21 October 2019