

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2018
TO 31 DECEMBER 2019
(In Ringgit Malaysia)

Russell Bedford LC & Company
(AF 1237)
Chartered Accountants

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Group and the Company for the financial period 1 July 2018 to 31 December 2019.

Change of financial year end

The Company changed its financial year end from 30 June to 31 December to be coterminous with its corporate substantial shareholder. Accordingly, the financial statements for the current financial period are drawn up for the period 1 July 2018 to 31 December 2019 or a period of eighteen months.

Principal activities

The principal activities of the Company are that of investment holding and the provision of management services. The details of the subsidiaries, including their principal activities, are disclosed in Note 13 to the financial statements.

Financial results

| | Group RM | Company RM |
|-----------------------------------|---------------------|-----------------------|
| Net loss for the financial period | <u>45,575,397</u> | <u>2,101,470</u> |

In the opinion of the directors, the results of the operations of the Group and the Company during the financial period have not been 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 also do not recommend any dividend payment in respect of the current financial period.

Reserves and provisions

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

Issue of shares and debentures

During the financial period, the Company issued 45,800,000 new ordinary shares by way of private placements for a total cash consideration of RM19,385,000 for the purposes of funding the construction of the Group's pulps and papers factory. The tranches of the private placements issued are as follows:

- (i) 21,300,000 new ordinary shares at an issue price of RM0.45 per share; and
- (ii) 24,500,000 new ordinary shares at an issue price of RM0.40 per share.

The new ordinary shares issued during the financial period ranked parri passu in all respects with the then existing ordinary shares of the Company.

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Issue of shares and debentures (continued)

The Company has not issued any debentures during the financial period.

Warrants 2015/2020

The Company had in October 2015 issued 198,290,398 warrants in conjunction with its rights issue exercise. The warrants are constituted by a deed poll dated 13 October 2015 ("Deed Poll").

The salient features of the warrants are as follows:

- (a) The issue date of the warrants is 19 October 2015 and the expiry date is on 18 October 2020. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;
- (b) Each warrant entitles the registered holder the right to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.60 per ordinary share until the expiry of the exercise period;
- (c) The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions in the Deed Poll;
- (d) The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mentioned in item (c) above), unless and until such warrant holders exercise their rights to subscribe for new ordinary shares; and
- (e) The new ordinary shares to be issued upon exercise of the warrants, shall upon issuance and allotment, rank pari passu with the then existing ordinary shares, except that they will not be entitled to dividends, rights, allotments and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

The movements in the Company's warrants during the financial period are as follows:

| | Entitlement for ordinary shares | | | Balance at 31.12.2019 |
|--------------------------------|--|------------------|----------------|----------------------------------|
| | Balance at 1.7.2018 | Exercised | Expired | |
| Number of unexercised warrants | 198,290,398 | - | - | 198,290,398 |

Treasury shares

During the financial period, the Company disposed of its entire holdings of 16,365,100 treasury shares to the open market for a total cash consideration of RM7,239,684.

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Share options

No options have been granted by the Company to any parties during the financial period to take up unissued shares of the Company.

No shares have been issued during the financial period by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial period, there were no unissued shares of the Company under options.

Directors

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

| | |
|-----------------------------|--|
| Dato' Lim Thiam Huat | |
| Dato' Sohaimi Bin Shahadan | |
| Datuk Lawrance Yeo Chua Poh | |
| Dato' Dr. Koe Seng Kheng | |
| Chew Yuit Yoo | |
| Thiang Chew Lan | |
| Lim Kah Yen | - Appointed on 7 November 2019 |
| Anuar Bin Malek | - Appointed on 8 November 2019 |
| Nor' Azamin Bin Salleh | - Appointed on 19 July 2018; Resigned on 1 July 2019 |
| Dr Hidayah Binti Ariffin | - Appointed on 6 September 2018; Resigned on 7 November 2019 |
| Koo Thiam Yoong | - Resigned on 28 February 2019 |
| Datuk Lee Hwa Cheng | - Resigned on 17 February 2020 |

Directors' interests in shares

The shareholdings in the Company and its related companies of those who were directors at the end of the financial period, as recorded in the Register of Directors' Shareholdings kept under Section 59 of the Companies Act 2016, are as follows:

| | Balance as at 1.7.2018/date of appointment | Number of ordinary shares | | Balance as at 31.12.2019 |
|---|---|---------------------------|-------------|-----------------------------|
| | | Bought | Sold | |
| Shareholdings registered in the name of director: | | | | |
| Dato' Lim Thiam Huat | 82,385,288 | 200,000 | (9,062,724) | 73,522,564 |
| Dato' Dr. Koe Seng Kheng | 450,602 | - | - | 450,602 |
| Thiang Chew Lan | 554,805 | - | - | 554,805 |
| Datuk Lee Hwa Cheng | 6,362,076 | - | - | 6,362,076 |
| Lim Kah Yen | - | 5,810,000 | (200,000) | 5,610,000 |
| Other shareholdings in which directors are deemed to have interests: | | | | |
| Thiang Chew Lan * | 280,186 | - | - | 280,186 |
| Chew Yuit Yoo * | 261,248 | - | - | 261,248 |
| Datuk Lee Hwa Cheng # | 4,177,776 | - | - | 4,177,776 |
| Datuk Lawrance Yeo Chua Poh # | 30,000,000 | - | - | 30,000,000 |
| Dato' Lim Thiam Huat * | 4,810,000 | 1,000,000 | (5,810,000) | - |

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Directors' interests in shares (continued)

| | Number of warrants over ordinary shares | | | |
|--|---|--------|-----------|------------|
| | Balance as at 1.7.2018/date of appointment | Bought | Sold | |
| Warrants registered in the name of director: | | | | |
| Dato' Lim Thiam Huat | 76,432,004 | - | - | 76,432,004 |
| Dato' Dr. Koe Seng Kheng | 3,125,300 | - | 3,125,300 | - |
| Thiang Chew Lan | 277,402 | - | - | 277,402 |
| Other holdings in which directors are deemed to have interests: | | | | |
| Thiang Chew Lan * | 140,092 | - | - | 140,092 |
| Chew Yuit Yoo * | 130,624 | - | - | 130,624 |

* Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016

Deemed interested by virtue of Section 8(4) of the Companies Act 2016

Other than as stated, none of the other directors in office at the end of the financial period had any interest in the shares of the Company and its related companies during the financial period, according to the register required to be kept under Section 59 of the Companies Act 2016.

Directors' benefits

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

The details of the directors' remuneration are disclosed in Note 6 to the financial statements.

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

Indemnity and insurance

There was no indemnity given to or insurance effected for any directors, officers and auditors of the Company during the financial period.

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Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the interval between the end of the financial period and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial period in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

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

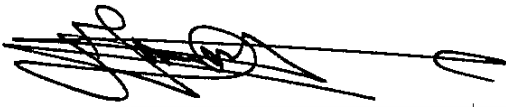
At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

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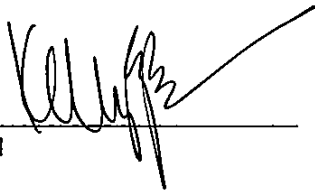
Auditors' remuneration

The auditors' remuneration for the Group and the Company is disclosed in Note 6 to the financial statements.

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



DATO' LIM THIAM HUAT



LIM KAH YEN

Kuala Lumpur

Dated: **23 JUN 2020**

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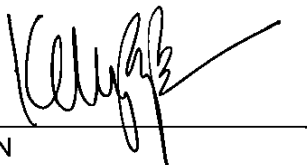
STATEMENT BY DIRECTORS

The directors of NEXTGREEN GLOBAL BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the period 1 July 2018 to 31 December 2019.

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



DATO' LIM THIAM HUAT



LIM KAH YEN

Kuala Lumpur

Dated: **23 JUN 2020**


STATUTORY DECLARATION

I, WAN NOOR AZHAN BIN WAN SHAHRUDDEN (MIA membership number: 32383), being the officer primarily responsible for the financial management of NEXTGREEN GLOBAL BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are 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.

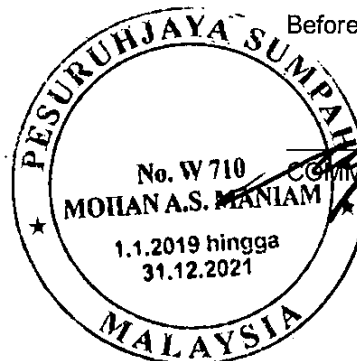
Subscribed and solemnly declared by the)
above named WAN NOOR AZHAN BIN)
WAN SHAHRUDDEN at Kuala Lumpur in)
Wilayah Persekutuan on **23 JUN 2020**)



WAN NOOR AZHAN BIN WAN SHAHRUDDEN

Before me,


COMMISSIONER FOR OATHS


PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
1.1.2019 hingga
31.12.2021
MALAYSIA

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NEXTGREEN GLOBAL BERHAD (Incorporated in Malaysia)

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and the Company as at 31 December 2019, and the related statements of comprehensive income, changes in equity and cash flows for period 1 July 2018 to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their cash flows for the period 1 July 2018 to 31 December 2019 in accordance with the Companies Act 2016 ("Act") and the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA By-Laws and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current reporting period. 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.

1.3.1 Impairment review on property, plant and equipment under construction

We focused on the property, plant and equipment under construction of the Group. As at the date of our report, the construction of the pulps and papers factory is in progress and the delivery of the plant and equipment is ongoing. As disclosed in Note 11.1 to the financial statements, due to the delay in the construction of factory, management has revised its business plan and cash flows projections and also performed an impairment review during the reporting period. An impairment loss of RM29,887,342 was recognised to write down the property, plant and equipment under construction to its recoverable amount.

How the matter was addressed in the audit

We performed the following audit procedures:

- performed site visit in Pekan, Pahang and discussed on the status of the progress of the construction of factory and the installation and commissioning of plant and equipment with project managers;
- checked the sources of available funds to complete the factory, plant and equipment under construction;
- reviewed approved business plan and cash flows projections with committed timeline by board of directors;
- checked reasonableness of key assumptions of the cash flows projections used to determine the recoverable amount by benchmarking the discount rates, papers prices and inflation to externally available data; and
- performed sensitivity analysis and stress-test over key assumptions in the model in order to assess the potential impact of a range of possible outcomes.

We did not find any material exception in the procedures performed.

1.3.2 Recoverability of trade receivables

As disclosed in Note 17 to the financial statements, the net carrying amount of trade receivables of the Group was RM13,285,046 as at 31 December 2019 and management has recognised an expected credit loss of RM5,316,089 during the reporting period.

The recoverability of trade receivables is a key audit matter in our audit as this involves management's estimates in relation to credit risk exposure. The Group also has a significant number of receivable balances that are overdue, leading to the risk that the Group's impairment for trade receivables is insufficient if the amounts are not recoverable.

How the matter was addressed in the audit

- We reviewed and verified the collections received during the reporting period and collections subsequent to the reporting period to bank records;
- We assessed the adequacy of credit impaired assessment performed by management on overdue and large receivables. On overdue balances where no allowance for impairment was made, we obtained evidence in the form of subsequent receipts, historical payment trend and customer's correspondence to support the recoverability of the balances; and
- We tested the adequacy of the amount of expected credit losses made by management by challenging the relevant assumptions and also taking into account historical data from the Group's previous collections experience. We also considered the adequacy of the amount of impairment in the light of available evidence including the aging profile of receivables at end of reporting period and at the time of audit, the history of bad debt exposure and recent changes in payment profile.

We did not find any material exception in the procedures performed.

1.3.3 Risk of impairment of plant and equipment

A subsidiary of the Company, BHS Book Printing Sdn Bhd has incurred losses for the past few years. This is an indication that an impairment might have occurred on the carrying amount of the plant and equipment of RM13,926,609 as at 31 December 2019. Management has performed an impairment review and concluded that there is no impairment in respect of the plant and equipment as the recoverable amount was higher than the carrying amount.

We focused on this area due to the nature of judgements and assumptions made by management in determining whether there is any impairment that has occurred.

How the matter was addressed in the audit

We tested management's impairment review by performing the following work:

- comparing the assumptions used within the impairment review model to approved budgets and business plans and other evidence of future intentions;
- benchmarking of key assumptions including prices of papers, exchange rates, discount rates and inflation against our own internal research data;
- reviewed available qualitative information, supporting the projection of printing orders; and
- performed sensitivity analysis and stress-test over the key assumptions in the model used in deriving on the recoverable amount.

We did not find any material exception in the procedures performed.

1.3.4 Impairment assessment of the carrying amount of investment in subsidiaries and recoverability of amount due from subsidiaries

As disclosed in Note 13 and Note 18 to the financial statements, the carrying amount of investment in subsidiaries and amount due from subsidiaries amounted to RM65,167,754 and RM100,604,835 respectively as at 31 December 2019. The assessment of recoverable amount of investment in subsidiaries and amount due from subsidiaries which is interrelated requires significant judgements and assumptions used in the calculation.

We focused on this area due to the significant judgements and assumptions made by management in determining the recoverable amount of the investment in subsidiaries and amount due from subsidiaries.

How the matter was addressed in the audit

We tested management's impairment review by performing the following work:

- comparing the assumptions used within the impairment review model to approved budgets and business plans and other evidence of future intentions;
- benchmarking of key assumptions including prices of papers, exchange rates, discount rates and inflation against our own internal research data;
- performed sensitivity analysis and stress-test over the key assumptions in the model used in deriving on the recoverable amount; and
- checked the appropriateness of management's assessment on the expected credit losses of amount due from subsidiaries.

We did not find any material exceptions in the procedures performed.

1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report and annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

1.5 Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Act and the Malaysian Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the Approved Standards on Auditing in Malaysia and the 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 the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

1.6 Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's 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 and/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 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 and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

2. Report on other legal and regulatory requirements

In accordance with the requirements of the Act, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 13 to the financial statements.

3. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Chin Kim Chung.



RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS



CHIN KIM CHUNG
02006/09/2020 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Dated: 23 June 2020

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Revenue | 4 | 40,244,846 | 29,848,582 | 809,693 | 543,348 |
| Cost of sales | 5 | (37,066,572) | (28,105,478) | - | - |
| Gross profit | | 3,178,274 | 1,743,104 | 809,693 | 543,348 |
| Other operating income | | 3,165,334 | 1,558,141 | 1,491,471 | 942,000 |
| (Allowance for)/reversal of expected credit loss of receivables - net | | (4,257,316) | 2,769,798 | - | - |
| Other operating expenses | | (45,872,385) | (8,103,715) | (4,402,637) | (2,685,713) |
| Loss from operations | 6 | (43,786,093) | (2,032,672) | (2,101,473) | (1,200,365) |
| Finance income | 7 | 6,073 | 5,234 | 3 | 4 |
| Finance costs | 8 | (471,597) | (340,054) | - | - |
| Net finance (costs)/income | | (465,524) | (334,820) | 3 | 4 |
| Share in profit of associate, net of tax | | - | 352,335 | - | - |
| Loss before tax | | (44,251,617) | (2,015,157) | (2,101,470) | (1,200,361) |
| Income tax expense | 9 | (1,323,780) | 243,909 | - | - |
| Net loss for the period/year | | (45,575,397) | (1,771,248) | (2,101,470) | (1,200,361) |
| Other comprehensive income/(loss): Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation | | 101,155 | (438,690) | - | - |
| Other comprehensive income/(loss) for the period/year, net of tax | | 101,155 | (438,690) | - | - |
| Total comprehensive loss for the period/year | | (45,474,242) | (2,209,938) | (2,101,470) | (1,200,361) |
| Basic loss per shares (sen) | 10 | (9.92) | (0.41) | | |

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 31.12.2019 RM | 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| Non current assets | | | | | |
| Property, plant and equipment | 11 | 53,864,816 | 41,399,778 | 181,051 | 308,148 |
| Intangible asset | 12 | 500,000 | 500,000 | - | - |
| Investment in subsidiaries | 13 | - | - | 65,167,754 | 64,914,754 |
| Other investments | 14 | 12,689 | 12,689 | - | - |
| Inventories | 16 | 6,457,347 | 6,372,143 | - | - |
| Other receivables | 18 | - | 250,000 | 99,570,431 | 72,807,818 |
| Deferred tax assets | 15 | 147,994 | 1,471,774 | - | - |
| | | 60,982,846 | 50,006,384 | 164,919,236 | 138,030,720 |
| Current assets | | | | | |
| Inventories | 16 | 45,206,857 | 30,631,104 | - | - |
| Trade receivables | 17 | 13,285,046 | 15,302,410 | - | - |
| Other receivables, deposits and prepayments | 18 | 8,706,870 | 36,314,772 | 2,881,516 | 690,398 |
| Tax recoverable | | 1,307,178 | 1,853,233 | 72,518 | 84,380 |
| Fixed deposit with a licensed bank | | 55,000 | - | - | - |
| Cash and bank balances | 19 | 1,685,134 | 585,558 | 23,640 | 769 |
| | | 70,246,085 | 84,687,077 | 2,977,674 | 775,547 |
| Total assets | | 131,228,931 | 134,693,461 | 167,896,910 | 138,806,267 |
| Equity | | | | | |
| Share capital | 20 | 135,678,442 | 114,591,680 | 135,678,442 | 114,591,680 |
| Reserves | 21 | (36,181,831) | 3,895,580 | 26,246,626 | 22,951,265 |
| Equity attributable to owners of the Company | | 99,496,611 | 118,487,260 | 161,925,068 | 137,542,945 |
| Non-controlling interest | | 30 | 30 | - | - |
| Total equity | | 99,496,641 | 118,487,290 | 161,925,068 | 137,542,945 |
| Non current liabilities | | | | | |
| Hire purchase liabilities | 22 | 235,475 | 150,251 | - | - |
| Borrowings | 23 | 5,099,900 | 5,147,417 | - | - |
| | | 5,335,375 | 5,297,668 | - | - |
| Current liabilities | | | | | |
| Trade payables | 24 | 11,842,327 | 5,162,377 | - | - |
| Other payables and accruals | 25 | 14,001,634 | 4,791,352 | 5,971,842 | 1,263,322 |
| Tax payable | | 317 | 317 | - | - |
| Borrowings | 23 | 430,014 | 750,722 | - | - |
| Hire purchase liabilities | 22 | 122,623 | 203,735 | - | - |
| | | 26,396,915 | 10,908,503 | 5,971,842 | 1,263,322 |
| Total liabilities | | 31,732,290 | 16,206,171 | 5,971,842 | 1,263,322 |
| Total equity and liabilities | | 131,228,931 | 134,693,461 | 167,896,910 | 138,806,267 |

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019**

| Group | Share capital RM | Share premium RM | Foreign currency translation reserve RM | Merger reserve RM | Treasury shares RM | Warrant reserve RM | Retained profits/(Accumulated loss) RM | Equity attributable to owners of the Company RM | Non-controlling interest RM | Total equity RM |
|---|---------------------|---------------------|--|----------------------|-----------------------|-----------------------|---|--|--------------------------------|--------------------|
| At 1 July 2018 | 114,591,680 | 2,797,932 | (315,231) | (16,832,846) | (8,194,763) | 16,854,684 | 9,585,804 | 118,487,260 | 30 | 118,487,290 |
| Transactions with owners: | | | | | | | | | | |
| Transfer from share premium | 1,842,853 | (1,842,853) | - | - | - | - | - | - | - | - |
| Disposal of treasury shares | - | (955,079) | - | - | 8,194,763 | - | - | 7,239,684 | - | 7,239,684 |
| Issue of shares pursuant to private placements | 19,385,000 | - | - | - | - | - | - | 19,385,000 | - | 19,385,000 |
| Share issue expenses | (141,091) | - | - | - | - | - | - | (141,091) | - | (141,091) |
| | 21,086,762 | (2,797,932) | - | - | 8,194,763 | - | - | 26,483,593 | - | 26,483,593 |
| Net loss for the period | - | - | - | - | - | - | (45,575,397) | (45,575,397) | - | (45,575,397) |
| Other comprehensive income for the period: | | | | | | | | | | |
| Foreign currency translation | - | - | 101,155 | - | - | - | - | 101,155 | - | 101,155 |
| At 31 December 2019 | 135,678,442 | - | (214,076) | (16,832,846) | - | 16,854,684 | (35,989,593) | 99,496,611 | 30 | 99,496,641 |

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

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019 (continued)**

| Group | Share capital RM | Share premium RM | Foreign currency translation reserve RM | Merger reserve RM | Treasury shares RM | Warrant reserve RM | Retained profits RM | Equity attributable to owners of the Company RM | Non- controlling interest RM | Total equity RM |
|---|---------------------|---------------------|---|-------------------------|--------------------------|--------------------------|---------------------------|---|---------------------------------------|--------------------|
| At 1 July 2017 | 114,591,680 | 4,963,826 | 123,459 | (16,832,846) | (14,272,720) | 16,854,684 | 11,357,052 | 116,785,135 | - | 116,785,135 |
| Transactions with owners: | | | | | | | | | | |
| Disposal of treasury shares | - | (2,165,894) | - | - | 6,077,957 | - | - | 3,912,063 | - | 3,912,063 |
| Acquisition of a subsidiary | - | (2,165,894) | - | - | 6,077,957 | - | - | - | 30 | 30 |
| Net loss for the year | - | - | - | - | - | - | (1,771,248) | (1,771,248) | - | (1,771,248) |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Foreign currency translation | - | - | (438,690) | - | - | - | - | (438,690) | - | (438,690) |
| At 30 June 2018 | 114,591,680 | 2,797,932 | (315,231) | (16,832,846) | (8,194,763) | 16,854,684 | 9,585,804 | 118,487,260 | 30 | 118,487,290 |

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

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019 (continued)**

| Company | Share capital RM | Share premium RM | Treasury shares RM | Warrant reserve RM | Retained profits RM | Total RM |
|---|---------------------|---------------------|-----------------------|-----------------------|------------------------|-------------|
| At 1 July 2017 | 114,591,680 | 4,963,826 | (14,272,720) | 16,854,684 | 12,693,773 | 134,831,243 |
| Transactions with owners: | | | | | | |
| Disposal of treasury shares | - | (2,165,894) | 6,077,957 | - | - | 3,912,063 |
| Net loss/Total comprehensive loss for the year | - | - | - | - | (1,200,361) | (1,200,361) |
| At 30 June 2018 | 114,591,680 | 2,797,932 | (8,194,763) | 16,854,684 | 11,493,412 | 137,542,945 |
| Transactions with owners: | | | | | | |
| Transfer from share premium | 1,842,853 | (1,842,853) | - | - | - | - |
| Disposal of treasury shares | - | (955,079) | 8,194,763 | - | - | 7,239,684 |
| Issue of shares pursuant to private placements | 19,385,000 | - | - | - | - | 19,385,000 |
| Share issue expenses | (141,091) | - | - | - | - | (141,091) |
| | 21,086,762 | (2,797,932) | 8,194,763 | - | - | 26,483,593 |
| Net loss/Total comprehensive loss for the period | - | - | - | - | (2,101,470) | (2,101,470) |
| At 31 December 2019 | 135,678,442 | - | - | 16,854,684 | 9,391,942 | 161,925,068 |

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

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019

| | Group | | Company | |
|---|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Cash flows from/(used in) operating activities | | | | |
| Loss before tax | (44,251,617) | (2,015,157) | (2,101,470) | (1,200,361) |
| Adjustments for: | | | | |
| Allowance for expected credit losses | 5,316,089 | 282,283 | - | - |
| Reversal of expected credit losses | (1,058,773) | (3,052,081) | - | - |
| Depreciation | 4,457,755 | 3,185,250 | 132,397 | 87,557 |
| Recognition/(Reversal) of impairment loss on investment in subsidiaries - net | - | - | 597,000 | (332,000) |
| Interest expense | 471,597 | 340,054 | - | - |
| Impairment loss on property, plant and equipment under construction | 29,887,342 | - | - | - |
| Unrealised loss/(gain) on foreign exchange | 9,328 | (128,937) | - | - |
| Plant and equipment written off | 7,532 | - | - | - |
| Dividend income | (1,680) | (1,890) | - | - |
| Gain on disposal of | | | | |
| - a subsidiary | (1,563,454) | (20,680) | (1,486,471) | - |
| - an associate | - | (750,950) | - | - |
| Loss/(Gain) on disposal of plant and equipment | 123,937 | (39,999) | (5,000) | - |
| Interest income | (6,073) | (5,234) | (3) | (4) |
| Operating loss before working capital changes | (6,608,017) | (2,207,341) | (2,863,547) | (1,444,808) |
| Increase in inventories | (16,121,804) | (10,345,157) | - | - |
| (Increase)/Decrease in trade and other receivables | (3,239,784) | 10,235,519 | (143,698) | (440) |
| Increase in trade and other payables | 11,197,679 | 1,874,168 | 967,636 | 107,683 |
| Cash used in operations | (14,771,926) | (442,811) | (2,039,609) | (1,337,565) |
| Income tax refunded | 621,321 | 93,050 | 27,995 | 90,000 |
| Income tax paid | (75,266) | (149,076) | (16,133) | (25,662) |
| Net cash used in operating activities | (14,225,871) | (498,837) | (2,027,747) | (1,273,227) |

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019 (continued)

| | Group | | Company | |
|---|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Cash flows from/(used in) investing activities | | | | |
| Additions of property, plant and equipment | (20,414,006) | (803,925) | (5,300) | - |
| Acquisition and subscription of shares in subsidiaries | - | - | - | (4,000,070) |
| Net cash inflow on acquisition of a subsidiary | - | 30 | - | - |
| Proceeds from disposal of | | | | |
| - plant and equipment | 147,000 | 40,000 | 5,000 | - |
| - a subsidiary | 1,299,876 | 115,336 | 1,300,000 | - |
| - an associate | 1,000,000 | - | - | - |
| Deposit received from disposal of a subsidiary | 2,240,884 | - | 2,240,884 | - |
| Placement of fixed deposit (Advances to)/Repayments from subsidiaries | (55,000) | - | - | - |
| | - | - | (27,973,562) | 1,498,930 |
| Dividends received | 1,680 | 1,890 | - | - |
| Deposits refunded/(paid) for purchase of land held for development | 2,120,000 | (2,120,000) | - | - |
| Interest received | 6,073 | 5,234 | 3 | 4 |
| Net cash used in investing activities | (13,653,493) | (2,761,435) | (24,432,975) | (2,501,136) |
| Cash flows from/(used in) financing activities | | | | |
| Proceeds from | | | | |
| - foreign currency trade loan | - | 2,720,854 | - | - |
| - issue of shares | 19,243,909 | - | 19,243,909 | - |
| - disposal of treasury shares | 7,239,684 | 3,912,063 | 7,239,684 | 3,912,063 |
| - third party interest free loan | 6,000,000 | - | - | - |
| - term loan | 5,099,900 | - | - | - |
| - trade finance | 168,000 | - | - | - |
| Repayments of | | | | |
| - foreign currency trade loan | - | (2,984,470) | - | - |
| - hire purchase liabilities | (312,884) | (217,789) | - | - |
| - third party interest free loan | (2,445,000) | - | - | - |
| - term loans | (5,898,139) | (680,560) | - | - |
| Advances from/(Repayments to) a director | - | (51,621) | - | - |
| Advances from subsidiaries | - | - | - | 161,293 |
| Repayments to a former subsidiary | - | - | - | (300,000) |
| Interest paid | (471,597) | (340,054) | - | - |
| Net cash from financing activities | 28,623,873 | 2,358,423 | 26,483,593 | 3,773,356 |

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2019 (continued)

| | Group | | Company | |
|---|--|---|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Net increase/(decrease) in cash and cash equivalents | 744,509 | (901,849) | 22,871 | (1,007) |
| Cash and cash equivalents at beginning of period/year | 585,558 | 1,487,520 | 769 | 1,776 |
| Effect of exchange rate changes on the balance of cash and cash equivalents of foreign subsidiary | 93,053 | (113) | - | - |
| Cash and cash equivalents at end of period/year | 1,423,120 | 585,558 | 23,640 | 769 |
| Cash and cash equivalents comprises: | | | | |
| Cash and bank balances | 1,685,134 | 585,558 | 23,640 | 769 |
| Fixed deposit with a licensed bank | 55,000 | - | - | - |
| Bank overdraft | (262,014) | - | - | - |
| | 1,478,120 | 585,558 | 23,640 | 769 |
| Less: Fixed deposit with maturity more than 3 months | (55,000) | - | - | - |
| | 1,423,120 | 585,558 | 23,640 | 769 |
| Reconciliation of liabilities arising from financing activities | | | | |
| | 1.7.2018 RM | Cash flows RM | Non-cash changes RM | 31.12.2019 RM |
| Group | | | | |
| Amount due to a director of the Company | 105,750 | - | (105,750) | - |
| Term loans | 5,898,139 | (798,239) | - | 5,099,900 |
| Trade finance | - | 168,000 | - | 168,000 |
| Third party interest free loan | - | 3,555,000 | - | 3,555,000 |
| Hire purchase liabilities | 353,986 | (312,884) | 316,996 | 358,098 |
| | | | | |
| | 1.7.2017 RM | Cash flows RM | Non-cash changes RM | 30.6.2018 RM |
| Group | | | | |
| Amount due to a director of the Company | 157,371 | (51,621) | - | 105,750 |
| Short term borrowings | 263,616 | (263,616) | - | - |
| Term loans | 6,578,699 | (680,560) | - | 5,898,139 |
| Hire purchase liabilities | 361,775 | (217,789) | 210,000 | 353,986 |
| | | | | |
| | 1.7.2018 RM | Cash flows RM | Non-cash changes RM | 31.12.2019 RM |
| Company | | | | |
| Amount due to a subsidiary | 883,087 | - | (883,087) | - |
| | | | | |
| | 1.7.2017 RM | Cash flows RM | Non-cash changes RM | 30.6.2018 RM |
| Company | | | | |
| Amount due to a subsidiary | 721,794 | 161,293 | - | 883,087 |
| Amount due to a former subsidiary | 300,000 | (300,000) | - | - |

NEXTGREEN GLOBAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. General information

The principal activities of the Company are that of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 13.

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 Company's registered office is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Level 06-02, Menara LGB, No.1 Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The Company changed its financial year end from 30 June to 31 December to be coterminous with its substantial corporate shareholder. Accordingly, the financial statements for the current financial period are drawn up for the period 1 July 2018 to 31 December 2019 or a period of eighteen months.

The financial statements were approved and authorised for issue by the board of directors on 23 June 2020.

2. Principal accounting policies

2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared and presented in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised in Note 2.2.2.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and IC interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC interpretations does not result in significant changes in accounting policies of the Group other than as follows:

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2.2.1 Basis of accounting (continued)

(i) **MFRS 9 Financial Instruments**

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at the inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The effect of adopting MFRS 9 is disclosed in Note 32.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial application other than the following:

(i) **MFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019)**

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance lease under MFRS 117. The standard includes two recognition exemptions for lessees – leases of low value assets and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

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2.2.1 Basis of accounting (continued)

- (i) **MFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019) (continued)**

Lessor accounting is substantially unchanged. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases which is operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted.

The Group is in the process of making an assessment where the impact of MFRS 16 is expected to be in the period of initial application.

2.2.2 Significant accounting policies

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

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 to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The formation of the Group during restructuring exercise on 8 August 2007 has been accounted for as a business combination under common control in which all of the combining entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

When the merger method of accounting is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the cost of the investment and the nominal value of shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that the laws and statues do not prohibit the use of such reserves. The results and financial positions of the companies being merged are included as if the merger had been effected throughout the current and previous reporting periods.

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when combining entities first came under the control of the controlling parties until the date that such control ceases.

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2.2.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Subsequent acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the reporting periods in which the costs are incurred and the services are received.

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented in the statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as a financial asset depending on the level of influence retained.

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2.2.2 Significant accounting policies (continued)

Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

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2.2.2 Significant accounting policies (continued)

Foreign currencies

(i) 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.

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

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

| | 31.12.2019 | 30.6.2018 |
|----------------------|-------------------|------------------|
| | RM | RM |
| United States Dollar | 4.0925 | 4.0385 |

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expenses in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised in profit or loss as incurred.

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2.2.2 Significant accounting policies (continued)

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Impairment of non financial assets

The carrying amount of non financial assets subject to accounting for impairment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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2.2.2 Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

No depreciation is provided on leasehold building, renovation and plant and equipment under construction until the asset is ready for its intended use.

Depreciation on property, plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

| | |
|--|---|
| Leasehold land | over the unexpired lease period of 83 to 99 years |
| Leasehold building | 2% |
| Factory equipment, plant and machinery | 5% - 20% |
| Renovations | 10%- 20% |
| Office equipment, furniture and fittings | 10% |
| Computers | 25% |
| Motor vehicles | 20% |

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Intangible asset

Intangible asset comprising a master license acquired separately is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

The costs of the master license is amortised on a straight line basis over its license period of fifteen (15) years.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company is exposed or has rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

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2.2.2 Significant accounting policies (continued)

Inventories

(i) Property development

Properties held for development consist 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 the lower of cost and net realisable value.

Properties held for development are reclassified as current assets 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.

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

(ii) Manufacturing and trading

Inventories comprising raw materials, work in progress, trading merchandise and finished goods are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in selling and distribution.

Cost of raw materials and trading merchandise comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Cost of work in progress and finished goods comprises the cost of raw materials used, direct labour and appropriate production overheads.

Leases

Assets acquired under leases or hire purchase which transfers substantially all the risks and rewards incidental to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at their fair values or, if lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to profit or loss over the terms of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases which do not meet such criteria are classified as operating lease. Lease payments under operating leases are recognised as an expense in profit or loss on a straight line basis over the terms of the relevant lease.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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2.2.2 Significant accounting policies (continued)

Financial Instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows: and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

(ii) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss does not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income. Dividends are recognised as other income in profit or loss when the right of payment has been established.

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2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(iii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities at amortised cost are derecognised, and through the amortisation process (finance cost).

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

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.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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2.2.2 Significant accounting policies (continued)

Financial Instruments (continued)

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

Expected credit losses

The Group recognises an allowance for expected credit losses (“ECL”) on the financial assets at amortised cost.

ECL are generally based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at 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. ECL are recognised in profit or loss.

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

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised costs are deducted from the gross carrying amount of the assets.

Low credit risk

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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2.2.2 Significant accounting policies (continued)

Expected credit losses (continued)

Definition of default

The Group considers a debt instrument to be in default when:

- a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
- b) The financial asset is more than 90 days past due.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) 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:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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2.2.2 Significant accounting policies (continued)

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft and fixed deposit with maturity more than 3 months.

3. Critical accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period other than as follows:

(i) Impairment of non financial assets

The Group assesses impairment of property, plant and equipment under construction, plant and equipment and investment in subsidiaries when events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value (after taking into account the costs to sell) or the value in use of the relevant assets.

Significant variations to the assumptions and estimates used to determine future cash flows could result in changes to the assessment of the recoverability of these non financial assets.

(ii) Measurement of ECL allowance for financial assets

The loss allowances or provision for financial assets are based on assumptions about risk of default and expected loss of the probability of non-payment and is determined using historical data and forward-looking information in estimating future cash flows and the lifetime expected credit loss for the receivables. The Group uses judgement in making these assumptions and it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking estimates at the end of reporting period.

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4. Revenue

4.1 Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue:

| | Group | | Company | |
|----------------------------------|--|---|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Type of goods or services | | | | |
| Management fees | - | - | 809,693 | 543,348 |
| Printing services | 38,251,505 | 26,756,234 | - | - |
| Sales of books | 1,193,341 | 97,162 | - | - |
| Sales of land | - | 2,995,186 | - | - |
| Consultancy fee | 800,000 | - | - | - |
| | <u>40,244,846</u> | <u>29,848,582</u> | <u>809,693</u> | <u>543,348</u> |

| | Group | | Company | |
|--------------------------------------|--|---|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Timing of revenue recognition | | | | |
| At a point in time | <u>40,244,846</u> | <u>29,848,582</u> | <u>809,693</u> | <u>543,348</u> |

4.2 Performance obligations

Management fees

The Company provides management services to its subsidiaries. The performance obligation is satisfied upon services rendered and payment is generally due within 30 days from billing date.

Printing services

The Group provides printing services for books and magazines. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 120 days from delivery.

Sales of books

The Group sells books to government and third parties. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

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4.2 Performance obligations (continued)

Sales of land

The Group sells land. The performance obligation is satisfied upon the control of the land is transferred and delivered to the purchaser and payment is generally due within 90 days from date of sale and purchase agreement.

Consultancy fee

The Group provides consultancy services to its customers. The performance obligation is satisfied upon services rendered and payment is generally due within 30 days from billing date.

4.3 Transaction price allocated to the remaining performance obligations

For practical expediency, no information is provided on the remaining performance obligation at the reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.4 Financing components

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

5. Cost of sales

| | Group | |
|-------------------|-------------------|-------------------|
| | 1.7.2018 | 1.7.2017 |
| | to | to |
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Printing services | 36,069,355 | 27,028,550 |
| Sales of books | 997,217 | 82,320 |
| Sales of land | - | 994,608 |
| | <u>37,066,572</u> | <u>28,105,478</u> |

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6. Loss from operations

| | Group | | Company | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Loss from operations is arrived at after charging: | | | | |
| Auditors' remuneration | | | | |
| - statutory audit | 144,000 | 141,300 | 38,000 | 36,000 |
| - under provision in prior period/year | 10,137 | 3,710 | - | - |
| - other services | 61,275 | 14,109 | 20,140 | 4,000 |
| Loss on disposal of plant and equipment | 128,937 | - | - | - |
| Loss on foreign exchange | | | | |
| - realised | 77,931 | 558,215 | - | - |
| - unrealised | 9,328 | - | - | - |
| Operating lease expense on | | | | |
| - machinery and equipment | 127,582 | 331,313 | - | - |
| - premises | 1,106,983 | 674,626 | - | - |
| Plant and equipment written off | 7,532 | - | - | - |
| Research and development expenses | 114,405 | - | - | - |
| And crediting: | | | | |
| Dividend income from financial assets at fair value through profit or loss | 1,680 | 1,890 | - | - |
| Gain on disposal of | | | | |
| - a subsidiary | 1,563,454 | 20,680 | 1,486,471 | - |
| - an associate | - | 750,950 | - | - |
| Gain on foreign exchange | | | | |
| - unrealised | - | 128,937 | - | - |
| Gain on disposal of plant and equipment | 5,000 | 39,999 | 5,000 | - |

Staff costs comprise:

| | Group | | Company | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Defined contribution plan | 834,246 | 546,141 | 152,908 | 101,294 |
| Salaries, bonus, allowances and overtime | 9,837,237 | 5,719,355 | 1,706,573 | 1,057,351 |
| Other employee related expenses | 217,369 | 108,235 | 7,763 | 4,759 |
| | 10,888,852 | 6,373,731 | 1,867,244 | 1,163,404 |
| Staff costs capitalised as costs of property development inventories (Note 16) | (1,536,950) | (748,299) | - | - |
| | 9,351,902 | 5,625,432 | 1,867,244 | 1,163,404 |

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6. **Loss from operations** (continued)

The key management personnel of the Company whose remuneration is analysed as follows:

| | Group | | Company | |
|---|--|---|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Executive directors: | | | | |
| - remuneration other than fees | 1,285,628 | 779,520 | 1,193,614 | 779,520 |
| Non executive directors: | | | | |
| - fees | 509,333 | 266,460 | 509,333 | 266,460 |
| Total directors' remuneration | 1,794,961 | 1,045,980 | 1,702,947 | 1,045,980 |
| Estimated money value of benefits other than in cash | | | | |
| - Executive directors | 37,900 | 45,100 | 37,900 | 45,100 |
| - Non executive directors | 7,200 | 7,200 | 7,200 | 7,200 |
| | 45,100 | 52,300 | 45,100 | 52,300 |
| Total directors' remuneration including benefits other than in cash | 1,840,061 | 1,098,280 | 1,748,047 | 1,098,280 |

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6. **Loss from operations** (continued)

The number of directors of the Company where total remuneration during the reporting period falls within the following bands is analysed as follows:

| | 1.7.2018 to 31.12.2019 | 1.7.2017 to 30.6.2018 |
|--------------------------|------------------------------|-----------------------------|
| Executive directors: | | |
| Below RM50,000 | 1 | - |
| RM100,001 – RM150,000 | 1 | 2 |
| RM150,001 – RM200,000 | 3 | - |
| RM200,001 – RM250,000 | - | 1 |
| RM350,001 – RM400,000 | - | 1 |
| RM500,001 – RM550,000 | 1 | - |
| | <u>1</u> | <u>-</u> |
| Non executive directors: | | |
| Below RM50,000 | 3 | 2 |
| RM50,001 – RM100,000 | 4 | 1 |
| RM100,001 – RM150,000 | - | 1 |
| RM150,001 – RM200,000 | 1 | - |
| | <u>1</u> | <u>-</u> |

7. **Finance income**

| | Group | | Company | |
|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Interest income from bank accounts | 6,073 | 5,234 | 3 | 4 |
| | <u>6,073</u> | <u>5,234</u> | <u>3</u> | <u>4</u> |

8. **Finance costs**

| | Group | | Company | |
|-------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Interest expense | | | | |
| - banker acceptance | 50,438 | - | - | - |
| - bank guarantees | 6,540 | 4,477 | - | - |
| - bank overdraft | 2,573 | - | - | - |
| - foreign currency trade loan | 3,242 | 30,215 | - | - |
| - hire purchase | 25,467 | 19,454 | - | - |
| - term loans | 383,337 | 285,908 | - | - |
| | <u>471,597</u> | <u>340,054</u> | <u>-</u> | <u>-</u> |

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9. Income tax expense

| | Group | | Company | |
|--------------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Expected Malaysia income tax payable | | | | |
| - under provision in prior years | - | (1,776) | - | - |
| Deferred tax (Note 15) | | | | |
| - current period/year | (1,323,780) | 245,685 | - | - |
| | <u>(1,323,780)</u> | <u>243,909</u> | <u>-</u> | <u>-</u> |

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

| | Group | | Company | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Loss before tax | (44,251,617) | (2,015,157) | (2,101,470) | (1,200,361) |
| Less: Share in profit of associate, net of tax | - | (352,335) | - | - |
| Adjusted loss before tax | <u>(44,251,617)</u> | <u>(2,367,492)</u> | <u>(2,101,470)</u> | <u>(1,200,361)</u> |
| Taxation at statutory tax rate of 24% (30.6.2018: 24%) | 10,620,000 | 568,000 | 504,000 | 288,000 |
| Expenses not deductible for tax purposes | (8,754,400) | (547,679) | (410,000) | (85,000) |
| Income not subject to tax | 375,400 | 193,464 | 358,000 | 80,000 |
| Income exempted from tax | - | 238,600 | - | - |
| Utilisation of previously unrecognised deferred tax assets | 8,000 | 147,800 | - | - |
| Deferred tax assets not recognised | (2,265,780) | (354,500) | (452,000) | (283,000) |
| Reversal of deferred tax assets previously recognised | (1,307,000) | - | - | - |
| Under provision in prior years - income tax | - | (1,776) | - | - |
| Income tax expense | <u>(1,323,780)</u> | <u>243,909</u> | <u>-</u> | <u>-</u> |

A subsidiary of the Company, Ultimate Ivory Sdn Bhd ("Ultimate Ivory") was granted East Coast Economic Region incentives by Malaysian Investment Development Authority. By virtue of this East Coast Economic Region incentives, the statutory income of Ultimate Ivory from property development activities under Income Tax (Exemption) (No. 8) Order 2016/P.U. (A) 161/2016, Income Tax Act 1967 are exempted from income tax for a period of 10 years commencing from first year of assessment of 2017.

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10. Loss per share**Basic**

Basic loss per ordinary share is calculated based on the net loss attributable to owners of the Company and the weighted average number of ordinary shares in issue as follows:

| | Group | |
|---|---------------------|--------------------|
| | 1.7.2018 | 1.7.2018 |
| | to | to |
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Net loss attributable to owners of the Company | <u>(45,575,397)</u> | <u>(1,771,248)</u> |
| Weighted average number of ordinary shares in issue (net of treasury shares held) | <u>459,512,730</u> | <u>433,654,836</u> |
| Basic loss per ordinary share (sen) | <u>(9.92)</u> | <u>(0.41)</u> |

Diluted

Diluted loss per share are not presented in the financial statements for the reporting periods ended 31 December 2019 and 30 June 2018 as the fair value of the ordinary shares of the Company during the reporting period is below the exercise price of the warrants. These potential ordinary shares have a diluted effect only if the fair value of the ordinary shares during the reporting period exceeds the exercise price of these potential ordinary shares.

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11. Property, plant and equipment

| Group | Leasehold land and building RM | Factory equipment, plant and machinery RM | Renovations RM | Office equipment, furniture and fittings RM | Computers RM | Motor vehicles RM | Leasehold building and renovation under construction RM | Plant and equipment under construction RM | Total RM |
|--|--------------------------------|---|----------------|---|--------------|-------------------|---|---|-------------|
| Cost | | | | | | | | | |
| At 1 July 2017 | 20,316,079 | 37,322,863 | 148,339 | 386,404 | 393,015 | 2,531,358 | 1,319,382 | - | 62,417,440 |
| Additions | 3,106 | 80,525 | 73,479 | 173,484 | 120,460 | 252,280 | 1,331,352 | - | 2,034,686 |
| Disposals | - | - | - | - | - | (260,000) | - | - | (260,000) |
| Reclassification | - | - | 234,572 | - | - | - | (234,572) | - | - |
| Exchange differences | - | (46,278) | - | - | - | - | - | - | (46,278) |
| At 30 June 2018 | 20,319,185 | 37,357,110 | 456,390 | 559,888 | 513,475 | 2,523,638 | 2,416,162 | - | 64,145,848 |
| Transferred from non refundable deposits | - | - | - | - | - | - | - | 27,404,406 | 27,404,406 |
| Additions | - | 45,987 | 183,149 | 253,284 | 90,246 | 354,796 | 13,049,077 | 5,700,000 | 19,676,539 |
| Disposals | - | (756,100) | - | - | - | (276,704) | - | - | (1,032,804) |
| Disposal of a subsidiary | - | - | - | - | (2,469) | - | - | - | (2,469) |
| Write offs | - | (4,415) | - | (8,452) | - | - | - | - | (12,867) |
| Exchange differences | - | 9,780 | - | - | - | - | - | - | 9,780 |
| At 31 December 2019 | 20,319,185 | 36,652,362 | 639,539 | 804,720 | 601,252 | 2,601,730 | 15,465,239 | 33,104,406 | 110,188,433 |

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11. Property, plant and equipment (continued)

| Group | Leasehold land and building RM | Factory equipment, plant and machinery RM | Renovations RM | Office equipment, furniture and fittings RM | Computers RM | Motor vehicles RM | Leasehold building and renovation under construction RM | Plant and equipment under construction RM | Total RM |
|---------------------------------|--------------------------------|---|----------------|---|--------------|-------------------|---|---|------------|
| Accumulated depreciation | | | | | | | | | |
| At 1 July 2017 | 471,786 | 17,700,971 | 73,788 | 163,888 | 244,301 | 1,171,336 | - | - | 19,826,070 |
| Charge for the year | 314,926 | 2,297,381 | 57,150 | 39,795 | 92,122 | 383,876 | - | - | 3,185,250 |
| Disposals | - | - | - | - | - | (259,999) | - | - | (259,999) |
| Exchange differences | - | (5,251) | - | - | - | - | - | - | (5,251) |
| At 30 June 2018 | 786,712 | 19,993,101 | 130,938 | 203,683 | 336,423 | 1,295,213 | - | - | 22,746,070 |
| Charge for the period | 472,026 | 2,997,755 | 106,203 | 85,807 | 132,716 | 663,248 | - | - | 4,457,755 |
| Disposals | - | (485,164) | - | - | - | (276,703) | - | - | (761,867) |
| Disposal of a subsidiary | - | - | - | - | (926) | - | - | - | (926) |
| Write offs | - | (1,177) | - | (4,158) | - | - | - | - | (5,335) |
| Exchange differences | - | 578 | - | - | - | - | - | - | 578 |
| At 31 December 2019 | 1,258,738 | 22,505,093 | 237,141 | 285,332 | 468,213 | 1,681,758 | - | - | 26,436,275 |

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11. Property, plant and equipment (continued)

| Group | Leasehold land and building RM | Factory equipment, plant and machinery RM | Renovations RM | Office equipment, furniture and fittings RM | Computers RM | Motor vehicles RM | Leasehold building and renovation under construction RM | Plant and equipment under construction RM | Total RM |
|--------------------------------------|---------------------------------------|--|-----------------------|--|---------------------|--------------------------|--|--|-----------------|
| Accumulated impairment losses | | | | | | | | | |
| At 1 July 2017/30 | - | - | - | - | - | - | - | - | - |
| June 2018 | - | - | - | - | - | - | - | - | - |
| Impairment loss for the period | - | - | - | - | - | - | 9,516,538 | 20,370,804 | 29,887,342 |
| At 31 December 2019 | - | - | - | - | - | - | 9,516,538 | 20,370,804 | 29,887,342 |
| Carrying amount | | | | | | | | | |
| At 31 December 2019 | 19,060,447 | 14,147,269 | 402,398 | 519,388 | 133,039 | 919,972 | 5,948,701 | 12,722,602 | 53,864,816 |
| At 30 June 2018 | 19,532,473 | 17,364,009 | 325,452 | 356,205 | 177,052 | 1,228,425 | 2,416,162 | - | 41,399,778 |

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11. Property, plant and equipment (continued)

| Company | Computers RM | Office equipment RM | Motor vehicles RM | Total RM |
|---------------------------------|-------------------------|------------------------------------|----------------------------------|---------------------|
| Cost | | | | |
| At 1 July 2017/2018 | 7,087 | - | 563,603 | 570,690 |
| Additions | - | 5,300 | - | 5,300 |
| Disposals | - | - | (129,704) | (129,704) |
| As at 31 December 2019 | <u>7,087</u> | <u>5,300</u> | <u>433,899</u> | <u>446,286</u> |
| Accumulated depreciation | | | | |
| At 1 July 2017 | 4,690 | - | 170,295 | 174,985 |
| Charge for the year | 778 | - | 86,779 | 87,557 |
| At 30 June 2018 | 5,468 | - | 257,074 | 262,542 |
| Charge for the period | 1,167 | 1,060 | 130,170 | 132,397 |
| Disposals | - | - | (129,704) | (129,704) |
| At 31 December 2019 | <u>6,635</u> | <u>1,060</u> | <u>257,540</u> | <u>265,235</u> |
| Carrying amount | | | | |
| At 31 December 2019 | <u>452</u> | <u>4,240</u> | <u>176,359</u> | <u>181,051</u> |
| At 30 June 2018 | <u>1,619</u> | <u>-</u> | <u>306,529</u> | <u>308,148</u> |

At the reporting date:

- (i) property, plant and equipment of the Group have been charged as collaterals to secure the term loan referred to in Note 23 are as follows:

| | Group | |
|---------------------------|--------------------------|-------------------------|
| | 31.12.2019 RM | 30.6.2018 RM |
| <u>At carrying amount</u> | | |
| Leasehold land | 10,417,290 | 10,617,621 |
| Leasehold building | 8,643,157 | 8,914,852 |
| | <u>19,060,447</u> | <u>19,532,473</u> |

- (ii) the title deeds of the leasehold land of a subsidiary, Ultimate Ivory Sdn Bhd ("UI") of RM195,113 (30.6.2018: RM195,113) have yet to be transferred to UI by the Pahang State Government; and
- (iii) motor vehicles of the Group with carrying amount of RM598,664 (30.6.2018: RM641,216) are acquired under hire purchase arrangements.

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11. Property, plant and equipment (continued)

During the reporting period, cash payments made to purchase property, plant and equipment are as follows:

| | Group | | Company | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Total additions | 19,676,539 | 2,034,686 | 5,300 | - |
| Additions through | | | | |
| - hire purchase | (316,996) | (210,000) | - | - |
| - other payables | - | (1,054,463) | - | - |
| | <u>19,359,543</u> | <u>770,223</u> | <u>5,300</u> | <u>-</u> |
| Payments made for previous year acquisition | 1,054,463 | 33,702 | - | - |
| Total cash payments | <u>20,414,006</u> | <u>803,925</u> | <u>5,300</u> | <u>-</u> |

11.1 Impairment review on property, plant and equipment under construction for pulps and papers business

Due to delay in the construction of the pulps and papers factory, management performed an impairment review on its leasehold building, plant and equipment under construction. The review led to the recognition of impairment loss of RM29,887,342 to write down the leasehold building, plant and equipment under construction to its recoverable amount. The recoverable amount of the leasehold building, plant and equipment under construction is determined based on its value in use calculations using cash flow projections from financial budgets approved by management. The impairment loss has been included in profit or loss under "Other operating expenses" line item.

11.2 Impairment review on plant and equipment for printing business

A subsidiary of the Company, BHS Book Printing Sdn Bhd, has been making losses for the past reporting periods. The recoverable amount of the plant and equipment is determined from a value in use calculations using cash flows projections from financial budgets prepared by management. Based on the impairment assessment, the recoverable amount of the plant and equipment is higher than the carrying amount.

11.3 Key assumptions used in the value in use calculations

The respective calculation of value in use for leasehold building, plant and equipment under construction for pulps and papers business and plant and equipment for printing business is most sensitive to the following assumptions:

- i) The discount rates used for the value in use calculation for pulps and papers business and printing business are based on the country's industry weighted average cost of capital specific to these businesses of 8.20% and 10.23% respectively; and
- ii) The value assigned to the key assumptions such as sales growth, papers prices, fixed and variable costs are based on the management's assessment of future trends of the businesses and their historical data.

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12. **Intangible asset**

| | Group License RM |
|--|---------------------------------|
| Cost | |
| At 1 July 2017/30 June 2018/31 December 2019 | <u>500,000</u> |

The Group had entered into a Master License Agreement with Green Patent Technologies Sdn Bhd ("GPTSB"), a company which is 65% owned by Dato' Lim Thiam Huat, a major shareholder and a director of the Company, for the grant of a master licence at purchase consideration of RM500,000 to use the inventions and designs owned by GPTSB as licensor upon the terms and conditions contained in the agreement. The licence is granted for an initial period of fifteen (15) years commencing the date when the intended factory or plant for manufacturing of pulps and papers is constructed and commissioned.

13. **Investment in subsidiaries**

| | Company | |
|--|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Unquoted shares at cost | | |
| At beginning of period/year | 78,704,089 | 74,704,019 |
| Subscription of additional shares in existing subsidiaries | 1,500,000 | 3,999,998 |
| Acquisition of subsidiaries | - | 72 |
| Disposal of a subsidiary | (1,000,000) | - |
| At end of period/year | <u>79,204,089</u> | <u>78,704,089</u> |
| Accumulated impairment losses | | |
| At beginning period/year | 13,789,335 | 14,121,335 |
| Impairment loss | 597,000 | 610,000 |
| Reversal of impairment loss | - | (942,000) |
| Disposal of a subsidiary | (350,000) | - |
| At end of period/year | <u>14,036,335</u> | <u>13,789,335</u> |
| Carrying amount | <u>65,167,754</u> | <u>64,914,754</u> |

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13. **Investment in subsidiaries** (continued)

The details of the subsidiaries are as follows:

| | Country of incorporation | Group's effective interest and voting | | Principal activities |
|--|--------------------------|---------------------------------------|-------------|---|
| | | 31.12.2019 % | 30.6.2018 % | |
| Subsidiaries of the Company | | | | |
| BHS Book Printing Sdn Bhd | Malaysia | 100 | 100 | Printing of books and magazines |
| Pustaka Sistem Pelajaran Sdn Bhd | Malaysia | 100 | 100 | Book publisher |
| System Multimedia and Internet Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| BHS DS Solution Sdn Bhd | Malaysia | 100 | 100 | Construction and renovation works |
| Nextgreen Pulp & Paper Sdn Bhd | Malaysia | 100 | 100 | Processing and manufacturing of pulps and papers and related products |
| Ultimate Ivory Sdn Bhd | Malaysia | 100 | 100 | Industrial park developer and manager |
| BHS Palau Incorporated* | Republic of Palau | 100 | 100 | Property development and management |
| Firasat Prima Sdn Bhd | Malaysia | - | 100 | Property developer |
| BHS Land Development Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| BHS E Education Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Nextgreen Fertilizer Sdn Bhd | Malaysia | 100 | 100 | Manufacture, import, export, and trading of fertilizers |
| Nextgreen Energy Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Nextgreen (Sarawak) Sdn Bhd | Malaysia | 70 | 70 | Dormant |

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13. **Investment in subsidiaries** (continued)

| | Country of incorporation | Group's effective interest and voting | | Principal activities |
|---|--------------------------|---------------------------------------|----------------|----------------------|
| | | 31.12.2019 % | 30.6.2018 % | |
| Subsidiary of System Multimedia and Internet Sdn Bhd | | | | |
| System Publishing House Sdn Bhd | Malaysia | 100 | 100 | Dormant |

* No statutory audit requirement

During the reporting period:

- (a) On 10 December 2018, the Company disposed of 100% equity interest in Firasat Prima Sdn Bhd for a total cash consideration of RM3,000,000; and
- (b) On 21 January 2019, the Company further subscribed for additional 1,500,000 ordinary shares in BHS DS Solution Sdn Bhd ("BHSDS") by way of capitalisation of amount due from BHSDS of RM1,500,000.

In the previous reporting period:

- (a) On 11 September 2017, the Company subscribed for 2 ordinary shares for RM2 representing 100% of the issued and paid up share capital of Nextgreen Energy Sdn Bhd ("NESB"). With the subscription, NESB became a subsidiary of the Company. The intended principal activity of NESB is to produce and supply biomass power and energy;
- (b) On 25 September 2017, the Company subscribed 70 ordinary shares of Nextgreen (Sarawak) Sdn Bhd ("NSSB"), for RM70 representing 70% of the issued and paid up share capital of NSSB. With the acquisition and subscription, NSSB became a subsidiary of the Company. The intended principal activity of NSSB is manufacturing, trading and selling of pulp, paper and its related products and development of Integrated Green Technology Park;

The acquisition did not have a significant impact to the financial results of the Group.

- (c) On 11 October 2017, Pustaka Sistem Pelajaran Sdn Bhd, a wholly owned subsidiary of the Company, disposed of 50% equity interest in Pustaka Yakin Pelajar Sdn Bhd ("Yakin") for a total consideration of RM146,717. Yakin became an associate of the Group. Subsequently, on 29 December 2017, the remaining 50% equity interest was disposed of for a total consideration of RM1,250,000. Following the disposal, Yakin ceased to be an associate of the Group;
- (d) On 29 June 2018, the Company further subscribed for additional 999,998 ordinary shares in Nextgreen Fertilizer Sdn Bhd ("NFSB") by way of capitalisation of amount due from NFSB of RM999,998; and
- (e) On 29 June 2018, the Company further subscribed for additional 3,000,000 ordinary shares in Ultimate Ivory Sdn Bhd ("UISB") by way of capitalisation of amount due from UISB of RM3,000,000.

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13. **Investment in subsidiaries** (continued)

Disposal of subsidiaries

The disposal of subsidiaries had the following financial effects on the Group financial statements:

| | Group | |
|--|--------------------|--------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Plant and equipment | 1,543 | 3,078 |
| Inventories | 1,460,847 | - |
| Other receivables, deposits and prepayments | 24,000 | 373,395 |
| Cash and cash equivalents | 124 | 31,381 |
| Other payables and accruals | (49,968) | (135,100) |
| | <u>1,436,546</u> | <u>272,754</u> |
| Less: Cash consideration received and receivable | (3,000,000) | (146,717) |
| Fair value of investment in associate retained | - | (146,717) |
| | <u>(1,563,454)</u> | <u>(20,680)</u> |
| Cash consideration received and receivable | 3,000,000 | 146,717 |
| Less: Cash consideration receivable | (1,700,000) | - |
| Less: Cash and cash equivalents disposed of | (124) | (31,381) |
| Net cash inflow on disposal of subsidiaries | <u>1,299,876</u> | <u>115,336</u> |
| | | Company |
| | | 31.12.2019 |
| | | RM |
| Gross consideration received and receivable | | (3,000,000) |
| Carrying amount of investment in a subsidiary | | 650,000 |
| Waiver of amount due to fellow subsidiaries | | 863,529 |
| Gain on disposal of a subsidiary | | <u>(1,486,471)</u> |

The disposals did not have a significant impact to the financial results of the Group.

The gain on disposal of subsidiaries has been recognised in the Group's and Company's profit or loss under "Other operating income" line item.

Impairment of investment in subsidiaries

During the reporting period, the directors performed an impairment test on the investment in certain loss making subsidiaries. An impairment loss of RM597,000 was recognised to write down the investment of BHS DS Solution Sdn Bhd ("BHSDS") to its recoverable amount. The recoverable amount of the investment in BHSDS has been determined based on its fair value less costs of disposal.

In the previous reporting period, recoverable amounts are determined based on the respective fair value less costs of disposal of these subsidiaries. Reversal of impairment loss and impairment loss have been recognised to write back and write down respectively the investments to their respective recoverable amounts.

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13. **Investment in subsidiaries** (continued)

Impairment of investment in subsidiaries (continued)

The reversal and impairment loss during the previous reporting period of the respective subsidiaries are as follows:

| | Company 1.7.2017 to 30.6.2018 RM |
|---|---|
| <u>Reversal of impairment loss recognised</u> | |
| Pustaka Sistem Pelajaran Sdn Bhd | (942,000) |
| <u>Impairment loss recognised</u> | |
| Firasat Prima Sdn Bhd | 350,000 |
| Nextgreen Fertilizer Sdn Bhd | 260,000 |
| Net | <u>(332,000)</u> |

The amount of reversal of impairment loss recognised has been included in the Company's profit or loss under "Other operating income" line item.

The amount of impairment loss recognised has been included in the Company's profit or loss under "Other operating expenses" line item.

14. **Other investments**

| | Group 31.12.2019 RM | 30.6.2018 RM |
|---|--|-------------------------------|
| Financial assets at fair value through profit or loss | | |
| - Quoted equity shares in Malaysia | <u>12,689</u> | <u>12,689</u> |

15. **Deferred tax assets/(liabilities)**

| | Group | | Company | |
|--|--|---|--------------------------------|-------------------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| At beginning of period/year | 1,471,774 | 1,226,089 | | |
| Recognised in profit or loss (Note 9) | | | | |
| - current period/year | (1,323,780) | 245,685 | | |
| At end of period/year | <u>147,994</u> | <u>1,471,774</u> | | |
| | Group | 30.6.2018 | Company | 30.6.2018 |
| | 31.12.2019 | RM | 31.12.2019 | RM |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | 2,531,394 | 4,175,874 | 6,800 | 3,000 |
| Deferred tax liabilities | (2,383,400) | (2,704,100) | (6,800) | (3,000) |
| | <u>147,994</u> | <u>1,471,774</u> | <u>-</u> | <u>-</u> |

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15. **Deferred tax assets/(liabilities)** (continued)

Deferred tax liabilities are in respect of the following:

| | Group | | Company | |
|--|--------------------|--------------------|------------------|-----------------|
| | 31.12.2019 RM | 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| Tax effects of: | | | | |
| Unrealised gain on foreign exchange | - | (31,000) | - | - |
| Differences between accounting depreciation and tax capital allowances | (2,383,400) | (2,673,100) | (6,800) | (3,000) |
| | <u>(2,383,400)</u> | <u>(2,704,100)</u> | <u>(6,800)</u> | <u>(3,000)</u> |

The analysis of unrecognised deductible temporary differences, unused tax losses and unused tax credits is as follows:

| | Group | | Company | |
|--|---------------------------|---------------------|---------------------------------|--------------------|
| | Gross 31.12.2019 RM | 30.6.2018 RM | Tax effects 31.12.2019 RM | 30.6.2018 RM |
| Unabsorbed capital allowances | 11,333,000 | 8,806,000 | 2,720,000 | 2,114,000 |
| Unutilised business losses to be utilised up to financial year ending: | | | | |
| - 31 December 2025 | - | 14,587,000 | - | 3,500,000 |
| - 31 December 2026 | 15,328,000 | - | 3,678,000 | - |
| Allowance for expected credit losses | 7,476,000 | 3,220,000 | 1,794,000 | 773,000 |
| Sales commission payable | 675,000 | 465,000 | 162,000 | 112,000 |
| | <u>34,812,000</u> | <u>27,078,000</u> | <u>8,354,000</u> | <u>6,499,000</u> |
| Less: Deferred tax assets recognised | <u>(9,930,500)</u> | <u>(17,399,000)</u> | <u>(2,383,400)</u> | <u>(4,175,874)</u> |
| Deferred tax assets not recognised | <u>24,881,500</u> | <u>9,679,000</u> | <u>5,970,600</u> | <u>2,323,126</u> |
| | | | | |
| | Company | | Company | |
| | Gross 31.12.2019 RM | 30.6.2018 RM | Tax effects 31.12.2019 RM | 30.6.2018 RM |
| Unabsorbed capital allowances | 36,000 | 25,000 | 8,600 | 6,000 |
| Unutilised business losses to be utilised up to financial year ending: | | | | |
| - 31 December 2025 | - | 3,530,000 | - | 847,000 |
| - 31 December 2026 | 5,330,000 | - | 1,278,000 | - |
| | <u>5,366,000</u> | <u>3,555,000</u> | <u>1,286,600</u> | <u>853,000</u> |
| Less: Deferred tax assets recognised | <u>(28,000)</u> | <u>(13,000)</u> | <u>(6,800)</u> | <u>(3,000)</u> |
| Deferred tax assets not recognised | <u>5,338,000</u> | <u>3,542,000</u> | <u>1,279,800</u> | <u>850,000</u> |

Portion of the deferred tax assets of the Group and the Company has not been recognised as it is not probable that taxable profit will be available in the foreseeable future to utilise these unused tax benefits.

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16. Inventories

| | Group | |
|--|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Manufacturing and trading: | | |
| At cost | | |
| - raw materials | 3,789,861 | 5,751,553 |
| - work in progress | 1,286,772 | 1,516,125 |
| - trading merchandise | 94,092 | 6,265 |
| - finished goods | 158,105 | 1,434,111 |
| | 5,328,830 | 8,708,054 |
| Property development: | | |
| At cost | | |
| - land held for property development | 6,457,347 | 6,372,143 |
| - properties under development | 39,878,027 | 21,923,050 |
| | 46,335,374 | 28,295,193 |
| | 51,664,204 | 37,003,247 |
| Less: non current portion - land held for property development | (6,457,347) | (6,372,143) |
| | 45,206,857 | 30,631,104 |

| | Group | |
|---|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Staff costs included in properties under developments are as follows: | | |
| Properties under development | 1,536,950 | 748,299 |

| | Group | |
|--|------------------|------------------|
| | 1.7.2018 | 1.7.2017 |
| | to | to |
| | 30.6.2019 | 30.6.2018 |
| | RM | RM |
| Amount of inventories recognised as an expense | 37,066,572 | 28,105,478 |

17. Trade receivables

| | Group | |
|--|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Trade receivables | 20,762,281 | 18,522,329 |
| Less: Allowance for expected credit losses | (7,477,235) | (3,219,919) |
| | 13,285,046 | 15,302,410 |

The Group's normal trade credit terms range from 30 to 120 days (30.6.2018: 30 to 120 days). Other credit terms are determined on a case to case basis. Trade receivables are not secured by any collateral or credit enhancements.

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17. **Trade receivables** (continued)

The following table provides information on the trade receivables' credit risk exposure.

| 31.12.2019 | Trade receivables – days past due | | | | | | | Total RM |
|--|-----------------------------------|------------------|---------------------|---------------------|----------------------|------------------|-------------------|-------------|
| | Not past due RM | <30 days RM | 31-60 days RM | 61-90 days RM | 91-120 days RM | >120 days RM | | |
| Impairment assessed individually | | | | | | | | |
| Gross carrying amount | 5,439,121 | 1,692,743 | 522,856 | 1,047,756 | 121,512 | 11,938,293 | 20,762,281 | |
| Less: Allowance for expected credit losses | - | - | - | - | - | (7,477,235) | (7,477,235) | |
| | <u>5,439,121</u> | <u>1,692,743</u> | <u>522,856</u> | <u>1,047,756</u> | <u>121,512</u> | <u>4,461,058</u> | <u>13,285,046</u> | |

| | Group 30.6.2018 RM |
|--|-----------------------------------|
| Not impaired or past due | 8,579,201 |
| 1 - 30 days past due not impaired | 4,902,003 |
| 31 - 60 days past due not impaired | 1,125,664 |
| 61 - 90 days past due not impaired | 45,936 |
| 91 - 120 days past due not impaired | 472,934 |
| More than 120 days past due not impaired | 176,672 |
| | <u>15,302,410</u> |
| Impaired | 3,219,919 |
| | <u>18,522,329</u> |

The movements in the allowances for expected credit losses of trade receivables during the reporting period are as follows:

| | Group | |
|-----------------------------|--|---|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| At beginning of period/year | 3,219,919 | 5,989,717 |
| Additions | 5,316,089 | 282,283 |
| Reversals | (1,058,773) | (3,052,081) |
| At end of period/year | <u>7,477,235</u> | <u>3,219,919</u> |

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19. Cash and bank balances

| | Group | | Company | |
|------------------------|------------------|-----------------|------------------|-----------------|
| | 31.12.2019 RM | 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| Cash in hand | 1,000 | 31,000 | - | - |
| Cash at banks | | | | |
| - interest bearing | 305,938 | 297,083 | 741 | 769 |
| - non interest bearing | 1,378,196 | 257,475 | 22,899 | - |
| | <u>1,685,134</u> | <u>585,558</u> | <u>23,640</u> | <u>769</u> |

20. Share capital

| | Group and Company | | | |
|---|--|---|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 No. of ordinary shares | 1.7.2017 to 30.6.2018 No. of ordinary shares | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| Issued and fully paid: | | | | |
| At beginning of period/year | 458,366,718 | 458,366,718 | 114,591,680 | 114,591,680 |
| Issue of shares pursuant to private placements | 45,800,000 | - | 19,243,909 | - |
| Transfer from share premium | - | - | 1,842,853 | - |
| At end of period/year | <u>504,166,718</u> | <u>458,366,718</u> | <u>135,678,442</u> | <u>114,591,680</u> |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. In respect of the Company's treasury shares, all right are suspended until these shares are reissued.

Warrants 2015/2020

The Company had in October 2015 issued 198,290,398 warrants in conjunction with its rights issue exercise. The warrants are constituted by a deed poll dated 13 October 2015 ("Deed Poll").

The salient features of the warrants are as follows:

- The issue date of the warrants is 19 October 2015 and the expiry date is on 18 October 2020. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;
- Each warrant entitles the registered holder the right to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.60 per ordinary share until the expiry of the exercise period;
- The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions in the Deed Poll;
- The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mentioned in item (c) above), unless and until such warrant holders exercise their rights to subscribe for new ordinary shares; and
- The new ordinary shares to be issued upon exercise of the warrants, shall upon issuance and allotment, rank pari passu with the then existing ordinary shares, except that they will not be entitled to dividends, rights, allotments and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

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20. **Share capital** (continued)

Warrants 2015/2020 (continued)

The movements in the Company's warrants during the reporting period are as follows:

| | Entitlement for ordinary shares | | | Balance at 31.12.2019 |
|--------------------------------|---------------------------------|-----------|---------|--------------------------|
| | Balance at 1.7.2018 | Exercised | Expired | |
| Number of unexercised warrants | 198,290,398 | - | - | 198,290,398 |

| | Entitlement for ordinary shares | | | Balance at 30.6.2018 |
|--------------------------------|---------------------------------|-----------|---------|-------------------------|
| | Balance at 1.7.2017 | Exercised | Expired | |
| Number of unexercised warrants | 198,290,398 | - | - | 198,290,398 |

21. **Reserves**

| | Group | | Company | |
|--|---------------------|------------------|-------------------|-------------------|
| | 31.12.2019 RM | 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| Distributable : (Accumulated loss)/Retained profits | (35,989,593) | 9,585,804 | 9,391,942 | 11,493,412 |
| Non distributable: | | | | |
| Share premium | - | 2,797,932 | - | 2,797,932 |
| Foreign currency translation reserve | (214,076) | (315,231) | - | - |
| Merger reserve | (16,832,846) | (16,832,846) | - | - |
| Warrant reserve | 16,854,684 | 16,854,684 | 16,854,684 | 16,854,684 |
| Treasury shares | - | (8,194,763) | - | (8,194,763) |
| | (192,238) | (5,690,224) | 16,854,684 | 11,457,853 |
| | <u>(36,181,831)</u> | <u>3,895,580</u> | <u>26,246,626</u> | <u>22,951,265</u> |

21.1 **Share premium**

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company.

Pursuant to Section 618(2) of the Companies Act 2016, the credit standing on the share premium account has been transferred to and became part of the share capital account.

21.2 **Foreign currency translation reserve**

The Group's foreign exchange translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

21.3 **Merger reserve**

Merger reserve represents the difference between the nominal value of shares issued by the Company over the nominal value of shares acquired in exchange for those shares, accounted for using the merger method of accounting.

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21.4 Warrant reserve

Warrant reserve represents the reserves arising from the rights issue with free detachable warrants effected in October 2015. This reserve is determined based on the estimated fair value of the warrants immediately upon the listing and quotation thereof.

21.5 Treasury shares

| | Group and Company | | | |
|-----------------------------|--|---|------------------------------------|-----------------------------------|
| | 1.7.2018 to 31.12.2019 No. of treasury shares | 1.7.2017 to 30.6.2018 No. of treasury shares | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| At beginning of period/year | 16,365,100 | 26,940,000 | (8,194,763) | (14,272,720) |
| Shares disposed of | (16,365,100) | (10,574,900) | 8,194,763 | 6,077,957 |
| At end of period/year | <u>-</u> | <u>16,365,100</u> | <u>-</u> | <u>(8,194,763)</u> |

Treasury shares relate to ordinary shares of the Company that are held by the Company in accordance with Section 127(4)(b) of the Companies Act 2016 and are presented as a deduction from shareholders' equity.

Of the total 504,166,718 (30.6.2018: 458,366,718) issued and fully paid ordinary shares as at 31 December 2019, Nil (30.6.2018: 16,365,100) are held as treasury shares by the Company.

22. Hire purchase liabilities

| | Group | |
|---|------------------|-----------------|
| | 31.12.2019 RM | 30.6.2018 RM |
| Amount outstanding | 404,682 | 389,276 |
| Less: Interest in suspense | (46,584) | (35,290) |
| Principal portion | <u>358,098</u> | <u>353,986</u> |
| Less: Portion due within one year | (122,623) | (203,735) |
| Non current portion | <u>235,475</u> | <u>150,251</u> |
| The non current portion of the hire purchase obligations is payable as follows: | | |
| Later than 1 year and not later than 2 years | 116,952 | 58,642 |
| Later than 2 years and not later than 5 years | 118,523 | 91,609 |
| | <u>235,475</u> | <u>150,251</u> |

The weighted average effective interest rate of the hire purchase obligations is 5.68% (30.6.2018: 5.61%).

23. Borrowings

| | Group | |
|----------------------|------------------|------------------|
| | 31.12.2019 RM | 30.6.2018 RM |
| Non current portion: | | |
| Term loans | 5,099,900 | 5,147,417 |
| Current portion: | | |
| Bank overdraft | 262,014 | - |
| Trade finance | 168,000 | - |
| Term loans | - | 750,722 |
| | <u>430,014</u> | <u>750,722</u> |
| | <u>5,529,914</u> | <u>5,898,139</u> |

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23. **Borrowings** (continued)

| | Group | |
|--|------------|-----------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| The non current portion of the term loans is payable as follows: | | |
| Later than 1 year and not later than 2 years | 2,640,000 | 785,366 |
| Later than 2 years and not later than 5 years | 2,459,900 | 2,580,326 |
| Later than 5 years | - | 1,781,725 |
| | 5,099,900 | 5,147,417 |

The average effective interest rates are as follows:

| | 31.12.2019 | 30.6.2018 |
|----------------|------------|-----------|
| | % | % |
| Bank overdraft | 9.70 | - |
| Trade finance | 3.86 | - |
| Term loans | 10.00 | 4.77 |

The above borrowings are secured by way of:

- (i) A registered open all monies first party charge stamped nominally over the leasehold land and building as disclosed in Note 11;
- (ii) Corporate guarantee given by the Company; and
- (iii) Joint and several personal guarantee by certain directors of the Company.

24. **Trade payables**

The normal trade credit terms granted to the Group range from 30 to 120 days (30.6.2018: 30 to 120 days).

25. **Other payables and accruals**

| | Group | | Company | |
|---|------------|-----------|------------|-----------|
| | 31.12.2019 | 30.6.2018 | 31.12.2019 | 30.6.2018 |
| | RM | RM | RM | RM |
| Amount due to a subsidiary | - | - | 2,394,220 | 883,087 |
| Amount due to a director of the Company | 151,850 | 105,750 | - | - |
| Overpayments from customers | 123,828 | 122,797 | - | - |
| Factory construction and renovation costs payable to suppliers | - | 1,054,463 | - | - |
| Goods and services tax payable | - | 5,993 | - | 5,993 |
| Accruals of sales commission | 676,186 | 465,042 | - | - |
| Rental related expenses payable - persons connected to a director | 129,550 | - | - | - |
| - others | 1,943,290 | 1,588,247 | - | - |
| Third party unsecured interest free loan | 3,555,000 | - | - | - |
| Deposits received for sale of land inventory | 1,996,450 | - | - | - |
| Other payables and accruals | 5,425,480 | 1,449,060 | 3,577,622 | 374,242 |
| | 14,001,634 | 4,791,352 | 5,971,842 | 1,263,322 |

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26. Significant related party disclosures

26.1 Related party transactions

Significant transactions with related parties are as follows:

| | Type of transactions | Group | | Company | |
|---|-----------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
| With subsidiaries: | | | | | |
| - BHS Book Printing Sdn Bhd | Management fee income | - | - | 785,826 | 541,405 |
| | Printing expenses | - | - | 38,158 | 23,975 |
| - Pustaka Sistem Pelajaran Sdn Bhd | Management fee income | - | - | 23,867 | 1,943 |
| With persons connected to a director of the Company | | | | | |
| - Loke Lai Wah | Rental expense | 90,550 | 144,000 | - | - |
| - Lim Kean Kiat | Rental expense | 39,000 | 36,000 | - | - |

26.2 Related party balances

Individually significant outstanding balances arising from transactions other than trade transactions are as follows:

| | Type of transactions | Group | |
|--|----------------------|------------------|-----------------|
| | | 31.12.2019 RM | 30.6.2018 RM |
| Financial asset | | | |
| With a company in which certain directors have interest: | | | |
| - Nextgreen Pulp & Paper (Sarawak) Sdn Bhd | Advances | 6,595 | - |
| Financial liabilities | | | |
| With a director of the Company | | | |
| - Dato' Lim Thiam Huat | Advances | 151,850 | 105,750 |
| With persons connected to a director of the Company | | | |
| - Loke Lai Wah | Rental payable | 90,550 | - |
| - Lim Kean Kiat | Rental payable | 39,000 | - |

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26.2 Related party balances (continued)

| | Type of transactions | Company | |
|--|----------------------|------------------|-----------------|
| | | 31.12.2019 RM | 30.6.2018 RM |
| Financial assets | | | |
| With subsidiaries: | | | |
| - BHS Book Printing Sdn Bhd | Advances | 34,037,559 | 32,223,228 |
| - Sistem Multimedia and Internet Sdn Bhd | Advances | 30,000 | 30,000 |
| - System Publishing House Sdn Bhd | Advances | 527,260 | 520,000 |
| - Nextgreen Pulp & Paper Sdn Bhd | Advances | 29,498,746 | 25,743,746 |
| - Ultimate Ivory Sdn Bhd | Advances | 31,154,694 | 10,025,579 |
| - BHS Palau Incorporated | Advances | 4,879,432 | 4,815,265 |
| - Firasat Prima Sdn Bhd | Advances | - | 2 |
| - BHS E Education Sdn Bhd | Advances | 10,745 | 6,151 |
| - BHS Land Development Sdn Bhd | Advances | 17,007 | 7,402 |
| - Nextgreen (Sarawak) Sdn Bhd | Advances | 15,342 | 12,211 |
| - Nextgreen Energy Sdn Bhd | Advances | 14,490 | 5,266 |
| - Nextgreen Fertilizer Sdn Bhd | Advances | 335,952 | 105,952 |
| - BHS DS Solution Sdn Bhd | Advances | 83,608 | - |
| Financial liability | | | |
| With a subsidiary: | | | |
| - Pustaka Sistem Pelajaran Sdn Bhd | Advances | 2,394,220 | 883,087 |

These advances are unsecured, interest free and receivable/repayable on demand.

26.3 Compensation of key management personnel

The key management personnel comprises mainly executive directors of the Company whose remuneration is disclosed in Note 6.

27. Commitments

27.1 Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

| | Group | |
|-------------------------------|------------------|-----------------|
| | 31.12.2019 RM | 30.6.2018 RM |
| Authorised and contracted for | 32,770,618 | 29,986,831 |
| Analysed as follows: | | |
| Property, plant and equipment | 32,770,618 | 29,986,831 |

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27.2 Operating lease commitments

| | Group | |
|---|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| The future minimum rental payments under non cancellable tenancy agreements are as follows: | | |
| Not later than 1 year | 485,095 | 32,000 |
| Later than 1 year and not later than 5 years | 440,333 | - |
| | <u>925,428</u> | <u>32,000</u> |

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28. Segment information

28.1 Business segment

For management purposes, the Group is now organised into five reportable segments comprising printing and publishing, manufacturing using green technology, property development and management, general construction and investment holding.

Management monitors the operating results of its reportable segments as well as relying on the segment information as disclosed below for the purpose of making decision about resource allocation and performance assessment.

The following table provides an analysis of Group's revenue, results, assets, liabilities and other information by reportable segments.

| | Printing and publishing RM | Manufacturing using green technology RM | Property development and management RM | General construction RM | Investment holding RM | Eliminations RM | Consolidated RM |
|-------------------------------|-------------------------------|--|---|----------------------------|--------------------------|--------------------|---------------------|
| 1.7.2018 to 31.12.2019 | | | | | | | |
| Revenue | | | | | | | |
| External sales | 39,444,846 | - | 800,000 | - | - | - | 40,244,846 |
| Inter-segment sales | 1,039,804 | - | - | - | 809,693 | (1,849,497) | - |
| | <u>40,484,650</u> | <u>-</u> | <u>800,000</u> | <u>-</u> | <u>809,693</u> | <u>(1,849,497)</u> | <u>40,244,846</u> |
| Results | | | | | | | |
| Loss from operations | (9,154,347) | (33,567,809) | (2,101,037) | (58,254) | (2,115,070) | 3,210,424 | (43,786,093) |
| Finance (costs)/income | (457,549) | (1,556) | (6,422) | - | 3 | - | (465,524) |
| Loss before tax | (9,611,896) | (33,569,365) | (2,107,459) | (58,254) | (2,115,067) | 3,210,424 | (44,251,617) |
| Income tax expense | (1,307,000) | - | - | - | - | (16,780) | (1,323,780) |
| Net loss for the period | <u>(10,918,896)</u> | <u>(33,569,365)</u> | <u>(2,107,459)</u> | <u>(58,254)</u> | <u>(2,115,067)</u> | <u>3,193,644</u> | <u>(45,575,397)</u> |

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28.1 Business segment (continued)

| 31.12.2019 | Printing and publishing RM | Manufacturing using green technology RM | Property development and management RM | General construction RM | Investment holding RM | Eliminations RM | Consolidated RM |
|---|-------------------------------|--|---|----------------------------|--------------------------|--------------------|--------------------|
| Assets | | | | | | | |
| Segment assets | 72,628,947 | 29,145,716 | 52,521,010 | 3,771,808 | 168,404,149 | (195,242,699) | 131,228,931 |
| Liabilities | | | | | | | |
| Segment liabilities | 54,849,489 | 37,615,711 | 58,498,535 | 4,368,694 | 6,553,214 | (132,149,803) | 31,732,290 |
| Other information | | | | | | | |
| Additions to non current assets | 415,729 | 19,139,875 | 115,635 | - | 5,300 | - | 19,676,539 |
| Depreciation | 3,871,706 | 180,074 | 302,581 | 40,914 | 132,397 | (69,917) | 4,457,755 |
| Non-cash items other than depreciation and amortisation: | | | | | | | |
| Allowance for expected credit losses | 6,729,326 | 662,363 | 467,907 | - | - | (2,543,507) | 5,316,089 |
| Loss on foreign exchange - unrealised | 9,328 | - | - | - | - | - | 9,328 |
| Impairment loss on property, plant and equipment under construction | - | 29,887,342 | - | - | - | - | 29,887,342 |
| Impairment loss on investment in a subsidiary | - | - | - | - | 597,000 | (597,000) | - |
| Plant and equipment written off | 7,532 | - | - | - | - | - | 7,532 |

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28.1 Business segment (continued)

| 1.7.2017 to 30.6.2018 | Printing and publishing RM | Manufacturing using green technology RM | Property development and management RM | General construction RM | Investment holding RM | Eliminations RM | Consolidated RM |
|--------------------------------|-------------------------------|--|---|----------------------------|--------------------------|--------------------|--------------------|
| Revenue | | | | | | | |
| External sales | 26,853,396 | - | 2,995,186 | - | - | - | 29,848,582 |
| Inter-segment sales | 51,292 | - | - | - | 543,348 | (594,640) | - |
| | <u>26,904,688</u> | <u>-</u> | <u>2,995,186</u> | <u>-</u> | <u>543,348</u> | <u>(594,640)</u> | <u>29,848,582</u> |
| Results | | | | | | | |
| (Loss)/Profit from operations | (61,877) | (706,704) | 389,379 | (142,873) | (1,225,743) | (284,854) | (2,032,672) |
| Finance (costs)/income | (321,570) | (4,165) | (7,944) | (1,145) | 4 | - | (334,820) |
| Share in profit of associate | 352,335 | - | - | - | - | - | 352,335 |
| (Loss)/Profit before tax | (31,112) | (710,869) | 381,435 | (144,018) | (1,225,739) | (284,854) | (2,015,157) |
| Income tax expense | 257,000 | (1,776) | - | - | - | (11,315) | 243,909 |
| Net profit/(loss) for the year | <u>225,888</u> | <u>(712,645)</u> | <u>381,435</u> | <u>(144,018)</u> | <u>(1,225,739)</u> | <u>(296,169)</u> | <u>(1,771,248)</u> |

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28.1 Business segment (continued)

| 30.6.2018 | Printing and publishing RM | Manufacturing using green technology RM | Property development and management RM | General construction RM | Investment holding RM | Eliminations RM | Consolidated RM |
|--|-------------------------------|--|---|----------------------------|--------------------------|--------------------|--------------------|
| Assets | | | | | | | |
| Segment assets | 78,542,734 | 41,176,133 | 38,540,841 | 3,498,433 | 74,749,990 | (101,814,670) | 134,693,461 |
| Liabilities | | | | | | | |
| Segment liabilities | 49,844,380 | 29,125,840 | 30,820,817 | 5,537,065 | 1,838,952 | (100,960,883) | 16,206,171 |
| Other information | | | | | | | |
| Additions to non current assets | 456,373 | 1,573,438 | 4,875 | - | - | - | 2,034,686 |
| Depreciation | 2,837,367 | 92,031 | 187,594 | 27,312 | 87,557 | (46,611) | 3,185,250 |
| Non-cash items other than depreciation and amortisation: | | | | | | | |
| Allowance for expected credit loss | 282,283 | - | - | - | - | - | 282,283 |
| Reversal of expected credit loss | (3,052,081) | - | - | - | - | - | (3,052,081) |
| Gain on foreign exchange - unrealised | (128,937) | - | - | - | - | - | (128,937) |
| Impairment loss on investment in subsidiaries | - | - | - | - | 610,000 | (610,000) | - |
| Reversal of impairment loss on investments in a subsidiary | - | - | - | - | (942,000) | 942,000 | - |

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28.2 Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

| | Revenue | | Non-current assets | |
|-------------------|------------------------------------|-----------------------------------|--------------------|-------------------|
| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM | 31.12.2019 RM | 30.6.2018 RM |
| Malaysia | 24,692,719 | 19,588,713 | 54,042,678 | 43,048,049 |
| Nigeria | 14,180,047 | 9,034,487 | - | - |
| Kenya | 1,372,080 | 1,225,382 | - | - |
| Republic of Palau | - | - | 6,940,168 | 6,958,335 |
| | <u>40,244,846</u> | <u>29,848,582</u> | <u>60,982,846</u> | <u>50,006,384</u> |

28.3 Customers segment information

Revenue from transactions with major customers that individually accounted for 10 percent or more of the Group's revenue are summarised below:

| | 1.7.2018 to 31.12.2019 RM | 1.7.2017 to 30.6.2018 RM |
|------------|------------------------------------|-----------------------------------|
| Customer A | 4,861,004 | 3,452,324 |
| Customer B | - | 2,995,186 |
| | <u>4,861,004</u> | <u>6,447,510</u> |

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29. Financial instruments and financial risks

29.1 Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

| | Group | | Company | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 31.12.2019 | 30.6.2018 | 31.12.2019 | 30.6.2018 |
| | RM | RM | RM | RM |
| Financial assets | | | | |
| Amortised cost: | | | | |
| - trade and other receivables excluding prepayments | 16,771,073 | - | 102,308,189 | - |
| - fixed deposit with a licensed bank | 55,000 | - | - | - |
| - cash and bank balances | 1,685,134 | - | 23,640 | - |
| | 18,511,207 | - | 102,331,829 | - |
| Loans and receivables: | | | | |
| - trade and other receivables excluding prepayments | - | 19,323,833 | - | 73,498,216 |
| - cash and bank balances | - | 585,558 | - | 769 |
| | - | 19,909,391 | - | 73,498,985 |
| Financial assets at fair value through profit or loss: | | | | |
| - other investments | 12,689 | 12,689 | - | - |
| | <u>18,757,895</u> | <u>19,922,080</u> | <u>102,331,829</u> | <u>73,498,985</u> |
| Financial liabilities | | | | |
| Amortised cost: | | | | |
| - term loan (floating rate) | - | 5,898,139 | - | - |
| - term loan (fixed rate) | 5,099,900 | - | - | - |
| - hire purchase liabilities (fixed rate) | 358,098 | 353,986 | - | - |
| - short term borrowings (floating rate) | 430,014 | - | - | - |
| - trade and other payables | 23,603,077 | 9,947,736 | 5,971,842 | 1,257,329 |
| | <u>29,491,089</u> | <u>16,199,861</u> | <u>5,971,842</u> | <u>1,257,329</u> |

29.2 Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

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29.2 Financial risk management objectives and policies (continued)

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than as follows:

| | Group | |
|---|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Amount due from one customer | 3,407,259 | - |
| | | |
| | Company | |
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| Amount due from three (30.6.2018: two) subsidiaries | 94,690,999 | 57,966,974 |

The Company provides unsecured financial guarantees to a financial institution in respect of banking facilities granted to subsidiaries. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by subsidiaries. The Company monitors on an ongoing basis the results of subsidiaries and repayments made by the subsidiaries. The maximum exposure to credit amounts to RM5,529,914 (30.6.2018: RM5,898,139) representing the outstanding banking facilities of the subsidiaries as at reporting date. The fair value of the financial guarantees provided to its subsidiaries is not expected to be material as the total borrowings of the subsidiaries are collateralised against the leasehold land and buildings of the subsidiaries. Further, the probability of the subsidiaries defaulting on the credit facilities is remote. Accordingly, the financial guarantee has not been recognised.

The Group's credit risk grading framework for expected credit losses ("ECL") model is as follows:

| Category | Definition | Basis for recognition of ECL |
|-----------------|--|-------------------------------------|
| Performing | The debtor has a low risk of default and a strong capacity to meet contractual cash flows. | 12-month ECL |
| Doubtful | Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit impaired |
| Default | Amount is > 90 days past due or there is evidence indicating the asset is credit impaired. | Lifetime ECL – credit impaired |
| Write off | There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or the debtor is two years past due. | Amount is written off |

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29.2 Financial risk management objectives and policies (continued)

Credit risk management (continued)

i) Trade receivables

For trade receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. Where appropriate, the Group determines the ECL on these items by using a provision matrix, where applicable, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

ii) Other receivables

Other receivables [other than the amount due from subsidiaries of the Company of RM100,604,835 (30.6.2018: RM73,494,802)] are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. The loss allowance for the amount due from subsidiaries is measured at an amount equal to the lifetime ECL as there has been a significant increase in credit risk since initial recognition. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

iii) Cash and bank balances (including fixed deposit)

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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29.2 Financial risk management objectives and policies (continued)

Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

The sensitivity analysis below has been determined based on the exposure to interest rates for the banking facilities at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's profitability before tax would increase/decrease by RM2,200 (2018: RM29,000).

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29.2 Financial risk management objectives and policies (continued)

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings.

The following tables detail the remaining contractual maturity for non derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| Group | Contractual cash flows (including interest payments) | | | | | |
|----------------------------|--|-------------------|--|------------------------------|------------------------------|----------------------------|
| | Carrying amount RM | Total RM | On demand or within 1 year RM | Within 1 to 2 years RM | Within 2 to 5 years RM | More than 5 years RM |
| 31.12.2019 | | | | | | |
| Non interest bearing debts | 23,603,077 | 23,603,077 | 23,603,077 | - | - | - |
| Interest bearing debts | 5,888,012 | 6,517,109 | 570,407 | 3,182,048 | 2,764,654 | - |
| | <u>29,491,089</u> | <u>30,120,186</u> | <u>24,173,484</u> | <u>3,182,048</u> | <u>2,764,654</u> | <u>-</u> |
| 30.6.2018 | | | | | | |
| Non interest bearing debts | 9,947,736 | 9,947,736 | 9,947,736 | - | - | - |
| Interest bearing debts | 6,252,125 | 7,319,029 | 1,214,179 | 1,067,938 | 3,116,619 | 1,920,293 |
| | <u>16,199,861</u> | <u>17,266,765</u> | <u>11,161,915</u> | <u>1,067,938</u> | <u>3,116,619</u> | <u>1,920,293</u> |

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29.2 Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

| Company | Contractual cash flows (including interest payments) | | On demand or within 1 year RM |
|----------------------------|--|-------------|----------------------------------|
| | Carrying amount RM | Total RM | |
| 31.12.2019 | | | |
| Non interest bearing debts | 5,971,842 | 5,971,842 | 5,971,842 |
| 30.6.2018 | | | |
| Non interest bearing debts | 1,257,329 | 1,257,329 | 1,257,329 |

Foreign exchange risk management

The Group operates internationally and is exposed to foreign exchange risk. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable sales and purchases give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

| | |
|---|---|
| | Net Financial Assets Held in Non-functional Currencies |
| | United States Dollar |
| | RM |
| Functional currency of the Group | |
| 31.12.2019 | |
| Ringgit Malaysia | 9,118,000 |
| | United States Dollar |
| | RM |
| Functional currency of the Group | |
| 30.6.2018 | |
| Ringgit Malaysia | 7,778,000 |

There is no such exposure for the Company.

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the respective functional currencies of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted at the period end for a 10% change in foreign currency rates. If the relevant foreign currencies strengthen by 10% against the respective functional currencies of the Group, profitability before tax will increase by:

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29.2 Financial risk management objectives and policies (continued)

Foreign exchange risk management (continued)

| | Group | |
|----------------------|-------------------|------------------|
| | 31.12.2019 | 30.6.2018 |
| | RM | RM |
| United States Dollar | 911,800 | 777,800 |

The opposite applies if the relevant foreign currencies weaken by 10% against the functional currency of the Group.

Market price risk

Market price is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity shares. The quoted equity shares in Malaysia are listed on the Bursa Malaysia Security Berhad.

Management monitors the equity instruments on a portfolio basis. Management believes that the changes of market price of its investment in quoted equity instruments would not lead to significant changes to the performance of the Group as the carrying amount of the quoted equity instruments is not material.

30. Fair value remeasurements

30.1 Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's hire purchase and non-current borrowings approximate their carrying amounts as these instruments were entered with interest rates which are reasonable approximation of the market interest rates on or near the reporting date.

30.2 Financial instruments and non financial assets carried at fair value

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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31. Capital structure and capital risk management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the reporting period ended 31 December 2019 and 30 June 2018.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital comprises total equity of the Company. There were no changes in the Group's approach to capital management during the reporting period.

| | Group | | Company | |
|---|-------------------|--------------------|--------------------|--------------------|
| | 31.12.2019 | 30.6.2018 | 31.12.2019 | 30.6.2018 |
| | RM | RM | RM | RM |
| Borrowings and hire purchase liabilities | 5,888,012 | 6,252,125 | - | - |
| Less: cash and bank balances and fixed deposits | (1,740,134) | (585,558) | (23,640) | (769) |
| Net debt/(cash) | <u>4,147,878</u> | <u>5,666,567</u> | <u>(23,640)</u> | <u>(769)</u> |
| Total equity | <u>99,496,641</u> | <u>118,487,290</u> | <u>161,925,068</u> | <u>137,542,945</u> |
| Gearing ratio (%) | <u>4.2</u> | <u>4.8</u> | <u>N/A</u> | <u>N/A</u> |

32. Change in accounting policies

The Group applied MFRS 9 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Based on the transitioning provisions, the Group and the Company applied MFRS 9 retrospectively and differences arising from the adoption have been recognised directly in retained profits. The Group and the Company is not required to restate the comparative information, which continues to be reported under MFRS 139.

The transitioning to MFRS 9 did not have any significant impact on the retained profits of the Group and the Company as at 1 July 2018.

Classification and measurement

MFRS 9 contains three principal classification categories for financial assets which is measured at:

- a) amortised cost;
- b) fair value through profit or loss ("FVTPL"); and
- c) fair value through other comprehensive income ("FVOCI").

The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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32. Change in accounting policies (continued)

Classification and measurement (continued)

The assessment of the Group's and the Company's business model and cash flow characteristics was made based on the facts and circumstances as at the date of initial application of 1 July 2018.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets as at 1 July 2018.

| MFRS 139 measurement category | Group | RM | MFRS 9 measurement category | |
|--|-------|-------------------|-----------------------------|---------------|
| | | | Amortised cost | FVTPL |
| | | | RM | RM |
| Loans and receivables | | | | |
| Trade receivables and other receivables | (a) | 19,323,833 | 19,323,833 | - |
| Cash and bank balances | | 585,558 | 585,558 | - |
| Fair value through profit or loss | | | | |
| Other investments | (b) | 12,689 | - | 12,689 |
| Total financial assets | | 19,922,080 | 19,909,391 | 12,689 |

| MFRS 139 measurement category | Company | RM | MFRS 9 measurement category | |
|---|---------|-------------------|-----------------------------|----------|
| | | | Amortised cost | FVTPL |
| | | | RM | RM |
| Loans and receivables | | | | |
| Trade receivables and other receivables | (a) | 73,498,216 | 73,498,216 | - |
| Cash and bank balances | | 769 | 769 | - |
| Total financial assets | | 73,498,985 | 73,498,985 | - |

(a) Trade and other receivables that were classified as loans and receivables under MFRS 139 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 July 2018.

(b) Quoted equity investments which are held for trading under MFRS 139 are required to be held as fair value through profit or loss under MFRS 9. There is no change in the classification and measurement for quoted equity investments at 1 July 2018.

There are no changes in classification and measurement for the Group's and the Company's financial liabilities at the date of initial application.

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33. Event subsequent to reporting period

Subsequent to the reporting period, the Company increased its issued and paid up capital by way of private placements of 27,000,000 new ordinary shares at an issuing price of RM0.40 each for cash. The net proceeds raised of approximately RM10.8 million is for the purpose of funding the construction of the Group's pulps and papers factory.

34. Comparative figures

- (i) Certain comparative figures of the Group have been reclassified to conform with current period's presentation.

| | As previously reported RM | Reclassification RM | As restated RM |
|---|---------------------------------|------------------------|-------------------|
| Group | | | |
| Statements of comprehensive income | | | |
| For the year ended 30 June 2018 | | | |
| Other operating income | 4,327,939 | (2,769,798) | 1,558,141 |
| Reversal of expected credit loss of receivables - net | - | 2,769,798 | 2,769,798 |
| Statements of financial positions | | | |
| As at 30 June 2018 | | | |
| Non current assets | | | |
| Land held for property development | 6,372,143 | (6,372,143) | - |
| Inventories | - | 6,372,143 | 6,372,143 |
| Current assets | | | |
| Property development costs | 21,923,050 | (21,923,050) | - |
| Inventories | 8,708,054 | 21,923,050 | 30,631,104 |

The consequential changes to the prior reporting period's cash flow statements and information in the notes have also been reflected appropriately for consistency of presentation.

- (ii) The comparative figures relate to the 12 months for the period 1 July 2017 to 30 June 2018 and hence are not comparable to those of the current 18 months period ended 31 December 2019.