

**NOTES TO THE  
FINANCIAL STATEMENTS  
31 MARCH 2020 (CONT'D)**

**19. REVENUE (cont'd)**

**Performance obligations**

Performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Note 3.13 to the financial statements.

**20. (LOSS)/PROFIT BEFORE TAX**

This is arrived at:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19</b> <b>to</b> <b>31.3.20</b> <b>(15 months)</b> <b>RM</b>	1.1.18 to 31.12.18 (12 months) RM	<b>1.1.19</b> <b>to</b> <b>31.3.20</b> <b>(15 months)</b> <b>RM</b>	1.1.18 to 31.12.18 (12 months) RM
After charging:				
Amortisation of intangible assets	<b>1,255,646</b>	1,197,356	-	-
Audit fee				
- current year	<b>117,500</b>	101,300	<b>21,200</b>	21,200
- under provision in prior year	<b>1,080</b>	-	<b>1,000</b>	-
- other services	<b>22,000</b>	-	<b>5,000</b>	-
Bad debt written off	<b>2,300</b>	24,218	<b>9,646</b>	-
Deposit forfeited	<b>130,735</b>	-	-	-
Depreciation of property, plant and equipment	<b>11,670,169</b>	10,121,759	<b>106,045</b>	135,810
Depreciation of right-of-use assets	<b>879,633</b>	-	-	-
Expected credit losses				
- current year	<b>11,882,452</b>	754,205	-	-
- reversal	<b>(153,890)</b>	(79,669)	-	-
Fair value loss on derivative financial instruments	-	156,436	-	-
Impairment loss on investments in subsidiaries	-	-	<b>11,499,999</b>	-
Impairment loss on goodwill	<b>1,211,251</b>	-	-	-
Impairment loss on property, plant and equipment	<b>9,169,493</b>	-	-	-
Impairment loss on non-current assets held for sales	<b>1,001,457</b>	-	-	-
Intangible assets written off:				
- development costs	<b>1,774,657</b>	-	-	-
- goodwill	<b>39,594</b>	-	-	-

**NOTES TO THE  
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**20. (LOSS)/PROFIT BEFORE TAX (cont'd)**

This is arrived at (cont'd):

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19 to 31.3.20 (15 months) RM</b>	1.1.18 to 31.12.18 (12 months) RM	<b>1.1.19 to 31.3.20 (15 months) RM</b>	1.1.18 to 31.12.18 (12 months) RM
After charging (cont'd):				
Interest expense:				
- bank overdraft	<b>1,305,389</b>	1,038,904	-	-
- bankers' acceptance	<b>627,188</b>	588,597	-	-
- finance lease liabilities	<b>519,649</b>	651,177	<b>(1,633)</b>	10,183
- lease liabilities	<b>102,437</b>	-	-	-
- term loan interest	<b>1,290,100</b>	1,100,706	-	-
- inter-company loan interest	-	-	<b>489,964</b>	576,948
Inventories written down	<b>1,300,011</b>	-	-	-
Investment in subsidiaries written off	-	-	<b>97</b>	-
Loss on disposal of a subsidiary	-	2,865,017	-	-
Loss on disposal of property, plant and equipment	-	-	-	3,631
Property, plant and equipment written off	<b>10,911</b>	192,396	-	-
Realised loss on foreign exchange	<b>102,041</b>	585,341	-	-
Rental of land	-	120,000	-	-
Rental of hostel	<b>7,250</b>	29,850	-	-
Rental of factory and premises	<b>42,230</b>	36,600	-	-
Rental of warehouse	<b>44,000</b>	8,400	-	-
Rental of machinery	<b>31,670</b>	837,691	-	-
Rental of motor vehicle	<b>65,800</b>	-	-	-
* Staff cost	<b>27,096,255</b>	27,098,321	<b>1,378,795</b>	1,176,722
Unrealised loss on foreign exchange	-	177,244	-	-
And crediting:				
Fair value gain on derivative financial instruments	<b>17,652</b>	-	-	-
Gain on disposal of property, plant and equipment	<b>131,498</b>	137,227	<b>60,872</b>	-
Interest income	<b>47,105</b>	73,946	<b>1,666,975</b>	926,493
Rental income	<b>482,168</b>	139,568	-	-
Unrealised gain on foreign exchange	<b>490,196</b>	-	-	-

**NOTES TO THE  
FINANCIAL STATEMENTS  
31 MARCH 2020 (CONT'D)**

**20. (LOSS)/PROFIT BEFORE TAX (cont'd)**

This is arrived at (cont'd):

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19</b>	1.1.18	<b>1.1.19</b>	1.1.18
	<b>to</b>	to	<b>to</b>	to
	<b>31.3.20</b>	31.12.18	<b>31.3.20</b>	31.12.18
	<b>(15 months)</b>	(12 months)	<b>(15 months)</b>	(12 months)
	<b>RM</b>	RM	<b>RM</b>	RM
<b>* Staff costs</b>				
- Salaries, wages, allowance and bonus	<b>25,011,250</b>	25,127,800	<b>1,249,505</b>	1,059,889
- EPF	<b>1,689,775</b>	1,599,121	<b>119,789</b>	108,409
- SOCSO and EIS	<b>285,920</b>	186,071	<b>9,501</b>	8,424
- Other employee benefits	<b>109,310</b>	185,329	-	-
	<b><u>27,096,255</u></b>	<u>27,098,321</u>	<b><u>1,378,795</u></b>	<u>1,176,722</u>

Included in the Group's staff costs is directors' remuneration as shown below:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19</b>	1.1.18	<b>1.1.19</b>	1.1.18
	<b>to</b>	to	<b>to</b>	to
	<b>31.3.20</b>	31.12.18	<b>31.3.20</b>	31.12.18
	<b>(15 months)</b>	(12 months)	<b>(15 months)</b>	(12 months)
	<b>RM</b>	RM	<b>RM</b>	RM
<b>Directors of the Company:</b>				
<b>Executive:</b>				
- Salaries, allowances and bonus	<b>2,416,938</b>	2,649,000	<b>308,538</b>	361,000
- Fee	<b>272,000</b>	-	<b>80,000</b>	-
- EPF	<b>288,549</b>	320,440	<b>37,941</b>	44,610
- SOCSO and EIS	<b>11,714</b>	13,228	<b>2,757</b>	3,188
	<b><u>2,989,201</u></b>	<u>2,982,668</u>	<b><u>429,236</u></b>	<u>408,798</u>
- Benefits-in-kind	<b>100,275</b>	100,325	<b>37,275</b>	24,000
	<b><u>3,089,476</u></b>	<u>3,082,993</u>	<b><u>466,511</u></b>	<u>432,798</u>

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**20. (LOSS)/PROFIT BEFORE TAX (cont'd)**

Included in the Group's staff costs is directors' remuneration as shown below (cont'd):

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19</b> to <b>31.3.20</b> (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	<b>1.1.19</b> to <b>31.3.20</b> (15 months) RM	1.1.18 to 31.12.18 (12 months) RM
<b>Non-executive:</b>				
- Allowance	<b>2,850</b>	1,800	<b>2,850</b>	1,800
- Fee	<b>136,306</b>	132,000	<b>136,306</b>	132,000
	<b>139,156</b>	133,800	<b>139,156</b>	133,800
<b>Executive Director of subsidiaries:</b>				
- Salaries and bonus	<b>203,100</b>	72,000	-	-
- EPF	<b>25,242</b>	9,360	-	-
- SOCSO and EIS	<b>1,816</b>	923	-	-
	<b>230,158</b>	82,283	-	-
<b>Analysed by:</b>				
Present directors	<b>2,289,605</b>	3,299,076	<b>154,851</b>	566,598
Former directors	<b>1,169,185</b>	-	<b>450,816</b>	-
Total directors' remuneration	<b>3,458,790</b>	3,299,076	<b>605,667</b>	566,598

**21. TAXATION**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19</b> to <b>31.3.20</b> (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	<b>1.1.19</b> to <b>31.3.20</b> (15 months) RM	1.1.18 to 31.12.18 (12 months) RM
Malaysia income tax				
Based on results for the financial period				
- Current tax	<b>(135,830)</b>	(515,610)	-	(58,040)
- Deferred tax relating to the origination and reversal of temporary difference	<b>338,199</b>	332,300	<b>12,600</b>	3,800
	<b>202,369</b>	(183,310)	<b>12,600</b>	(54,240)
Over/(Under) provision in prior year				
- Current tax	<b>76,764</b>	324,280	<b>(214)</b>	-
- Deferred tax	<b>128,900</b>	259,500	<b>(9,300)</b>	(17,800)
	<b>205,664</b>	583,780	<b>(9,514)</b>	(17,800)
	<b>408,033</b>	400,470	<b>3,086</b>	(72,040)

**NOTES TO THE  
FINANCIAL STATEMENTS  
31 MARCH 2020 (CONT'D)**

**21. TAXATION (cont'd)**

The reconciliation of tax expense of the Group and of the Company is as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>1.1.19 to 31.3.20 (15 months) RM</b>	1.1.18 to 31.12.18 (12 months) RM	<b>1.1.19 to 31.3.20 (15 months) RM</b>	1.1.18 to 31.12.18 (12 months) RM
(Loss)/Profit before tax	<b><u>(43,312,161)</u></b>	<u>(3,876,598)</u>	<b><u>(12,621,045)</u></b>	<u>9,478,941</u>
Income tax at Malaysian statutory tax rate of 24%	<b>10,394,918</b>	930,384	<b>3,029,051</b>	(2,274,946)
Income not subject to tax	<b>44,660</b>	575,151	-	2,230,200
Expenses not deductible for tax purpose	<b>(2,131,204)</b>	(1,688,795)	<b>(3,016,451)</b>	(9,494)
Movement of deferred tax assets not recognised	<b><u>(8,106,005)</u></b>	<u>(50)</u>	<u>-</u>	<u>-</u>
	<b>202,369</b>	(183,310)	<b>12,600</b>	(54,240)
Over/(Under) provision in prior year	<b><u>205,664</u></b>	<u>583,780</u>	<b><u>(9,514)</u></b>	<u>(17,800)</u>
	<b><u>408,033</u></b>	<u>400,470</u>	<b><u>3,086</u></b>	<u>(72,040)</u>

Two of the subsidiaries have been granted pioneer status by the Ministry of International Trade and Industry ("MITI"):

- (a) On 8 September 2011, HK Fibre Sdn. Bhd. has been granted 70% deduction on normal corporate income tax for a period of 10 years.
- (b) On 17 May 2010, HK Kitaran Sdn. Bhd. has been granted full tax exemption from corporate income tax on the net profit from the promoted business for a period of 10 years.

The deferred tax assets which have not been recognised are represented by net temporary differences arising from:

	<b>GROUP</b>	
	<b>31.3.20 RM</b>	31.12.18 RM
Property, plant and equipment	<b>2,540,322</b>	1,063,052
Unused tax losses	<b>(1,454,499)</b>	-
Unabsorbed capital allowances	<b>(5,197,897)</b>	-
Others	<b><u>(2,991,130)</u></b>	<u>(60,251)</u>
	<b><u>(7,103,204)</u></b>	<u>1,002,801</u>

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**21. TAXATION (cont'd)**

Deferred tax assets have not been recognised on the above temporary differences as it is not probable that taxable profit will be available in the foreseeable future to the extent that the above deductible temporary differences can be utilised.

The amount and future availability of unused tax losses and unabsorbed capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is as follows:

	<b>GROUP</b>	
	<b>31.3.20</b>	31.12.18
	<b>RM</b>	RM
Unused tax losses	<b>6,060,460</b>	-
Unabsorbed capital allowances	<b><u>21,657,900</u></b>	<u>-</u>

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The expiry of the unused tax losses is as follows:

	<b>GROUP</b>	
	<b>31.3.20</b>	31.12.18
	<b>RM</b>	RM
Year of assessment 2026	<b><u>6,060,460</u></b>	<u>-</u>

**22. LOSS PER SHARE**

**GROUP**

(a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period as follows:

	<b>GROUP</b>	
	<b>1.1.19 to 31.3.20 (15 months)</b>	1.1.18 to 31.12.18 (12 months)
Loss attributable to owners of the Company (RM)	<b><u>(42,875,748)</u></b>	<u>(3,501,308)</u>
Weighted average number of ordinary shares in issue	<b><u>33,957,001</u></b>	<u>30,971,495*</u>
Basic loss per share (sen)	<b><u>(126.26)</u></b>	<u>(11.30)*</u>

\* Comparative number was restated to take into consideration the effect of share consolidation.

**NOTES TO THE  
FINANCIAL STATEMENTS  
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**22. LOSS PER SHARE (cont'd)**

(b) Diluted loss per share

There are no diluted loss per share as the Company does not have any dilutive potential ordinary shares at the end of the reporting period.

**23. CAPITAL COMMITMENTS**

	<b>GROUP</b>	
	<b>31.3.20</b>	31.12.18
	<b>RM</b>	RM
Contracted but not provided for:		
- Property, plant and equipment	<b>595,000</b>	4,120,000

**24. SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Business Segments**

The Group and its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of mattresses and related products and investment holding.

The Group has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Biomass materials and related products

Manufacturing and trading of coconut fibre and related products, and oil palm EFB (empty fruit bunches) fibre and related products.

(ii) Mattresses and related products

Manufacturing and trading of mattresses and related products.

(iii) Investment holdings and others

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

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

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.