PERAK CORPORATION BERHAD
Registration No.: 199101000605 (210915-U)
(Incorporated in Malaysia)

ANNOUNCEMENT FOR PUBLIC RELEASE
BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 ON A NON-GOING CONCERN BASIS

1. Introduction

Pursuant to paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"), the Board of Directors ("**Board**") of Perak Corporation Berhad ("**Company**") wishes to inform that the financial statements of the Group and of the Company for the financial year ended 31 December 2020 have been prepared on a non-going concern basis and the Company's independent external auditors, Messrs PricewaterhouseCoopers PLT (AF 1146), ("**Independent Auditors**") have concurred with the Board's conclusion on this matter.

2. Basis of Preparation of Financial Statement on a Non-going Concern

The Group and the Company reported losses after tax of RM102.6 million (2019: RM116.4 million) and RM74.6 million (2019: RM296.3 million) for the financial year ended 31 December 2020 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by RM527.2 million (2019: RM280.4 million) and RM246.6 million (2019: RM153.1 million) respectively. As at 31 December 2020, cash and bank balances of the Group and the Company totalled RM41.7 million and RM1.3 million and borrowings due for repayment over the next 12 months after reporting date totalled RM480.6 million and RM147.6 million respectively.

The financial statements of the Group and of the Company are prepared on a non-going concern basis. There has been no change in the basis of preparation since the previous financial year. As part of the regularisation efforts, management has initiated a preliminary private debt settlement arrangement and are in discussion with the bankers. Management has yet to have any preliminary regularisation plan due for submission to Bursa Malaysia Securities Berhad by 11 February 2022 as of the date of authorisation of the financial statements.

The key chronological events are laid out below with the key determinants considered by the directors in concluding on the above basis of preparation.

Key chronological events

Default of syndicated term loan by Animation Theme Park Sdn. Bhd.
On 26 September 2019, Animation Theme Park Sdn Bhd ("**ATP**"), a direct 51% owned subsidiary of PCB Development Sdn Bhd ("**PCBD**"), which in turn is a wholly owned subsidiary of the Company, defaulted on a RM25.7 million principal repayment of its syndicated term loan of RM245.1 million representing the principal amount drawn down and interest due at the event of default. Subsequently, on 16 October 2019, Affin Hwang Investment Bank ("**AHIB**"), the facility agent declared an event of default had occurred and gave notice within 14 days from the day of its letter to effect payment of RM25.7 million, failing which all secured obligations due from ATP shall become immediately due and payable. Consequently, in addition to the syndicated term loan of RM245.1 million mentioned

above, included in bank borrowings classified as "current liabilities" as at 31 December 2019 are borrowings totalling RM191.8 million with cross default provision under different financing facilities undertaken by companies within the Group which are repayable on demand.

Appointment of receiver and manager
On 4 December 2019, following ATP's failure to meet the demand for the principal repayment of RM25.7 million for the syndicated term loan, AHIB appointed a receiver and manager over the property of ATP. The carrying amount of ATP's charged assets totalled RM87.8 million, was classified as 'assets held for sale' under current assets as at 31 December 2019. On 28 January 2020, the receiver and manager of ATP decided to close the operations of ATP's theme park.

Demand of full payment from PCB Development Sdn. Bhd. of the Syndicated Term loan pursuant to the Corporate Guarantee
On 18 December 2019, AHIB demanded from PCBD the payment of RM244 million together with interest accrued thereon on the date of full repayment pursuant to the Corporate Guarantee dated 10 July 2014 executed by PCBD in favour of AHIB for the syndicated term loan provided to ATP.

Event of default declared on the Company
On 6 February 2020, Affin Islamic Bank Berhad ("**AIB**") declared an event of default on the Company arising from its failure to pay the scheduled repayment due of RM 3.3 million on 31 January 2020 for the total outstanding credit facilities of RM75.9 million representing the principal amount drawn down and interest due as at the date of the event of default relating to Musharakah Mutanaqisah Term Financing-i and Tawarruq Revolving Credit-i.

Declaration of PN17 status by the Company
After taking into consideration the Group's cash flow position vis-a-vis its total debt obligations payable and the available cash flow then, the directors had, on 11 February 2020, determined that the Company was unable to declare that it was solvent pursuant to paragraph 9.19A(F) of the Listing Requirements. As a result of this and the above defaults on the various loan repayments, the Company was declared a PN 17 company after triggering the prescribed criteria under paragraph 2.1 (f) of the PN 17. As a result of the COVID-19 pandemic, Bursa Malaysia had announced temporary relief on 26 March 2020 whereby the Company has 24 months to submit its regularisation plan to Bursa Malaysia from the date it was first announced as a PN 17 company, which will be due on 11 February 2022. At the date of the authorisation of the financial statements for financial year 2020, management was still considering various regularisation options and no preliminary plan was available.

Cross defaults declared on the Company and PCB Taipan Sdn. Bhd.
Following the declaration of an event of default by AIB for the credit facilities extended to the Company and the Company's declaration being a PN 17 company, CIMB Bank Berhad ("CIMB") had on 28 February 2020 declared an event of cross default in respect of the Revolving Credit Facilities of RM60.0 million and RM30.0 million granted to the Company and its subsidiary, PCB Taipan Sdn Bhd ("**PCBT**") respectively and demanded full payment of RM91.3 million representing the principal amount drawn down and interest due as at the date of the event of default within 14 days from 28 February 2020.

Proposed Scheme of Arrangement with Non-Financial Institutions creditors
On 23 July 2020, the High Court of Malaya in Ipoh, Perak Darul Ridzuan granted the Company and its wholly owned subsidiary, PCBD (collectively **"the Scheme Companies**") to convene a Secured Creditor's Meeting (hereinafter **"the Creditors' Meeting**") pursuant to Section 366 of the Companies Act 2016 (hereinafter "**the Act**") for the purpose of taking into

account and if deemed appropriate, to approve with or without modification, a proposed scheme of arrangement and compromise between the Applicant and its Secured Creditors (“**the Scheme Creditors**”) within 90 days from 23 July 2020.

Extensions of time granted for the Proposed Scheme of Arrangement with Non-Financial Institutions creditors
On 19 October 2020, the High Court of Malaya in Ipoh, Perak Darul Ridzuan granted the Scheme Companies further extension of 90 days from 19 October 2020 to convene the Creditors’ Meeting pursuant to Section 366 of the Act. On 8 January 2021, the Court Convened Meetings for the Non-Financial Institutions and Direct Financial Institutions of the Company, Corporate Guarantee Financial Institutions and Non-Financial Institutions of PCBD were adjourned. On 13 January 2021, the High Court of Malaya in Ipoh, Perak granted a further extension of the Restraining Order for a period of ninety (90) days and a period of one hundred eighty (180) days from 13 January 2021 to convene a new Creditors’ Meeting with the Scheme Creditors pursuant to the provisions of Section 366 of the Act for the purpose of considering the Proposed Scheme of Arrangement.

Approvals of the Scheme of Arrangement by the Non-Financial Institutions creditors and the Court
On 19 April 2021, the Company and PCBD obtained the approval from their respective Non-Financial Institutions creditors for an Explanatory Statement, together with the Notice to convene the meetings of the new scheme creditors, unsecured creditors other than the banks and financial institutions (“**New Scheme Creditors**”) issued on 26 March 2021, pursuant to the provisions of Section 366 of the Act for the purpose of considering the Proposed New Scheme of Arrangement (“**PNSA**”), to the New Scheme Creditors pursuant to Section 366 and other relevant provisions of the Act. This PNSA as set out in Note 36 to the financial statements was approved by the Court on 11 May 2021 and shall be binding on the Applicants and the New Scheme Creditors. The Company and PCBD will carry out the proof of debt exercise with the target completion date scheduled in September 2021.

With the approval obtained above, the Company is currently in discussion with AHIB, AIB and CIMB (collectively referred as “**the Banks**”) on the preliminary private debt settlement arrangement for the defaulted loans and borrowings of the Group and of the Company. The regularisation plan which is due for submission to the Bursa Malaysia Securities Berhad by 11 February 2022 is also currently at a preliminary stage.

<u>Key determinants in arriving at the basis of preparation of the financial statements on a non-going concern basis</u>

While the Company and its subsidiary, PCBD managed to obtain approval from the New Scheme Creditors on the PNSA in 2021, the major creditors balances included in this PNSA are in respect of amounts due from related companies within the Group. As a result, the debts settlement set out in the PNSA will not substantially reduce the Group’s total liabilities and does not address the non-going concern of the Group.

The main determinant to resolve the Group’s and the Company’s non-going concern issue is the ability of the Group and of the Company to settle their loans and borrowings with the Banks. As at 31 December 2020, the total loans and borrowings of the Group and of the Company amounted to RM548.3 million (2019: RM517.9 million) and RM148.7 million (2019: RM135.8) respectively, constituted about 65% and 45% of the total liabilities of the Group and of the Company. Out of these totals, the carrying amounts of the loans defaulted as at 31 December 2020 by the Group totalled RM438.2 million (2019: RM403.1 million) and by the Company totalled RM146.4 million (2019:RM135.8 million).

In addition, out of the total loans and borrowings of the Group and of the Company, RM480.6 million (2019: RM445.2 million) and RM147.6 million (2019: RM135.8 million) are due repayable on demand or within 1 year respectively

At the date of authorisation of the financial statements, the Group and the Company have not obtained further financing from the Banks and restructuring or modifications have yet to be effected on the defaulted loans and borrowings. In addition, no repayments of principal amount nor interest were made by the Group and the Company since their respective events of default were declared by the Banks and when the cross defaults were triggered. Other than the appointment of the receiver and manager for the theme park owned by ATP, there have been no further actions taken by the Banks during the financial year to seize any other pledged assets owned by the Group or the Company.

The bank and cash position of the Group and of the Company as at 31 December 2020 of RM41.7 million and RM1.3 million respectively, together with the projected cash inflows to be generated from the on-going projects undertaken by entities within the Group are insufficient to settle the loans and borrowings due for repayment on demand or within 1 year. The various movement control orders imposed by the Government in the financial year 2020 and subsequently for the financial period up to the date of authorisation of the financial statements in response to the COVID-19 pandemic had adversely affected the hospitality and tourism industry and also resulted in weaker demand in the property market.

As the preliminary plan on private debt settlement arrangement is still under discussion with the Banks as at the date of authorisation of the financial statements, the directors are of the view that the Group and the Company are unable to realise their assets and discharging their liabilities and obligations in the normal course of business. This coupled with the absence of any financial assistance from its majority shareholder, the directors are of the view that the Group's and the Company's ability to continue its operations and business had been significantly curtailed since the previous financial year and continued to be curtailed up to the date of this report. In view of this, the directors continued to prepare the consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2020 on a non-going concern basis. Consequently, the directors applied the requirements of paragraph 25 of MFRS 101 "Presentation of Financial Statements" which states that *"...When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern."*

Accordingly, the effect of this is as follows:

- Assets are written down to their recoverable amounts based on conditions existing at the reporting date, taking into consideration the specific circumstances affecting the Group and the Company as disclosed above. This includes realisation of assets through forced sale transactions, where applicable;
- Assets that management has determined to be recovered principally through a sale transaction rather than through continuing use are classified as "assets held for sale" presented separately from the other assets in the statements of financial position;
- Assets are classified as current when these are expected to be recovered within twelve months from the reporting period, considering the liquidity constraints and obligations of the Group and of the Company that would fall due within the next twelve months;
- Liabilities are recorded in accordance with the accounting policies. Provision for future restructuring costs are recognised only when the Group and the Company have a present obligation that is evidenced by a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring; and
- Liabilities are classified as current if the liability is due to be settled within twelve months after the reporting period of the Group and of the Company do not have an

unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

3 Key Audit Matters

Below are the key audit matters that have been reported by the Independent Auditors in their Independent Auditors' report:

1. Assessing the liquidity position of the Group and of the Company and the implications to going concern

(Refer to Note 2 - Basis of preparation, Note 26 - Loans and borrowings, Note 31.2 (d) - Liquidity risk, Note 35 – Significant events during the financial year and Note 36 - Material events subsequent to the end of the current financial year)

The events set out on Note 2 – Basis of preparation resulted in certain lenders of the Group declaring events of default and cross default on a number of loans and borrowings following the failure of a subsidiary to make its principal loan repayment in the previous financial year. Consequently, borrowings with default and cross default clauses were reclassified from non-current liabilities to current liabilities since the previous financial year.

These bank borrowings classified as the Group's and the Company's current liabilities which are repayable on demand or within 1 year as at 31 December 2020 totalled RM480.6 million (2019: RM445.2 million) and RM147.6 million (2019: RM135.8 million) respectively.

As at 31 December 2020, the Group's and the Company's current liabilities exceeded their current assets by RM527.2 million (2019: RM280.4 million) and RM246.6 million (2019: RM153.1 million) respectively. This coupled with the absence of additional financing lines as at 31 December 2020 indicated that the Group and the Company do not have sufficient liquidity to meet its obligations and commitments as and when they fall due and repayable over the next 12 months from the reporting date.

After taking into consideration the Group's and the Company's current cash flows position vis-a-vis its total debt obligations payable and the available cash flows, similar to the positions taken by the Board of Directors in 2019, the directors had determined that the Group and the Company were unable to declare that they were solvent pursuant to paragraph 9.19A(F) of Main Market Listing Requirements as issued by Bursa Malaysia Securities Berhad. The trigger of the prescribed criteria under paragraph 2.1 (f) of the Practice Note 17 where the Company was declared a PN 17 company on 11 February 2020 remains valid as at 31 December 2020.

The Group is required to submit its regularisation plan to Bursa Malaysia within 12 months (further extended to 24 months as a result of the relief measures announced by Bursa Malaysia on 26 March 2020) from the date it announced it was a PN17 issuer. At the date of this report, no preliminary regularisation plan is available.

Due to the above foregoing matters impacting the Group's and the Company's liquidity, the absence of any financial assistance from its shareholders, lenders and creditors and the non availability of the debt restructuring scheme and regularisation plan as at 31 December 2020, the directors have determined that the Group's and the Company's operations and businesses will be significantly curtailed and will not be able to meet its obligations and commitments as and when they fall due. Consequently, the directors have prepared the financial statements of the Group and of the Company as a non-going concern. The basis of preparation on a non-going concern is described in Note 2 to the

financial statements along with the resultant impacts to the respective financial statements' line items.

We focused on this area as a result of the loan defaults and insolvency of Group and of the Company which will determine the basis of preparation of the consolidated financial statements of the Group and the financial statements of the Company. Substantial time was spent to understand and assess the liquidity positions of the Group and of the Company as well as on the status and progress of the debt restructuring arrangement and regularisation plan taken by the Board and management to address the Group's and the Company's liquidity positions.

How our audit addressed the key audit matter

We read the terms of the loan agreements and correspondences with all lenders for the bank borrowings of the Group and of the Company as at 31 December 2020 to understand the obligations and undertakings of the Group and of the Company, including the cross default clauses and the rights of the lenders.

For loans and borrowings as at 31 December 2020, we:
(a) checked the details of the loan repayment schedules, letter of moratorium issued by banks in 2020, wherever applicable and the extent of the loans defaulted;
(b) tested the extent of compliance to the bank borrowings' terms and assessed the resultant impacts arising from the events of default / cross default declared on the Group and the Company;
(c) checked that borrowings that have breach of covenants or repayment defaults and borrowings with cross default clauses as at 31 December 2020 have been classified as 'current liabilities' accordingly; and
(d) checked the disclosures related to loan defaults mentioned in the notes to the financial statements to the supporting correspondence from lenders and announcements by the Company to Bursa Malaysia.

We also confirmed the balances of bank borrowings as at 31 December 2020 through external confirmation.

We held discussions with the Audit Committee, Chief Executive Officer and Chief Financial Officer to understand:
(a) the status of discussions with affected lenders as well as management's actions in engaging with the lenders, receivers and managers and stakeholders on debt restructuring; and
(b) the progress of the regularisation plan.

We evaluated the impact of subsequent events after the financial year end to the Group's and the Company's liquidity positions based on the requirements of MFRS 110 – Events after the Reporting Period.

We assessed the appropriateness of the Group's and the Company's basis of preparation on a non-going concern basis, taking into consideration the mitigating factors and the adequacy of disclosures made in the financial statements.

Based on the work performed, we concurred with the directors' conclusion that the basis of preparation for the financial statements of Group and of the Company is on a non-going concern basis.

No other material exception was noted.

2. Assessing the carrying amounts of non-financial assets of the Group

(Refer to Note 4.3 - Significant accounting estimates and judgements and Note 12 - Property, plant and equipment, Note 13 - Right-of-use assets, Note 14 – Port facilities, Note 15 - Investment properties, Note 19 - Intangible assets and Note 23 – Assets held for sale)

The non-financial assets of the Group comprise the following assets with the carrying amounts as at 31 December 2020:

- property, plant and equipment: RM186.1 million;
- right-of-use assets: RM96.7 million;
- port facilities: RM139.7 million
- investment properties: RM19.3 million;
- intangible assets: RM27.0 million; and
- assets held for sale: RM Nil (after the reclassification to property, plant and equipment)

In view of the operational losses and the drop in financial performance of the Group and of the Company, management carried out an impairment assessment on the above mentioned non-financial assets. In carrying out the impairment assessment, management exercises judgement in determining the recoverable amount which is the higher of fair value less cost of disposal ("**FVLCD**") and value-in-use ("**VIU**"), taking into consideration the basis of preparation as a non-going concern.

(i) Property, plant and equipment, right-of-use assets and investment properties

As the main components of property, plant and equipment comprise land and properties held for own use, right-of-use assets being leasehold land and investment properties are held for rental and for capital appreciation, management engaged independent professional valuers to determine the FVLCD.

(ii) Assets held for sale

This represents the land and buildings of the theme park which has been placed under receivership and is offered for sale by the receiver and manager. Management engaged independent professional valuers to determine the FVLCD. The assets held for sale was subsequently reclassified to property, plant and equipment as it does not meet the criteria to be presented as 'assets held for sale' as at 31 December 2020.

(iii) Port facilities (including intangible assets)

This represents the port structure and equipment used for the operations of a port and bulk terminal by a subsidiary. No impairment indicator noted for this cash-generating unit.

Based on the assessment performed by management for the non-financial assets above, impairment loss of RM8.1 million and RM9.9 million in respect of property, plant and equipment and assets held for sale (which was subsequently reclassified to property, plant and equipment as at 31 December 2020) were charged to profit or loss by the Group respectively.

How our audit addressed the key audit matter

We obtained an understanding of management's plan and business changes impacting the Group to ascertain whether impairment indicators had been triggered.

For recoverable amounts based on FVLCD where management had engaged independent professional valuers to perform valuation of land and buildings, we performed the following:

(a) Assessed the objectivity, competence and experience of the independent professional valuers;
(b) Obtained an understanding of the methodology adopted by the independent professional valuers in estimating FVLCD and assess if the methodology used is consistent with industry practices;
(c) Reviewed valuation reports issued by the independent professional valuers and discussed with them on the valuation model used and key assumptions used and compared these to market data and past financial performance; and
(d) Compared the valuation in the valuation reports to the carrying amounts and where the recoverable amounts which are based on forced sale values, are lower than the carrying amounts, checked that the impairment charges are correctly taken up in the financial statements

Where recoverable amounts are based on VIU:
(a) We assessed the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results;
(b) We compared the 5-year weighted cash flows projections and the key assumptions used by management to the historical performance and development projects approved by the Board of Directors, taking the existing economic environment and impact of COVID-19 pandemic into consideration;
(c) We checked the overall operating profit margins to historical margins achieved;
(d) We compared the revenue growth rates to industry data and check that the revenue growth rates are within the range of historical annual growth rates;
(e) We compared the discount rate used to comparable industry rates in which the CGU operate; and
(f) We checked the sensitivity analysis on revenue growth rates and discount rate prepared by the management to evaluate the impact on impairment assessment.

Based on the work performed, no material exception noted.

3. Assessing recoverable amounts for property development costs of the Group and of the Company

(Refer to Note 4.4 - Significant accounting estimates and judgements and Note 21 - Inventories)

As at 31 December 2020, the carrying amounts of property development costs of the Group and of the Company included as part of inventories amounted to RM136.5 million and RM73.2 million respectively.

In view of the operational losses and delays noted in the projects entered by the Group and the Company, management performed an assessment to establish the lower of cost and net realisable value for the property development costs. Valuations were performed by independent professional valuers to ascertain the net realisable value for the land held for development. Property development costs for long outstanding projects which had costs deemed not recoverable were impaired.

Impairment losses relating to the property development costs of the Group of RM0.2 million (2019: RM12.7 million) and of the Company of RM Nil (2019: RM8.2 million) were charged to profit or loss in the current financial year.

We focused on this area as this is one of the key business activities of the Group and of the Company and the use of critical accounting estimates and judgements.

How our audit addressed the key audit matter

We performed the following:

(a) Obtained the listing of property development costs as at 31 December 2020 and discussed with management on the status of selected material projects and plans to complete these projects;
(b) Performed substantive testing on selected property development costs by examining supporting documentary evidence for costs incurred and minutes of meeting wherever applicable to evaluate the status and progress of these projects;
(c) Evaluated the recoverability of the property development cost incurred and the viability of the projects to changes / events noted during the financial year and subsequent to financial year end; and
(d) Evaluated management's assessment of the recoverability of the common infrastructure costs capitalised in the property development costs based on upcoming projects planned.

Based on the work performed, no material exception noted.

4. Assessing the adequacy of expected credit loss allowance for doubtful debts and financial guarantee contracts of the Group and of the Company

(Refer to Note 4.6 - Significant accounting estimates and judgements, Note 22 – Receivables, deposits and prepayments, Note 27 – Payables and accrued liabilities and Note 34 – Financial guarantee contracts)

As at 31 December 2020, the amounts receivable from third party trade debtors, other receivables and other related parties of the Group and of the Company as set out in Note 22 were RM25.7 million and RM6.6 million respectively.

The Group and the Company have granted corporate guarantees to the associated companies and certain of the Company's subsidiaries for the bank borrowings obtained by the respective associated companies and the subsidiaries. The values of the corporate guarantees issued to the associated companies and the subsidiaries amounted to RM45.1 million and RM77.7 million as at 31 December 2020 respectively.

Management has applied the expected credit loss ("ECL") model to establish the extent of ECL allowance required as at 31 December 2020.

ECL allowance for impairment loss of the Group and of the Company relating to trade debtors, other receivables, amount due from related parties and financial guarantee liabilities totalling RM44.4 million and RM59.6 million were charged to the profit and loss respectively (Note 6 and statements of comprehensive income).

We focused specifically on the carrying values of the amounts receivable from third party trade debtors, subsidiaries and other related parties as well as the financial guarantee contracts as there are significant judgements and critical estimates made by management in determining the ECL.

How our audit addressed the key audit matter

In assessing the ECL model on the amounts due from trade debtors, subsidiaries and related parties and corporate guarantees issued to the associated companies and the subsidiaries, we performed the following, taking into consideration the underlying basis of calculation:

(a) Discussed with management, the inputs and the underlying assumptions used in the simplified approach for trade debtors and general 3-stage impairment model for amounts due from subsidiaries and other related parties under MFRS 9 when determining the ECL allowance required;
(b) We traced to loan repayment information of the associated companies monitored by management where assessment was made on the timeliness of repayments and the risk of default by the associated companies;
(c) Reviewed the reasonableness of key assumptions used in the 3-stage impairment model and tested the mathematical accuracy of the model; and
(d) Tested the accuracy of the ageing profiles against supporting documents on a sample basis.

We evaluated the adequacy of the impairment charges that were recognised in the profit or loss during the current financial year. We also considered the appropriateness of the disclosures included in the notes to the financial statements of the Company.

Based on the procedures performed, no material exception was noted.

5. Assessing the carrying value of equity investments in subsidiaries
(Refer to Notes 4.5 – Significant accounting estimates and judgements and Note 16 - Investments in subsidiaries)

As at 31 December 2020, the net carrying amount of equity investments in subsidiaries prior to impairment as set out in Note 16 were RM99.1 million.

During the current financial year, an impairment charge of RM1.0 million (2019: RM56.0 million) was made for equity investment in a subsidiary as the recoverable amount was lower than the carrying amount.

We focused specifically on the carrying amount of equity investments in subsidiaries as the recoverable amounts were subject to significant judgements and critical estimates made by management over the key assumptions used in the projected cash flows and the discount rates applied.

How our audit addressed the key audit matter

In assessing the recoverable amounts of equity investments in subsidiaries, we performed the following audit procedures, taking into consideration the underlying basis of preparation of the financial statements for the respective subsidiaries:

(a) Assessed management's processes for identifying and evaluating impairment indicators over its equity investments in subsidiaries;
(b) Obtained an understanding of the relevant processes used by management to perform impairment assessment and to estimate the recoverable amounts of the respective subsidiaries;
(c) For recoverable amounts based on FVLCD, obtained valuations performed by independent valuers and considered realisation of assets through forced sale transactions (wherever applicable);
(d) For recoverable amounts based on value-in-use on the discounted cash flows used by management, agreed the projected cash flows to the budgets approved by the respective subsidiaries' Board of Directors;
(e) Discussed with management, the inputs, the key assumptions used in the value-in-use model and compared these to past financial performance and industry information; and

(f) Discussed with our internal valuation specialists on the valuation models used by management, evaluating the appropriateness of the method, cash flows projections and key assumptions used by management to determine the recoverable amounts of the equity investments in subsidiaries.

We evaluated the adequacy of the impairment charges that were recognised during the current financial year. We also considered the appropriateness of the disclosures included in the notes to the financial statements of the Company.

Based on the procedures performed, no material exception was noted.

4. In relation to the above, the Board wishes to advise that:

(a) the Independent Auditors have expressed an unqualified opinion on the financial statements;

(b) in addressing the non-going concern of the Group, the management is working to finalise the debt restructuring scheme to manage the Group's debts and preparing a regularisation plan to be submitted to the relevant authorities for approval.

This announcement is dated 1 June 2021.