



CRG INCORPORATED BERHAD

Registration No. 200901037127 (880257-A)

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

HALF YEARLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CRG INCORPORATED BERHAD ("CRG" OR THE "COMPANY"). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 ⁽¹⁾

	Individual 6 months ended		Cumulative 6 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue	51,055	57,699	51,055	57,699
Cost of sales	(24,281)	(30,099)	(24,281)	(30,099)
Gross profit	26,774	27,600	26,774	27,600
Other operating income	689	234	689	234
Selling and distribution expenses	(13,257)	(15,057)	(13,257)	(15,057)
General and administrative expenses	(9,196)	(9,823)	(9,196)	(9,823)
Profit from operations	5,010	2,954	5,010	2,954
Finance costs	(503)	(363)	(503)	(363)
Profit before taxation	4,507	2,591	4,507	2,591
Taxation	(1,718)	(1,692)	(1,718)	(1,692)
Profit after taxation	2,789	899	2,789	899
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit and loss				
Foreign currency translations	12	47	12	47
Total other comprehensive income, net of tax	12	47	12	47
Total comprehensive income	2,801	946	2,801	946
Profit attributable to owner of the parent	2,789	899	2,789	899
Total comprehensive income attributable to owner of the parent	2,801	946	2,801	946
Earnings per share attributable to owner of the parent (Sen)				
- Basic	0.35	0.11	0.35	0.11

Note:

⁽¹⁾ The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Financial Statement of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 ⁽¹⁾

	Unaudited as at 31.12.2019 RM'000	Audited as at 30.6.2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	29,757	31,128
Right-of-use assets	17,371	-
Goodwill	20	20
Deferred tax assets	987	700
Total non-current assets	48,135	31,848
CURRENT ASSETS		
Inventories	11,238	14,881
Trade and other receivables	16,487	18,070
Current tax assets	184	137
Cash and bank balances	36,859	30,865
Short term funds	3,527	-
Total current assets	68,295	63,953
TOTAL ASSETS	116,430	95,801
EQUITY		
Share capital	68,000	68,000
Reserves	5,185	4,800
Total equity	73,185	72,800
NON-CURRENT LIABILITIES		
Borrowings	13,898	14,581
Provision for restoration costs	614	464
Deferred tax liabilities	22	15
Lease liabilities	11,707	-
Total non-current liabilities	26,241	15,060
CURRENT LIABILITIES		
Trade and other payables	8,089	5,656
Borrowings	875	844
Lease liabilities	6,098	-
Provision for restoration costs	202	167
Current tax liabilities	1,740	1,274
Total current liabilities	17,004	7,941
Total liabilities	43,245	23,001
TOTAL EQUITY AND LIABILITIES	116,430	95,801
Net assets per share (sen)	9.08	9.04

Note:

⁽¹⁾ The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 ⁽¹⁾

	← Non-distributable →		Distributable retained earnings RM'000	Total equity RM'000
	Share capital RM'000	Exchange translation reserve RM'000		
As at 1 July 2019 (as previously reported)	68,000	(199)	4,999	72,800
Effects of adoption of MFRS 16	-	-	(402)	(402)
As at 1 July 2019 (as restated)	68,000	(199)	4,597	72,398
Profit for the financial period	-	-	2,789	2,789
Foreign currency translation, net of tax	-	12	-	12
Total comprehensive income for the period	-	12	2,789	2,801
Transaction with owner				
Dividends paid	-	-	(2,014)	(2,014)
Transaction with owner	-	-	(2,014)	(2,014)
As at 31 December 2019	68,000	(187)	5,372	73,185

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 ⁽¹⁾ (Cont'd)

	← Non-distributable →		Distributable retained earnings RM'000	Total equity RM'000
	Share capital	Exchange translation reserve		
	RM'000	RM'000		
As at 1 July 2018 (as previously reported)	68,000	(251)	3,774	71,523
Effects of adoption of MFRS 9	-	-	(3,115)	(3,115)
As at 1 July 2018 (as restated)	68,000	(251)	659	68,408
Profit for the financial period	-	-	899	899
Foreign currency translation, net of tax	-	47	-	47
Total comprehensive income for the period	-	47	899	946
As at 31 December 2018	68,000	(204)	1,558	69,354

Note:

⁽¹⁾ The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 ⁽¹⁾

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Cash flows from operating activities		
Profit before tax	4,507	2,591
Adjustments for:		
Depreciation of right-of-use assets	3,412	-
Depreciation of property, plant and equipment	1,457	1,507
Fair value loss on short term funds	4	-
Loss/ (Gain) on disposal of property, plant and equipment	11	(1)
Impairment loss on trade and other receivables	5	1,061
Interest expenses	101	363
Interest income and distribution income from short term funds	(281)	(116)
Lease interest expenses	388	-
Property, plant and equipment written off	12	254
Reversal of impairment losses on trade and other receivables	(331)	-
Unrealised loss / (gain) on foreign exchange, net	25	(43)
Unwinding of discount on provision for restoration costs	15	-
Operating profit before changes in working capital	9,325	5,616
Changes in working capital:		
Inventories	3,643	(3,201)
Trade and other receivables	1,882	(1,199)
Trade and other payables	2,426	2,827
Cash generated from/ (used in) operations	17,276	4,043
Tax paid	(1,478)	(1,105)
Tax refunded	-	795
Net cash generated from operating activities	15,798	3,733
Cash flows from investing activities		
Interest received	281	116
Proceeds from disposal of property, plant and equipment	12	4
Purchase of property, plant and equipment	(278)	(1,595)
Repayment to a former related company ⁽²⁾	-	(11)
Placement of short term funds	(3,531)	-
Net cash used in investing activities	(3,516)	(1,486)
Cash flows from financing activities		
Interest paid	(101)	(363)
Dividends paid	(2,014)	-
Net repayment of bankers' acceptance	-	(639)
Repayment of hire purchase	(37)	-
Repayment of term loans	(613)	(355)
Repayment of lease liabilities	(3,536)	-
Net cash used in financing activities	(6,301)	(1,357)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 ⁽¹⁾ (cont'd)

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Net increase in cash and cash equivalents	5,981	890
Effects of exchange rate changes on cash and cash equivalents	13	22
Cash and cash equivalents at beginning of financial period	30,865	15,430
Cash and cash equivalents at end of financial period	36,859	16,342

Notes:

⁽¹⁾ The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ "former related company" refers to a subsidiary of Bonia Corporation Berhad ("Bonia") that was related to the Group prior to its demerger from Bonia.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**A1. Basis of Preparation**

The interim financial statements of CRG and its subsidiaries (the “Group”) are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting. This is the interim financial report on the consolidated results for the half-year ended 31 December 2019 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.

This report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 30 June 2019. The explanatory notes attached to this report provide an explanation of events and transactions that are significant to the understanding of changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

A2. Accounting Policies

The significant accounting policies adopted by the Group in this report are consistent with those adopted in the Audited Financial Statements of the Group for the financial year ended 30 June 2019 except for the adoption of the following new accounting standards and amendments and interpretation:-

A2.1 Adoption of MFRS and amendments effective for financial periods beginning on or after 1 January 2019

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

The adoption of the above accounting standards, amendments and interpretation has no significant impact on the financial statements of the Group except as mentioned below:

A2. Accounting Policies (cont'd)

A2.1 Adoption of MFRS and amendments effective for financial periods beginning on or after 1 January 2019 (cont'd)

(a) MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard requires the lessee to recognise the right-of-use of the underlying lease asset and future lease payments liabilities in the statements of financial position. The lessor accounting under MFRS 16 is substantially the same as the accounting under the MFRS117. Lessor continues to classify leases as either operating or finance lease.

The right-of-use assets are initially measured at cost, and subsequently at cost less accumulated depreciation, any accumulated impairment losses and adjusted for any re-measurement of the lease liabilities.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payment discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group's incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability, decreased by lease payment made and re-measured the carrying amount to reflect any reassessment or lease modification.

The Group has elected to adopt the cumulative effect method. The cumulative effect of initial application of this standard is adjusted to the opening balances of retained earnings as at 1 July 2019.

The financial effects arising from the initial adoption of MFRS 16 are as follows :-

	As previously reported as at 1 July 2019	Effects of adoption of MFRS 16	Restated as at 1 July 2019
	RM'000	RM'000	RM'000
Condensed Consolidated Statements of Financial Position			
<u>Non-Current Assets</u>			
Property, plant and equipment	31,128	(163)	30,965
Right-to-use assets	-	19,581	19,581
Deferred tax assets	700	100	800
Impact to non-current assets	31,828	19,518	51,346
<u>Non-Current Liabilities</u>			
Lease liabilities	-	13,611	13,611
Provision for restoration costs	464	172	636
Impact to non-current liabilities	464	13,783	14,247
<u>Current Liabilities</u>			
Lease liabilities	-	6,155	6,155
Provision for restoration costs	167	(18)	149
Impact to current liabilities	167	6,137	6,304
<u>Equity</u>			
Retained earnings	4,999	(402)	4,597
Impact to equity	4,999	(402)	4,597

A2. Accounting Policies (cont'd)

A2.2 MFRS and Amendment effective for financial years beginning on or after 1 January 2020

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

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

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

A3. Seasonal or Cyclical Factors

Our business operations are generally dependent on the Malaysia economy, government initiatives and consumer confidence, as well as major festive seasons.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items as a result of their nature, size or incidence that had affected this interim financial report for the current financial period under review.

A5. Material Changes in Accounting Estimates

There were no material changes in accounting estimates in the current financial period under review.

A6. Debt and Equity Securities

There were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial period under review.

A7. Segmental Information

Segment analysis for the financial period ended 31 December 2019 is set out below:

	Retailing RM'000	Manufacturing⁽¹⁾ RM'000	Investment and management services RM'000	Total RM'000
<u>Revenue</u>				
Total revenue	68,578	-	10,696	79,274
Inter-segment revenue	(17,523)	-	(10,696)	(28,219)
Revenue from external customers	51,055	-	-	51,055
Interest income	255	-	26	281
Interest expenses	-	-	(101)	(101)
Net interest income/ (expenses)	255	-	(75)	180
Segment profit/ (loss) before tax	5,788	-	(1,281)	4,507
Tax expense	1,596	-	122	1,718
Segment assets	70,145	-	45,114	115,259
Segment liabilities	21,034	-	20,449	41,483

Note:

(1) Ceased operations in July 2018.

A7. Segmental Information (cont'd)

Segment analysis for the financial period ended 31 December 2018 is set out below:

	Retailing RM'000	Manufacturing RM'000	Investment and management services RM'000	Total RM'000
<u>Revenue</u>				
Total revenue	74,538	15	9,839	84,392
Inter-segment revenue	(16,839)	(15)	(9,839)	(26,693)
Revenue from external customers	57,699	-	-	57,699
Interest income	116	-	-	116
Interest expenses	(11)	(11)	(341)	(363)
Net interest income/ (expenses)	105	(11)	(341)	(247)
Segment profit/ (loss) before tax	2,938	(32)	(315)	2,591
Tax expense	1,595	-	97	1,692
Segment assets	65,079	-	31,327	96,406
Segment liabilities	10,078	-	17,326	27,404

A8. Related parties transactions

Transacting related parties	Nature of transactions	6 months ended 31.12.2019 RM'000
Luxury Parade Sdn Bhd	Joint security management for the security services for entire Block C (located at Jalan Cheras Zen 1A, Taman Platinum Cheras) comprising 6 level of office building together with 92 units of carpark bays	34
Total		34

A9. Qualification of Preceding Annual Financial Statements

The Company's preceding Audited Financial Statements for the financial year ended 30 June 2019 did not contain any qualification.

A10. Material Events Subsequent to the End of the Financial Period

There were no material events subsequent to the end of current financial period.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial period.

A12. Contingent Liabilities

Save as disclosed below, as at 31 December 2019, the Company is unaware of other contingent liabilities:

	As at 31 December 2019 RM'000
Corporate guarantee to financial institutions for banking facilities granted to and utilised by subsidiaries	2,750
Corporate guarantees to landlords for tenancy agreements entered into by a subsidiary	1,549
Total	<u>4,299</u>

A13. Capital Commitments

There were no material capital commitments as at 31 December 2019.

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B. ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Performance Review

For current financial period under review, the Group recorded a total revenue of RM51.06 million as compared to a revenue of RM57.70 million reported in the preceding year corresponding period, representing a decrease of 11.51% or RM6.64 million. The decline in revenue was mainly due to Group's rationalization process of closing its non-performing departmental stores counters and boutiques. The Group has closed more than 30 non-performing departmental store counters and boutiques in the year of 2019. Revenue contribution from e-commerce platform continues to increase in current financial period under review.

Despite the decline in revenue, the Group's profit before tax increased by 74.13% or RM1.92 million, mainly due to reduction in operating costs as a result of its consolidation and rationalization exercise to close the non-performing departmental stores counters and boutiques.

Our distributor, Kafak International Company, has ceased its business for distribution and marketing of Carlo Rino range of products in Saudi Arabia and other countries in the Middle East region. The Group will continue to identify new distributors for Middle East region and new markets.

B2. Prospects

The Group anticipates that the global retail conditions in 2020 will continue to be challenging amid the growing concern over the economic damage caused by the spread of the COVID-19 virus.

Nevertheless, the Group will continue to focus its attention on product mix and design, customer service and closely monitor each retail outlet performance and cost as to maintain its competitiveness. The Group believes that its business will be able to continue with its momentum as long as the Group remains focus on its business strategies. The Group will continue to leverage on digital market platforms to attract consumers from various countries to promote the Group's product range.

Based on the uncertain retail scene moving forward, the Board of Directors of the Company expects the Group's performance for the remaining period of this financial year to be challenging.

B3. Profit Forecast, Profit Guarantee and Internal Targets

No revenue or profit estimate, forecast, projection or internal targets has been issued by the Group previously in any public document.

C. OTHER INFORMATION

C1. Status of Corporate Proposals

There were no corporate proposals announced and pending completion as at the date of this report.

C2. Borrowings

As at the reporting date, the Group's borrowings (all denominated in RM) are as follows:

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
<u>Current liabilities</u>		
Secured		
Hire purchase and lease creditor	74	-
Term loans	801	750
	<hr/> 875	<hr/> 750
<u>Non-current liabilities</u>		
Secured		
Hire purchase and lease creditor	288	-
Term loans	13,610	14,760
	<hr/> 13,898	<hr/> 14,760
Total	<hr/> 14,773 <hr/>	<hr/> 15,510 <hr/>

C3. Material Litigation

There are no material litigations involving the Group as at the date of this report.

C4. Dividend

On 27 February 2020, the Board has resolved to declare an interim single tier dividend of 0.25 sen per ordinary share for the financial year ending 30 June 2020, which will be payable on 20 March 2020.

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C5. Earnings Per Share

	Individual 6 months ended		Cumulative 6 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owner of the Company	2,789	899	2,789	899
Weighted average number of ordinary shares ('000)	805,651	805,651	805,651	805,651
Basic earnings per ordinary share (Sen)	0.35	0.11	0.35	0.11

This report is dated 27 February 2020.