# ACO GROUP BERHAD

**201901020410 (1329739-A)**
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR/PERIOD ENDED**
**29 FEBRUARY 2020**

*Registration No. 201901020410 (1329739-A)*

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020**

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**ACO GROUP BERHAD**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year/period ended 29 February 2020.

## INCORPORATION AND PRINCIPAL ACTIVITIIES

The Company was incorporated in Malaysia on 11 June 2019 as a private limited liability company under the name of ACO Group Sdn. Bhd.. The Company was converted into a public limited company on 8 August 2019 and assume its present name.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

## RESULTS

| | Group<br>RM | Company<br>RM |
|---|---|---|
| Profit/(Loss) for the financial year/period, net of tax | 7,835,104 | (88,297) |
| Attributable to: | | |
| Owners of the Company | 7,667,283 | (88,297) |
| Non-controlling interests | 167,821 | - |
| | 7,835,104 | (88,297) |

## DIVIDENDS

No dividends has been paid or declared by the Company since the date of incorporation.

The directors do not recommend the payment of any dividends in respect of the financial period ended 29 February 2020.

## RESERVES OR PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debt had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance of doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group or the Company which has arisen since the end of the financial year/period.

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

**DIRECTORS' REPORT (CONTINUED)**

**CHANGE OF CIRCUMSTANCES**

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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year/period were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

**ISSUE OF SHARES AND DEBENTURES**

The Company issued 2 ordinary shares at issue price of RM1 per ordinary share to the subscribers on the date of incorporation.

During the financial period, the Company:

(i) issued 998 new ordinary shares at a price of RM1 per ordinary shares for a total cash consideration of RM998;

(ii) issued 235,469,000 new ordinary shares at a price of RM0.15 per ordinary shares for a total consideration of RM35,320,350 for the acquisition of 100% equity interest in ACO Holdings Sdn. Bhd.; and

(iii) issued 6,530,000 new ordinary shares at a price of RM0.15 per ordinary shares for a total consideration of RM979,500 for ACO Holdings Sdn. Bhd.'s acquisition of the shares in Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd.'s remaining shares not owned by ACO Holdings Sdn. Bhd.

The new ordinary shares issued during the financial period rank *pari passu* in all respects with the existing ordinary shares of the Company.

During the financial period, no new issue of debentures was made by the Company.

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up the unissued shares of the Company during the financial period.

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

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

Yap Koon Roy (Appointed on 5 August 2019)
Tang Pee Tee @ Tan Chang Kim (Appointed on 5 August 2019)**
Tan Yushan (Appointed on 5 August 2019)**
Chai Poh Choo (Appointed on 5 August 2019)
Dr. Teh Chee Ghee (Appointed on 5 August 2019)
Ir. Dr. Ng Kok Chiang (Appointed on 5 August 2019)
Ng Ching Huwai (First Director, resigned on 16 August 2019)
Ong Soo Mei (First Director, resigned on 16 August 2019)

** Director of the Company and the subsidiaries

Other than stated above, the names of the directors of subsidiaries of the Company in office during the financial period and during the period from the end of the financial year to the date of the report are:

Jin Siew Yen
Gan Bee Hong
Goh Bee Tin
Woo Yoong Eng

According to the Register of Directors' Shareholding required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial period in ordinary shares in the Company and its related corporation during the financial period were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 11.06.2019 (date of incorporation) | Bought | Sold | At 29.02.2020 |
| **Company** | | | | |
| **Direct interests:** | | | | |
| Ng Ching Huwai | 1 | 499 | 500 | - |
| Ong Soo Mei | 1 | 499 | 500 | - |
| Tang Pee Tee @ Tan Chang Kim | - | 188,375,200 | - | 188,375,200 |
| Tan Yushan | - | 23,546,900 | - | 23,546,900 |
| **Deemed interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim[1] | - | 47,094,800 | - | 47,094,800 |
| Tan Yushan[2] | - | 211,923,100 | - | 211,923,100 |

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS (CONTINUED)**

According to the Register of Directors' Shareholding required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial period in ordinary shares in the Company and its related corporation during the financial period were as follows (Continued):

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 11.06.2019 (date of incorporation)** | **Bought** | **Sold** | **At 29.02.2020** |
| **Subsidiary, ACO Holdings Sdn. Bhd.** | | | | |
| **Direct interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim | 2,000,000 | - | 2,000,000 | - |
| Tan Yushan | 250,000 | - | 250,000 | - |
| **Deemed interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim[(1)] | 500,000 | 2,000,000 | - | 2,500,000 |
| Tan Yushan[(2)] | 2,250,000 | 250,000 | - | 2,500,000 |
| **Subsidiary of ACO Holdings Sdn. Bhd., Electric Master Sdn. Bhd.** | | | | |
| **Deemed interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim[(3)] | 320,004 | 80,001 | - | 400,005 |
| Tan Yushan[(4)] | 320,004 | 80,001 | - | 400,005 |
| **Subsidiary of ACO Holdings Sdn. Bhd., Maylec Sdn. Bhd.** | | | | |
| **Deemed interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim[(3)] | 500,000 | 55,500 | - | 555,500 |
| Tan Yushan[(4)] | 500,000 | 55,500 | - | 555,500 |

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS (CONTINUED)**

According to the Register of Directors' Shareholding required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial period in ordinary shares in the Company and its related corporation during the financial period were as follows (Continued):

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 11.06.2019 (date of incorporation)** | **Bought** | **Sold** | **At 29.02.2020** |
| **Subsidiary of ACO Holdings Sdn. Bhd., Voltage Master Sdn. Bhd.** | | | | |
| **Deemed interests:** | | | | |
| Tang Pee Tee @ Tan Chang Kim[(3)] | 185,000 | 15,000 | - | 200,000 |
| Tan Yushan[(4)] | 185,000 | 15,000 | - | 200,000 |

Notes:

(1) Deemed interest by virtue of his direct interest in Kompas Realty Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his spouse and son, pursuant to Section 59(11)(c) of the Companies Act 2016.

(2) Deemed interest by virtue of his direct interest in Kompas Realty Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his parents, pursuant to Section 59(11)(c) of the Companies Act 2016.

(3) Deemed interest by virtue of his direct interest in the Company, Kompas Realty Sdn. Bhd. and ACO Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his spouse and son, pursuant to Section 59(11)(c) of the Companies Act 2016.

(4) Deemed interest by virtue of his direct interest in the Company, Kompas Realty Sdn. Bhd. and ACO Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his parents, pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of Tang Pee Tee @ Tan Chang Kim and Tan Yushan's direct and deemed interest in the Company, they are also deemed to have an interest in shares of all subsidiaries of the Company, to the extent that the Company has an interest pursuant to Section 8(4) of the Companies Act 2016.

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS (CONTINUED)**

Other than as stated above, none of the other directors in office at the end of the financial period had any interest in ordinary shares or debentures of the Company and its related corporations during the financial period.

**DIRECTORS' BENEFITS**

Since the date of incorporation, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 30(d) to the financial statements) 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.

Neither during, nor at the end of the financial period, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

**INDEMNITY TO DIRECTORS AND OFFICERS**

During the financial period, there was no indemnity coverage and insurance premium paid to the directors and officers of the Company.

**SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

**SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR/PERIOD**

Details of significant events during and subsequent to the end of the financial year/period are disclosed in Notes 32 and 33 respectively to the financial statements.

**AUDITORS' REMUNERATION**

The details of the auditors' remuneration are disclosed in Note 24 to the financial statements.

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**DIRECTORS' REPORT (CONTINUED)**

**INDEMNITY TO AUDITORS**

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

**AUDITORS**

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

..............................................................
**TANG PEE TEE @ TAN CHANG KIM**
Director

..............................................................
**TAN YUSHAN**
Director

Date: 1 July 2020

**ACO GROUP BERHAD**
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## STATEMENTS OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 5 | 18,127,355 | 22,107,296 | - |
| Right-of-use assets | 6 | 5,309,587 | - | - |
| Investment properties | 7 | 6,450,000 | 6,300,000 | - |
| Investment in a subsidiary | 8 | - | - | 35,320,350 |
| **Total non-current assets** | | **29,886,942** | **28,407,296** | **35,320,350** |
| **Current assets** | | | | |
| Inventories | 10 | 35,381,293 | 29,622,863 | - |
| Current tax assets | | 21,976 | 86,826 | - |
| Trade and other receivables | 11 | 32,877,375 | 30,319,904 | 811,588 |
| Prepayments | 12 | 920,875 | 277,916 | 123,487 |
| Cash and short-term deposits | 13 | 5,854,794 | 9,710,779 | 19,128 |
| | | 75,056,313 | 70,018,288 | 954,203 |
| Asset classified as held for sale | 14 | - | 1,711,540 | - |
| **Total current assets** | | **75,056,313** | **71,729,828** | **954,203** |
| **TOTAL ASSETS** | | **104,943,255** | **100,137,124** | **36,274,553** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 15 | 36,300,850 | 2,500,000 | 36,300,850 |
| Capital contribution | 16 | - | 5,000,000 | - |
| Reorganisation reserve | 17 | (27,860,647) | - | - |
| Retained earnings/ (Accumulated losses) | | 35,689,077 | 27,818,885 | (88,297) |
| | | 44,129,280 | 35,318,885 | 36,212,553 |
| Non-controlling interests | | - | 974,291 | - |
| **TOTAL EQUITY** | | **44,129,280** | **36,293,176** | **36,212,553** |

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**STATEMENTS OF FINANCIAL POSITION**
**AS AT 29 FEBRUARY 2020 (CONTINUED)**

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Loans and borrowings | **18** | 8,860,400 | 9,127,149 | - |
| Lease liabilities | **19** | 520,195 | - | - |
| Deferred tax liabilities | **20** | 362,178 | 695,000 | - |
| Trade and other payables | **21** | - | 600,000 | - |
| **Total non-current liabilities** | | **9,742,773** | **10,422,149** | **-** |
| **Current liabilities** | | | | |
| Loans and borrowings | **18** | 18,812,074 | 17,212,859 | - |
| Lease liabilities | **19** | 240,142 | - | - |
| Current tax liabilities | | 955,542 | 692,672 | - |
| Trade and other payables | **21** | 31,063,444 | 35,516,268 | 62,000 |
| **Total current liabilities** | | **51,071,202** | **53,421,799** | **62,000** |
| **TOTAL LIABILITIES** | | **60,813,975** | **63,843,948** | **62,000** |
| **TOTAL EQUITY AND LIABILITIES** | | **104,943,255** | **100,137,124** | **36,274,553** |

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

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## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| Revenue | 22 | 134,287,863 | 134,373,539 | - |
| Cost of sales | | (108,321,534) | (112,155,414) | - |
| **Gross profit** | | **25,966,329** | **22,218,125** | **-** |
| Other income | | 1,401,380 | 1,710,898 | - |
| Administrative expenses | | (16,081,654) | (13,734,338) | (88,297) |
| **Operating profit/(loss)** | | **11,286,055** | **10,194,685** | **(88,297)** |
| Finance costs | 23 | (1,339,161) | (1,027,517) | - |
| **Profit/(Loss) before tax** | 24 | **9,946,894** | **9,167,168** | **(88,297)** |
| Income tax expense | 26 | (2,111,790) | (1,751,115) | - |
| **Profit/(Loss) for the financial year/period, representing total comprehensive income/(loss) for the financial year/period** | | **7,835,104** | **7,416,053** | **(88,297)** |
| **Profit/(Loss) attributable to:** | | | | |
| Owners of the Company | | 7,667,283 | 6,871,054 | (88,297) |
| Non-controlling interests | | 167,821 | 544,999 | - |
| | | **7,835,104** | **7,416,053** | **(88,297)** |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the Company | | 7,667,283 | 6,871,054 | (88,297) |
| Non-controlling interests | | 167,821 | 544,999 | - |
| | | **7,835,104** | **7,416,053** | **(88,297)** |
| **Earnings per share (RM)** | | | | |
| - Basic and diluted | 27 | **0.03** | **0.03** | |

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

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## STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020

| | | ← Attributable to owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Note** | **Share capital RM** | **Capital contribution RM** | **Reorganisation reserve RM** | **Retained earnings RM** | **Sub-total RM** | **Non-controlling interests RM** | **Total equity RM** |
| **At 1 March 2018 (unaudited)** | | 2,500,000 * | 5,000,000 * | - | 20,311,922 | 27,811,922 | 3,515,201 | 31,327,123 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | - | - | 6,871,054 | 6,871,054 | 544,999 | 7,416,053 |
| **Transactions with owners** | | | | | | | | |
| Changes in ownership interests in subsidiaries | | - | - | - | 635,909 | 635,909 | (3,135,909) | (2,500,000) |
| Non-controlling interests arising from acquisition of additional shares in subsidiary | | - | - | - | - | - | 50,000 | 50,000 |
| Total transactions with owners | | - | - | - | 635,909 | 635,909 | (3,085,909) | (2,450,000) |
| **At 28 February 2019 (unaudited)** | | 2,500,000 | 5,000,000 | - | 27,818,885 | 35,318,885 | 974,291 | 36,293,176 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | - | - | 7,667,283 | 7,667,283 | 167,821 | 7,835,104 |
| **Transactions with owners** | | | | | | | | |
| Share issued upon incorporation | 15 | 2 | - | - | - | 2 | - | 2 |
| Issuance of ordinary shares | 15 | 998 | - | - | - | 998 | - | 998 |
| Issuance of shares for acquistion of a subsidiary | 8, 15 | 35,320,350 | - | (35,360,647) | 40,297 | - | - | - |
| Issuance of shares for acquistion of non-controlling interests | 9, 15 | 979,500 | - | - | 162,612 | 1,142,112 | (1,142,112) | - |
| Reorganisation reserve | 8, 15 | (2,500,000) | (5,000,000) | 7,500,000 | - | - | - | - |
| Total transactions with owners | | 33,800,850 | (5,000,000) | (27,860,647) | 202,909 | 1,143,112 | (1,142,112) | 1,000 |
| **At 29 February 2020** | | 36,300,850 | - | (27,860,647) | 35,689,077 | 44,129,280 | - | 44,129,280 |

* *The share capital and capital contribution of the Group as at 1 March 2019 relates to the share capital and capital contribution of ACO Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company of which the Company acquired on 22 January 2020 via the shares issuance.*

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**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020 (CONTINUED)**

| | Note | ← Attributable to owners of the Company → Share capital RM | Accumulated losses RM | Total equity RM |
|---|---|---|---|---|
| **Company** | | | | |
| **At 11 June 2019 (Date of incorporation)** | **15** | 2 | - | 2 |
| Loss for the financial period, representing total comprehensive loss for the financial period | | - | (88,297) | (88,297) |
| **Transaction with owners** | | | | |
| Issuance of ordinary shares | **15** | 998 | - | 998 |
| Issuance of shares for acquistion of a subsidiary | **8, 15** | 35,320,350 | - | 35,320,350 |
| Issuance of shares for acquistion of non-controlling interests | **9, 15** | 979,500 | - | 979,500 |
| **At 29 February 2020** | | **36,300,850** | **(88,297)** | **36,212,553** |

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

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## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020

| | | Group | | Company |
|---|---|---|---|---|
| | Note | 01.03.2019 to 29.02.2020 RM | 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | 11.06.2019 to 29.02.2020 RM |
| **Cash flows from operating activities** | | | | |
| Profit/(Loss) before tax | | 9,946,894 | 9,167,168 | (88,297) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **5, 24** | 1,072,366 | 1,267,596 | - |
| Depreciation of right-of-use assets | **6, 24** | 635,113 | - | - |
| Gain on disposal of property, plant and equipment | **24** | (32,497) | (97,309) | - |
| Gain on disposal of asset classified as held for sale | **24** | (438,460) | - | - |
| Property, plant and equipment written off | **24** | 13,807 | - | - |
| Changes in fair value of investment properties | **7, 24** | (150,000) | (350,000) | - |
| Reversal of impairment losses on trade receivables | **11, 24** | (179,513) | (288,701) | - |
| Impairment losses on trade receivables | **11, 24** | 257,225 | 342,012 | - |
| Bad debts recoverable | **24** | (32,918) | (17,000) | - |
| Finance costs | **23** | 1,339,161 | 1,027,517 | - |
| Interest income | **24** | (43,110) | (15,111) | - |
| Waiver of amount owing to a director | **24** | - | (348,094) | - |
| **Operating profit/(loss) before changes in working capital** | | **12,388,068** | **10,688,078** | **(88,297)** |
| <u>Changes in working capital</u>: | | | | |
| Inventories | | (5,758,430) | (5,557,243) | - |
| Trade and other receivables | | (2,602,265) | (1,359,070) | - |
| Prepayments | | (642,959) | (84,008) | (123,487) |
| Trade and other payables | | (4,375,046) | 3,104,081 | 52,000 |
| **Net cash (used in)/generated from operations** | | **(990,632)** | **6,791,838** | **(159,784)** |
| Income tax paid | | (2,135,831) | (1,746,837) | - |
| Income tax refund | | 18,939 | 19,217 | - |
| Interest received | | 43,110 | 15,111 | - |
| Interest paid | | (125,747) | (136,551) | - |
| **Net cash flows (used in)/from operating activities** | | **(3,190,161)** | **4,942,778** | **(159,784)** |

**ACO GROUP BERHAD**
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**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020 (CONTINUED)**

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (a) | (1,459,031) | (3,636,974) | - |
| Purchase of right-of-use assets | (b) | (161,089) | - | - |
| Proceeds from disposal of property, plant and equipment | | 82,265 | 104,001 | - |
| Proceeds from disposal of asset classified as held for sale | | 2,150,000 | - | - |
| Acqusition of shares from non-controlling interests | | - | (650,000) | - |
| Change in pledge deposits | | (60,000) | (360,000) | - |
| **Net cash flows from/(used in) investing activities** | | **552,145** | **(4,542,973)** | **-** |
| **Cash flows from financing activities** | (d) | | | |
| Proceeds from issuance of ordinary shares | | 1,000 | - | 998 |
| Proceeds from term loans | | - | 600,000 | - |
| Repayment of term loans | | (691,666) | (724,263) | - |
| Proceeds from finance lease liabilities | | 169,000 | - | - |
| Repayment of finance lease liabilities | | (312,888) | (216,737) | - |
| Proceeds from bankers' acceptances | | 14,923,378 | 20,562,550 | - |
| Repayment of bankers' acceptances | | (15,821,312) | (26,010,409) | - |
| Proceeds from trust receipts | | 32,430,460 | 25,787,270 | - |
| Repayment of trust receipts | | (30,899,512) | (15,238,623) | - |
| Payment of lease liabilities | | (212,243) | - | - |
| Repayment of amount owing to a director | | (687,778) | (1,549,066) | - |
| Advances from a director | | 10,000 | - | 10,000 |
| Advances made to a subsidiary | | - | - | 167,912 |
| Interest paid | | (1,213,414) | (890,966) | - |
| **Net cash flows (used in)/from financing activities** | | **(2,304,975)** | **2,319,756** | **178,910** |
| Net (decrease)/increase in cash and cash equivalents | | (4,942,991) | 2,719,561 | 19,126 |
| **Cash and cash equivalents at the beginning of the financial year/ date of incorporation** | | **7,742,227** | **5,022,666** | **2** |
| **Cash and cash equivalents at the end of the financial year/period** | (c) | **2,799,236** | **7,742,227** | **19,128** |

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020 (CONTINUED)**

(a) Purchase of property, plant and equipment

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| Additions of property, plant and equipment | 5 | 1,459,031 | 7,182,274 | - |
| Financed by way of finance lease arrangements | | - | (272,800) | - |
| Financed by term loan arrangements | | - | (3,272,500) | - |
| Cash payments on purchase of property, plant and equipment | | 1,459,031 | 3,636,974 | - |

(b) Purchase of right-of-use assets

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| Additions of right-of-use assets | 6 | 1,457,126 | - | - |
| Operating leases recognised as right-of-use assets | | (788,037) | - | - |
| Financed by way of finance lease arrangements | | (508,000) | - | - |
| Cash payments on purchase of right-of-use assets | | 161,089 | - | - |

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| Short-term deposits | 13 | 1,068,625 | 971,310 | - |
| Less: Pledged deposits | | (1,020,000) | (960,000) | - |
| | | 48,625 | 11,310 | - |
| Cash and bank balances | 13 | 4,786,169 | 8,739,469 | 19,128 |
| Bank overdrafts | 18 | (2,035,558) | (1,008,552) | - |
| | | 2,799,236 | 7,742,227 | 19,128 |

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR/PERIOD ENDED 29 FEBRUARY 2020 (CONTINUED)**

(d) Changes in liabilities arising from financing activities comprise of net cash flows from/(used in) the proceeds/repayment of term loans, finance lease liabilities, bankers' acceptance, trusts receipts, lease liabilities, amount owing to a director and amount owing to a subsidiary during the financial year/period. There were non-cash changes in liabilities arising from financing activities.

**NOTES TO THE FINANCIAL STATEMENTS**

## 1. CORPORATE INFORMATION

ACO Group Berhad (the "Company") was incorporated on 11 June 2019 as a private limited liability company under the name of ACO Group Sdn. Bhd. and domiciled in Malaysia. The Company was converted into a public limited company on 8 August 2019 and assume its present name. On 18 March 2020, the Company's entired enlarged issued and paid-up share capital was listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi Kuala Lumpur, 59200 W.P. Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 108 and 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim.

The consolidated financial statements of the Company as at and for the financial year/period ended 29 February 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are dislosed in Note 9.

There has been no significant change in the nature of these principal activities during the financial year/period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 July 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year/period:

<u>New MFRS</u>
MFRS 16 Leases

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (Continued)

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year/period (Continued):

<u>Amendments/Improvements to MFRSs</u>

| | |
|---|---|
| MFRS 3 | Business Combinations |
| MFRS 9 | Financial Instruments |
| MFRS 11 | Joint Arrangements |
| MFRS 112 | Incomes Taxes |
| MFRS 119 | Employee Benefits |
| MFRS 123 | Borrowing Costs |
| MFRS 128 | Investment in Associates and Joint Ventures |

<u>New IC Int</u>

| | |
|---|---|
| IC Int 23 | Uncertainty over Income Tax Treatments |

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

***MFRS 16 Leases***

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto the statements of financial position except for short-term and low value asset leases.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting MFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (Continued)

**Definition of a lease**

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 March 2019. Existing lease contracts that are still effective on 1 March 2019 will be accounted for as lease contracts under MFRS 16.

***Impact of the adoption of MFRS 16***

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

**(i) Classification and measurement**

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all its leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

<u>*For leases that were classified as operating lease under MFRS 117*</u>

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (Continued)

***Impact of the adoption of MFRS 16 (Continued)***

**(i) Classification and measurement (Continued)**

*For leases that were classified as operating lease under MFRS 117 (Continued)*

The right-of-use assets were measured at either:

(a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applied this approach to its largest property leases; or
(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group also applied the following practical expedients wherein its:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
(c) applied the exemption not to recognise right-of-use assets and lease liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

*For leases that were classified as finance lease under MFRS 117*

For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under MFRS 117 immediately before the date of initial application.

**(ii) Short-term lease and low value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of building and equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (Continued)

The following is reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 March 2019:

| | Carrying amount as at 28 February 2019 RM | Remeasurement RM | MFRS 16 carrying amount at 1 March 2019 RM |
|---|---|---|---|
| Property, plant and equipment | 22,107,296 | (4,108,683) | 17,998,613 |
| Right-of-use assets | - | 4,293,226 | 4,293,226 |
| Lease liabilities | - | (184,543) | (184,543) |

The lease liabilities as at 1 March 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 28 February 2019, as follows:

| | Note | Group RM |
|---|---|---|
| Operating lease commitments at 28 February 2019 | 29 | 624,900 |
| Discounted using the incremental borrowing rates at 1 March 2019 | | 579,002 |
| Extension options reasonably certain to be exercised | | 91,273 |
| Termination options reasonably certain to be exercised | | (485,732) |
| Lease liabilities recognised at 1 March 2019 | 6, 19 | 184,543 |

***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

| | | **Effective for financial periods beginning on or after** |
|---|---|---|
| New MFRS | | |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments/Improvements to MFRSs | | |
| MFRS 1 | First-time Adoption of MFRSs | 1 January 2022^/ 1 January 2023# |
| MFRS 3 | Business Combinations | 1 January 2020/ 1 January 2022/ 1 January 2023# |
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2023# |
| MFRS 7 | Financial Instruments: Disclosures | 1 January 2020/ 1 January 2023# |
| MFRS 9 | Financial Instruments | 1 January 2020/ 1 January 2022^/ 1 January 2023# |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2023# |
| MFRS 16 | Leases | 1 June 2020*/ 1 January 2022^ |
| MFRS 101 | Presentation of Financial Statements | 1 January 2020/ 1 January 2022/ 1 January 2023# |
| MFRS 107 | Statements of Cash Flows | 1 January 2023# |
| MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Error | 1 January 2020 |
| MFRS 116 | Property, Plant and Equipment | 1 January 2022/ 1 January 2023# |
| MFRS 119 | Employee Benefits | 1 January 2023# |
| MFRS 128 | Investments in Associates and Joint Ventures | Deferred/ 1 January 2023# |
| MFRS 132 | Financial instruments: Presentation | 1 January 2023# |
| MFRS 136 | Impairment of Assets | 1 January 2023# |
| MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022/ 1 January 2023# |
| MFRS 138 | Intangible Assets | 1 January 2023# |

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued):

| | | **Effective for financial periods beginning on or after** |
|---|---|---|
| Amendments/Improvements to MFRSs (Continued) | | |
| MFRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2020 |
| MFRS 140 | Investment Property | 1 January 2023# |
| MFRS 141 | Agriculture | 1 January 2022^ |

^ *The Annual Improvements to MFRS Standards 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below:

***Annual Improvements to MFRS Standards 2018–2020***

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)**

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below (Continued):

***Amendments to MFRS 3 Business Combinations***

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

***Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures***

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)**

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below (Continued):

***Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures (Continued)***

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% – 125% range during the period of uncertainty arising from the reform.

***Amendment to MFRS 16 Leases***

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

***Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error***

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below (Continued):

***Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error (Continued)***

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

***Amendments to MFRS 116 Property, Plant and Equipment***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

### 2.4 Functional and presentation currency

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.5 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

### 2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial year/period presented in the consolidated financial statements of the Group and the Company.

### 3.1 Basis of consolidation

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

The acquisition of ACO Holdings Sdn. Bhd. has been accounted for as a business combination amongst entity under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the prespective of the common control shareholder at the date of transfer.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

Acquisition of entities under reorganisation does not result in any changes in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entitiy and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### (a) Subsidiaries and business combination (Continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achived in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive incomee ("OCI") are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### (a) Subsidiaries and business combination (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

#### (b) Non-controlling interests

Non-controlling interests represent the equity in subsidiary not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated financial statement within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

#### (c) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from inter-group transactions are eliminated in preparing the consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Separate financial statements

In the Company's statement of financial position, investment in a subsidiary is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

### 3.3 Foreign currency transactions

**Translation of foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

### 3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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

**(a) Subsequent measurement**

The Group and the Company categorise the financial instruments as follows:

**(i) Financial assets**

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

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition;
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition; and
- Financial assets at FVPL.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (Continued)**

**(a) Subsequent measurement (Continued)**

The Group and the Company categorise the financial instruments as follows (Continued):

**(i) Financial assets (Continued)**

Debt instruments
Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. The policy for the recognition and measurement of impairment is in accordance with Note 3.11(a). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (Continued)**

**(a) Subsequent measurement (Continued)**

The Group and the Company categorise the financial instruments as follows (Continued):

**(i) Financial assets (Continued)**

Debt instruments (Continued)

- **Fair value through profit or loss (FVPL)**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Equity instruments
The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at fair value through other comprehensive income. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at at fair value through other comprehensive income are not subject to impairment assessment.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

##### (ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

<u>Financial liabilities at FVPL</u>
Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at FVPL.

<u>Financial liabilities at amortised cost</u>
Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

#### (b) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Company commits itself to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

#### (d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire; or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
   (a) the Group and the Company have transferred substantially all the risks and rewards of the asset; or
   (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (d) Derecognition (Continued)

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

#### (e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

### 3.5 Property, plant and equipment

#### (a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment

#### (a) Recognition and measurement (Continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### (b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

#### (c) Depreciation

Freehold lands have an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

| | **Useful lives (years)** |
|---|---|
| Leasehold lands | 88 |
| Freehold buildings | 33 - 50 |
| Leasehold buildings | 33 |
| Computers and software | 2 - 5 |
| Furniture and fittings | 5 - 20 |
| Motor vehicles | 5 |
| Office equipment | 5 - 10 |
| Renovation | 5 - 10 |

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

**(d) Derecognition**

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

**3.6 Leases**

Accounting policies applied from 1 March 2019

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the assets used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

<u>Accounting policies applied from 1 March 2019</u> (Continued)

**Recognition and initial measurement**

**(a) As a lessee**

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

Accounting policies applied from 1 March 2019 (Continued)

**Recognition and initial measurement (Continued)**

**(b) As a lessor**

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group and the Company recognise assets held under a finance lease in their statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group and the Company are an intermediate lessor, they account for its interests in the head lease and the sublease separately. They assess the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then they classify the sublease as an operating lease.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

Accounting policies applied from 1 March 2019 (Continued)

**Subsequent measurement**

**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The depreciation period of right-of-use assets are as follows:

| | Depreciation period (years) |
|---|---|
| Lands | 88 |
| Buildings | 2 - 33 |
| Computers and software | 2 |
| Motor vehicles | 5 |
| Office equipment | 3 |

Right-of-use asset is also subject to periodic impairment, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change their assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(b) As a lessor**

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

Accounting policies applied from 1 March 2019 (Continued)

**Subsequent measurement (Continued)**

**(b) As a lessor (Continued)**

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments.*

Accounting policies applied until 28 February 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

**(a) Lessee accounting**

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

Accounting policies applied until 28 February 2019 (Continued)

**(a) Lessee accounting (Continued)**

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

**(b) Lessor accounting**

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

### 3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.17.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Investment properties (Continued)

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain and loss arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

### 3.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted as first-in first-out basis.

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

### 3.9 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's and the Company's accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Non-current assets classified as held for sale (Continued)

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less cost to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

### 3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

### 3.11 Impairment of assets

#### (a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of assets (Continued)

#### (a) Impairment of financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider 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 and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of assets (Continued)

#### (a) Impairment of financial assets (Continued)

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. 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 include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at fair value through other comprehensive income, the loss allowance shall be recognised in OCI and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of assets (Continued)

#### (b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, investment properties measured at fair value and non-current assets classfied as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the assets' recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in OCI. In the latter case, the impairment is recognised in OCI up to the amount of any previous revaluation.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the assets carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Share capital

#### (a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (b) Preference shares

Preference shares are classified as equity if it is non-redeemable, or is redeemable but only at the Group's and the Company's option, and any dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

Preference shares are classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

### 3.13 Employee benefits

#### (a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year/period where the employees have rendered their services to the Group and the Company.

#### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund, the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the year/period in which the employees render their services.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

### 3.15 Revenue

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Revenue (Continued)

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components
The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

**(a) Sale of goods – trading**

Revenue from sale of trading goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Sales are made with a credit term of 30 days to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract.

Where consideration is collected from customer in advance for sale of trading goods, a contract liability is recognised for the customer deposits.

**(b) Dividend**

Dividend income is recognised in profit and loss on that the date that the Company's right to receive payment is established.

**(c) Management fee**

Management fee is recognised on an accrual basis when service is rendered.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Other income

#### (a) Interest income

Interest income is recognised using the effective interest method.

#### (b) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

### 3.17 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

### 3.18 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or OCI.

#### (a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year/period, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.18 Income tax (Continued)**

**(b) Deferred tax**

Deferred tax is recognised 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 statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Income tax (Continued)

#### (b) Deferred tax (Continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

#### (c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

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

### 3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### 3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year/period include the following:

### (a) Classification between investment properties and property, plant, and equipment

Certain property comprises a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group and the Company account for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply of goods and services or for administrative purposes. Management uses judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

### (b) Determination of lease term

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group and the Company consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

### (c) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5(c), the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### (d) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit losses for trade receivable. The provision rates are depending on the number of days that a trade receivable is past due. The Group and the Company use the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets. The Group's and the Company' historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 28(b)(i).

### (e) Measurement of income taxes

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group and the Company are disclosed in Note 26.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### (f) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group and the Company use fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group and the Company.

The carrying amounts of the non-financial assets are disclosed in Notes 5, 6 and 7 and 12.

### (g) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 28(c).

### (h) Fair value of investment properties

The Group carry its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged external valuer to determine the fair values. The valuation methods adopted by the valuer include sales comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, income approach, being the projected net income and other benefits that are the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the investment properties.

The carrying amounts of the investment properties are disclosed in Note 7.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | Note | Freehold lands RM | Leasehold lands RM | Freehold buildings RM | Leasehold buildings RM | Computers and software RM | Furniture and fittings RM | Motor vehicles RM | Office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| At 1 March 2018 (unaudited) | | 6,736,000 | 1,270,326 | 5,252,113 | 2,200,000 | 2,137,170 | 539,144 | 2,244,890 | 957,987 | 1,765,489 | 23,103,119 |
| Additions | | 2,020,000 | - | 1,992,804 | - | 111,395 | 99,610 | 425,905 | 442,233 | 2,090,327 | 7,182,274 |
| Disposals | | - | - | - | - | - | - | (346,670) | - | - | (346,670) |
| Transfer to asset held for sale | | (1,200,000) | - | (737,166) | - | - | - | - | - | - | (1,937,166) |
| At 28 February 2019 (unaudited) | | 7,556,000 | 1,270,326 | 6,507,751 | 2,200,000 | 2,248,565 | 638,754 | 2,324,125 | 1,400,220 | 3,855,816 | 28,001,557 |
| Adjustment on initial application on MFRS 16 | 6 | - | (1,270,326) | - | (2,200,000) | (88,137) | - | (1,023,985) | (43,500) | - | (4,625,948) |
| Adjusted balance as at 1 March 2019 (unaudited) | | 7,556,000 | - | 6,507,751 | - | 2,160,428 | 638,754 | 1,300,140 | 1,356,720 | 3,855,816 | 23,375,609 |
| Additions | | - | - | - | - | 73,052 | 330,825 | 10,120 | 233,271 | 811,763 | 1,459,031 |
| Disposals | | - | - | - | - | (2,836) | (942) | (211,176) | (38,048) | (22,032) | (275,034) |
| Written off | | - | - | - | - | (9,321) | (4,042) | - | (26,572) | (7,720) | (47,655) |
| Transfer from/(to) right-of-use assets | 6 | - | - | - | - | - | - | 63,540 | (212,000) | - | (148,460) |
| At 29 February 2020 | | 7,556,000 | - | 6,507,751 | - | 2,221,323 | 964,595 | 1,162,624 | 1,313,371 | 4,637,827 | 24,363,491 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Note | Freehold lands RM | Leasehold lands RM | Freehold buildings RM | Leasehold buildings RM | Computers and software RM | Furniture and fittings RM | Motor vehicles RM | Office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | | | | |
| At 1 March 2018 (unaudited) | | - | 14,436 | 690,894 | 66,000 | 1,568,803 | 222,126 | 1,619,403 | 362,341 | 648,266 | 5,192,269 |
| Depreciation charge for the financial year | 24, 34 | - | 14,436 | 212,540 | 66,000 | 347,301 | 50,142 | 237,495 | 106,998 | 232,684 | 1,267,596 |
| Disposals | | - | - | - | - | - | - | (339,978) | - | - | (339,978) |
| Transfer to asset held for sale | | - | - | (225,626) | - | - | - | - | - | - | (225,626) |
| At 28 February 2019 (unaudited) | | - | 28,872 | 677,808 | 132,000 | 1,916,104 | 272,268 | 1,516,920 | 469,339 | 880,950 | 5,894,261 |
| Adjustment on initial application on MFRS 16 | 6 | - | (28,872) | - | (132,000) | (44,068) | - | (303,625) | (8,700) | - | (517,265) |
| Adjusted balance as at 1 March 2019 (unaudited) | | - | - | 677,808 | - | 1,872,036 | 272,268 | 1,213,295 | 460,639 | 880,950 | 5,376,996 |
| Depreciation charge for the financial year | 24, 34 | - | - | 202,509 | - | 252,938 | 68,540 | 37,636 | 111,469 | 399,274 | 1,072,366 |
| Disposals | | - | - | - | - | (1,182) | (141) | (211,173) | (8,364) | (4,406) | (225,266) |
| Written off | | - | - | - | - | (9,317) | (1,617) | - | (17,585) | (5,329) | (33,848) |
| Transfer from/(to) right-of-use assets | 6 | - | - | - | - | - | - | 47,655 | (1,767) | - | 45,888 |
| At 29 February 2020 | | - | - | 880,317 | - | 2,114,475 | 339,050 | 1,087,413 | 544,392 | 1,270,489 | 6,236,136 |

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold lands RM | Leasehold lands RM | Freehold buildings RM | Leasehold buildings RM | Computers and software RM | Furniture and fittings RM | Motor vehicles RM | Office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net carrying amount** | | | | | | | | | | |
| At 28 February 2019 (unaudited) | 7,556,000 | 1,241,454 | 5,829,943 | 2,068,000 | 332,461 | 366,486 | 807,205 | 930,881 | 2,974,866 | 22,107,296 |
| At 29 February 2020 | 7,556,000 | - | 5,627,434 | - | 106,848 | 625,545 | 75,211 | 768,979 | 3,367,338 | 18,127,355 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Assets under finance lease

The carrying amount of assets under finance lease arrangements are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| Motor vehicles | - | 720,360 |
| Office equipment | - | 34,800 |
| Computers and software | - | 44,069 |
| | - | 799,229 |

Upon adoption of MFRS 16 *Leases*, property, plant and equipment under finance lease are included within right-of-use assets in Note 6.

### (b) Assets pledged as security

In addition to those assets as disclosed in Note 5(a) above, the lands and buildings of the Group have also been pledged as security to secure loans and borrowings of the Group as disclosed in Note 18.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6. RIGHT-OF-USE ASSETS

| | Note | Lands RM | Buildings RM | Computers and software RM | Motor vehicles RM | Office equipment RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 28 February 2019 (unaudited) | | - | - | - | - | - | - |
| Adjustment on initial application of MFRS 16 | | | | | | | |
| Reclassification from property, plant and equipment | 5 | 1,270,326 | 2,200,000 | 88,137 | 1,023,985 | 43,500 | 4,625,948 |
| Lease payables on buildings | 2.2, 19 | - | 184,543 | - | - | - | 184,543 |
| | | 1,270,326 | 2,384,543 | 88,137 | 1,023,985 | 43,500 | 4,810,491 |
| At 1 March 2019 (unaudited) | | 1,270,326 | 2,384,543 | 88,137 | 1,023,985 | 43,500 | 4,810,491 |
| Additions | | - | 788,037 | - | 669,089 | - | 1,457,126 |
| Transfer (to)/from property, plant and equipment | 5 | - | - | - | (63,540) | 212,000 | 148,460 |
| At 29 February 2020 | | 1,270,326 | 3,172,580 | 88,137 | 1,629,534 | 255,500 | 6,416,077 |
| **Accumulated depreciation** | | | | | | | |
| At 28 February 2019 (unaudited) | | - | - | - | - | - | - |
| Adjustment on initial application of MFRS 16 | | | | | | | |
| Reclassification from property, plant and equipment | 5 | 28,872 | 132,000 | 44,068 | 303,625 | 8,700 | 517,265 |
| | | 28,872 | 132,000 | 44,068 | 303,625 | 8,700 | 517,265 |
| At 1 March 2019 (unaudited) | | 28,872 | 132,000 | 44,068 | 303,625 | 8,700 | 517,265 |
| Depreciation charge for the financial year | 24, 34 | 14,435 | 278,243 | 44,068 | 272,817 | 25,550 | 635,113 |
| Transfer (to)/from property, plant and equipment | 5 | - | - | - | (47,655) | 1,767 | (45,888) |
| At 29 February 2020 | | 43,307 | 410,243 | 88,136 | 528,787 | 36,017 | 1,106,490 |
| **Carrying amount** | | | | | | | |
| At 28 February 2019 (unaudited) | | - | - | - | - | - | - |
| At 29 February 2020 | | 1,227,019 | 2,762,337 | 1 | 1,100,747 | 219,483 | 5,309,587 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. RIGHT-OF-USE ASSETS (CONTINUED)**

The Group have lease contracts for various items of lands, buildings, computers and software, motor vehicles and office equipment used for their operations. Leases of lands and buildings have remaining lease terms of between 1 to 86 years (2019: 1 to 87 years), while computers and software, motor vehicles and office equipment generally have lease terms between 3 to 5 years (2019: 3 to 5 years) with the options to purchase the assets at the end of the lease term.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemption for these leases.

**(a) Assets under finance lease**

The carrying amount of assets under finance lease arrangements are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Computers and software | 1 | - |
| Motor vehicles | 1,100,747 | - |
| Office equipment | 219,483 | - |
| | 1,320,231 | - |

Upon adoption of MFRS 16 *Leases*, property, plant and equipment under finance lease are included within right-of-use assets. As the MFRS 16 *Leases* adjustments is applied modified retrospectively, there is no right-of-use assets under finance lease as at the preceding financial year ended.

**(b) Assets pledged as security**

In addition to those assets as disclosed in Note 6(a) above, the lands and buildings of the Group have also been pledged as security to secure loans and borrowings of the Group as disclosed in Note 18.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 7. INVESTMENT PROPERTIES

| Group | Note | Freehold lands RM | Freehold buildings RM | Total RM |
|---|---|---|---|---|
| **At fair value:** | | | | |
| At 1 March 2018 (unaudited) | | 3,298,678 | 2,651,322 | 5,950,000 |
| Changes in fair value | **24** | 180,322 | 169,678 | 350,000 |
| At 28 February 2019 (unaudited) | | 3,479,000 | 2,821,000 | 6,300,000 |
| Changes in fair value | **24** | 150,000 | - | 150,000 |
| At 29 February 2020 | | 3,629,000 | 2,821,000 | 6,450,000 |

The Group leases several of its investment properties which have remaining lease term less than 2 year. Rental charges are revised every 2 years to reflect current market conditions.

The following are recognised in profit or loss in respect of investment properties:

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) |
|---|---|---|---|
| Rental income | **24** | 230,500 | 198,000 |
| Direct operating expenses: | | | |
| - income generating investment properties | | 69,169 | 12,629 |
| - non-income generating investment property | | - | 62,534 |

**Investment properties pledged as security**

Freehold lands and buildings with a carrying fair value of RM4,750,000 (2019: RM4,600,000) have been pledged as security to secure loan and borrowings granted to the Group as disclosed in Note 18.

**Fair value information**

The fair value of investment properties approximately of RM6,450,000 (2019: RM6,300,000) is categorised at Level 2 of the fair value hierarchy.

There are no Level 1 and Level 3 investment properties or transfers between Level 1, Level 2 and Level 3 during the financial year under review.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 7. INVESTMENT PROPERTIES (CONTINUED)

**Level 2 fair value**

Level 2 fair values of freehold lands and buildings have been derived using the sales comparison approach. Sales prices of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

**Valuation processes applied by the Group**

The fair value of investment properties are determined by an external independent property valuer, who is a member of the Institute of Valuers in Malaysia with appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

## 8. INVESTMENT IN A SUBSIDIARY

| | Note | Company 2020 RM |
|---|---|---|
| **At cost** | | |
| Unquoted shares | | |
| At beginning of financial period | | - |
| Acquisition of a subsidiary | **15** | 35,320,350 |
| At end of financial period | | 35,320,350 |

**Acquisition of a subsidiary**

On 2 August 2019, the Company entered into a conditional share sale agreement with Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan for the acquisition of 100% shareholdings in ACO Holdings Sdn. Bhd. with the purchase consideration of RM35,320,350. The said purchase consideration was entirely satisfied by the issuance of 235,469,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The shares issuance and acquisition was completed on 22 January 2020.

The acquisition of ACO Holdings Sdn. Bhd. has been accounted for as a business combination amongst entiy under common control. Accordingly, the Company that is the legal acquirer is identified as the acquiree and ACO Holdings Sdn. Bhd. as the legal acquiree is identified as the acquirer for accounting purposes for this transaction.

Further information on the subsidiairies are disclosed in Note 9.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 9. SUBSIDIARIES

Details of the subsidiaries are as follows:

| Name of company | Principal place of business/ country of incorporation | Ownership interest 2020 % | 2019 % (Note 35) (Unaudited) | Principal activities |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| ACO Holdings Sdn. Bhd. | Malaysia | 100 | - | Investment holdings |
| **Held through ACO Holdings Sdn. Bhd.** | | | | |
| Actgen Industry Sdn. Bhd. | Malaysia | 100 | 100 | Distribution of electrical products and accessories |
| Electric Master Sdn. Bhd. | Malaysia | 100 | 80 | Distribution of electrical products and accessories |
| Maydenki Sdn. Bhd. | Malaysia | 100 | 100 | Distribution of electrical products and accessories |
| Maylec Sdn. Bhd. | Malaysia | 100 | 90 | Distribution of electrical products and accessories |
| Voltage Master Sdn. Bhd. | Malaysia | 100 | 92.5 | Distribution of electrical products and accessories |

The followings are the movement of the investment in subsidiaires of ACO Holdings Sdn. Bhd. for the financial years ended 28 February 2019 and 29 February 2020:

### (a) Movement of equity interest in Electric Master Sdn. Bhd.

On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 20% shareholdings in Electric Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM684,750. The said purchase consideration was entirely satisfied by the issuance of 4,565,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. SUBSIDIARIES (CONTINUED)**

**(b) Movement of equity interest in Maydenki Sdn. Bhd.**

(i) On 27 August 2018, ACO Holdings Sdn. Bhd. purchased an additional 6% equity interest, representing 120,000 ordinary shares in Maydenki Sdn. Bhd. from non-controlling interest who is the director of Maydenki Sdn Bhd as at the date of transaction for a purchase consideration of RM500,000. The Company's effective ownership in Maydenki Sdn. Bhd. increased from 70% to 76% as a result of the additional shares purchased.

(ii) On 3 October 2018, ACO Holdings Sdn. Bhd. purchased an additional 24% equity interest, representing 480,000 ordinary shares in Maydenki Sdn. Bhd. from non-controlling interest who is the director of Maydenki Sdn Bhd as at the date of transaction for a purchase consideration of RM2,000,000, payable on 20 monthly cash installment. The Company's effective ownership in Maydenki Sdn. Bhd. increased from 76% to 100% as a result of the additional shares purchased.

**(c) Movement of equity interest in Voltage Master Sdn. Bhd.**

(i) On 29 August 2018, ACO Holdings Sdn. Bhd.'s equity interest in Voltage Master Sdn Bhd increased from 70.0% to 85.0% following the subscription of an additional 50,000 ordinary shares of RM1.00 each with non-cash consideration. The new ordinary share subscribed in Voltage Master Sdn. Bhd. ranked pari passu in all respects with the existing ordinary shares of Voltage Master Sdn. Bhd..

(ii) On 11 December 2018, ACO Holdings Sdn. Bhd.'s equity interest in Voltage Master Sdn. Bhd. increased from 85.0% to 92.5% following the subscription of an additional 100,000 ordinary shares of RM1.00 each with cash consideration of RM100,000 for working capital purposes.

(iii) On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 7.5% shareholdings in Voltage Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM131,250. The said purchase consideration was entirely satisfied by the issuance of 875,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

**(d) Movement of equity interest in Maylec Sdn. Bhd.**

(i) On 1 March 2018 , ACO Holdings Sdn. Bhd. increased investment in its subsidiary, Maylec Sdn. Bhd. via the subscription of an additional 450,000 ordinary shares of RM1.00 each with cash consideration of RM450,000 for working capital purposes. The new ordinary shares subscribed in Maylec Sdn. Bhd. ranked pari passu in all respects with the existing ordinary shares of Maylec Sdn. Bhd.

**9. SUBSIDIARIES (CONTINUED)**

**(d) Movement of equity interest in Maylec Sdn. Bhd. (Continued)**

(ii) On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 10% shareholdings in Maylec Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM163,500. The said purchase consideration was entirely satisfied by the issuance of 1,090,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

**(e) Non-controlling interest in subsidiaries**

The financial information of the Group's subsidiaries that have non-controlling interests are as follows:

Equity interest held by non-controlling interests:

| Name of Company | Principal place of business/ country of incorporation | Ownership interest 2020 (%) | Ownership interest 2019 (%) (Note 35) (Unaudited) |
|---|---|---|---|
| Electric Master Sdn. Bhd. | Malaysia | - | 20.0 |
| Voltage Master Sdn. Bhd. | Malaysia | - | 7.5 |
| Maylec Sdn. Bhd. | Malaysia | - | 10.0 |

Carrying amount of non-controlling interests:

| Name of Company | 2020 RM | 2019 RM (Note 35) (Unaudited) |
|---|---|---|
| Electric Master Sdn. Bhd. | - | 682,226 |
| Voltage Master Sdn. Bhd. | - | 129,877 |
| Maylec Sdn. Bhd. | - | 162,188 |
| | - | 974,291 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. SUBSIDIARIES (CONTINUED)

### (e) Non-controlling interest in subsidiaries (Continued)

Profit or loss allocated to non-controlling interests:

| Name of Company | 2020 RM | 2019 RM (Note 35) (Unaudited) |
|---|---|---|
| Maydenki Sdn. Bhd. | - | 327,793 |
| Electric Master Sdn. Bhd. | 113,938 | 108,441 |
| Voltage Master Sdn. Bhd. | 30,754 | 76,030 |
| Maylec Sdn. Bhd. | 23,129 | 32,735 |
| | 167,821 | 544,999 |

### (f) Summarised financial information (before intra-group elimination) of the Group's subsidiaries that have non-controlling interests in the prior year are as follows:

| | Electric Master Sdn. Bhd. RM | Voltage Master Sdn. Bhd. RM | Maylec Sdn. Bhd. RM |
|---|---|---|---|
| **Summarised statements of financial position** | | | |
| **As at 28 February 2019 (unaudited)** | | | |
| Current assets | 6,258,376 | 4,175,517 | 3,066,336 |
| Non-current assets | 4,628,900 | 126,785 | 3,246,713 |
| Current liabilities | (4,942,851) | (2,559,614) | (2,379,754) |
| Non-current liabilities | (2,533,042) | (11,000) | (2,311,415) |
| Net assets | 3,411,383 | 1,731,688 | 1,621,880 |
| **Summarised statements of comprehensive income** | | | |
| **Financial year ended 28 February 2019 (unaudited)** | | | |
| Revenue | 11,872,174 | 9,674,906 | 6,735,564 |
| Profit for the financial year | 542,204 | 365,987 | 327,346 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. SUBSIDIARIES (CONTINUED)

**(f) Summarised financial information (before intra-group elimination) of the Group's subsidiaries that have non-controlling interests in the prior year are as follows (Continued):**

| | Electric Master Sdn. Bhd. RM | Voltage Master Sdn. Bhd. RM | Maylec Sdn. Bhd. RM |
|---|---|---|---|
| **Summarised cash flow information Financial year ended 28 February 2019 (unaudited)** | | | |
| Cash flows from operating activities | 19,470 | 16,668 | 839,451 |
| Cash flows used in investing activities | (1,210,010) | (15,762) | (802,977) |
| Cash flows from financing activities | 1,149,039 | 82,029 | 22,391 |
| Net (decrease)/increase in cash and cash equivalents | (41,501) | 82,935 | 58,865 |

## 10. INVENTORIES

| | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) |
|---|---|---|
| **At the lower of cost and net realisable value:** | | |
| Trading goods | 35,381,293 | 29,622,863 |

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM108,321,534 (2019: RM112,155,414).

## 11. TRADE AND OTHER RECEIVABLES

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| **Trade** | | | | |
| Trade receivables | | | | |
| - Third parties | | 33,324,359 | 30,748,487 | - |
| - Related party | | 965 | 2,136 | - |
| | (a) | 33,325,324 | 30,750,623 | - |
| Less : Impairment losses | (b) | (804,109) | (823,845) | - |
| | | 32,521,215 | 29,926,778 | - |
| **Non-trade** | | | | |
| Other receivables | | 244,827 | 284,040 | - |
| Amount owing by a subsidiary | (c) | - | - | 811,588 |
| Deposits | | 111,333 | 109,086 | - |
| | | 356,160 | 393,126 | 811,588 |
| Total trade and other receivables | (d), 28(a) | 32,877,375 | 30,319,904 | 811,588 |

### (a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 30 days to 120 days (2019: 30 days to 120 days). Other credit terms are assessed and approved on a case by case basis.

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

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) |
|---|---|---|---|
| Neither past due nor impaired | | 13,485,667 | 17,389,938 |
| Past due but not impaired | | 19,035,548 | 12,536,840 |
| 1 to 30 days past due not impaired | | 7,236,505 | 6,390,901 |
| 31 to 60 days past due not impaired | | 6,574,371 | 2,956,736 |
| 61 to 90 days past due not impaired | | 2,294,926 | 1,247,684 |
| More than 91 days past due not impaired | | 2,929,746 | 1,941,519 |
| Impaired individually | | 804,109 | 823,845 |
| | 28(b) | 33,325,324 | 30,750,623 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

**(b) Receivables that are impaired**

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

| | | Group | |
|---|---|---|---|
| | Note | 2020<br>RM | 2019<br>RM<br>(Note 35)<br>(Unaudited) |
| At beginning of financial year | | 823,845 | 978,142 |
| Charge for the financial year | 24 | 257,225 | 342,012 |
| Reversal of impairment losses | 24 | (179,513) | (288,701) |
| Written off previously provided for | | (97,448) | (207,608) |
| At end of financial year | 28(b) | 804,109 | 823,845 |

**(c) Amount owing by a subsidiary**

Amount owing by a susbdiary is unsecured, non-interest brearing, repayable on demand and is expected to be settled in cash.

**(d) Currency exposure**

The currency exposure profile of trade and other receivables are as follows:

| | | Group | | Company |
|---|---|---|---|---|
| | Note | 2020<br>RM | 2019<br>RM<br>(Note 35)<br>(Unaudited) | 2020<br>RM |
| RM | | 32,691,833 | 30,319,904 | 811,588 |
| Euro Dollar ("EUR") | 28(b) | 185,542 | - | - |
| | | 32,877,375 | 30,319,904 | 811,588 |

The information about the credit exposures are disclosed in Note 28(b)(i).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 12. PREPAYMENTS

| | Group | | Company |
|---|---|---|---|
| | **2020** | **2019** | **2020** |
| | **RM** | **RM** | **RM** |
| | | **(Note 35)** | |
| | | **(Unaudited)** | |
| Prepayments | 920,875 | 277,916 | 123,487 |

The prepayments of the Group mainly comprised of advance payment for the insurances, stamping fee for the acquisition of ACO Holdings Sdn. Bhd., maintenance fees for the enterprise resources planning system and profesional fees for the listing expenses.

## 13. CASH AND SHORT-TERM DEPOSITS

| | | Group | | Company |
|---|---|---|---|---|
| | | **2020** | **2019** | **2020** |
| | **Note** | **RM** | **RM** | **RM** |
| | | | **(Note 35)** | |
| | | | **(Unaudited)** | |
| Cash and bank balances | | 4,786,169 | 8,739,469 | 19,128 |
| Short-term deposits | **(a), 28(b)** | 1,068,625 | 971,310 | - |
| | **(b), 28(a), 31** | 5,854,794 | 9,710,779 | 19,128 |

### (a) Short-term deposits

The effective interest rate per annum of short-term deposits that was effective as at reporting date is range from 2.65% to 3.34% (2019: 3.15% to 3.37%).

Included in the deposits placed with licensed bank of the Group, RM1,020,000 (2019: RM960,000) are pledged for credit facilities granted to the Group as disclosed in Note 18.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 13. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

### (b) Currency exposure

The currency exposure profile of cash and short-term deposits are as follows:

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| RM | | 5,827,355 | 9,669,051 | 19,128 |
| United States Dollar ("USD") | **28(b)** | 12,103 | 11,905 | - |
| Singapore Dollar ("SGD") | **28(b)** | 15,336 | 29,823 | - |
| | | 5,854,794 | 9,710,779 | 19,128 |

## 14. ASSET CLASSIFIED AS HELD FOR SALE

As at the financial year ended 28 February 2019, the Group classified its freehold land and building with carrying amount of RM1,711,540 as asset held for sale due to a sale and purchase agreement entered on 18 December 2018 by the Group to dispose said asset with a disposal amount of RM2,150,000 to a related party.

The freehold land and building classified as held for sale have been pledged as security to secure banking facilities of the Group and a related party as disclosed in Note 18.

Subsequently, the sale of the said freehold land and building was completed on 9 April 2019.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 15. SHARE CAPITAL

| | | Group | | | |
|---|---|---|---|---|---|
| | | Number of ordinary share | | ← Amount → | |
| | Note | 2020 Unit | 2019 Unit (Note 35) (Unaudited) | 2020 RM | 2019 RM (Note 35) (Unaudited) |
| **Issued and fully paid-up:** | | | | | |
| At beginning of financial year | | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Share issued upon incorporation | | 2 | - | 2 | - |
| Issuance of ordinary shares | | 998 | - | 998 | - |
| Issuance of shares for acquistion of a subsidiary | 8 | 235,469,000 | - | 35,320,350 | - |
| Issuance of shares for acquistion of non-controlling interests | | 6,530,000 | - | 979,500 | - |
| Adjustment pursuant to the reorganisation | | (2,500,000) | - | (2,500,000) | - |
| At end of financial year | | 242,000,000 | 2,500,000 | 36,300,850 | 2,500,000 |

The share capital of the Group as at 1 March 2019 relates to the share capital of ACO Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company of which the Company acquired on 22 January 2020 via the shares issuance.

| | | Company | |
|---|---|---|---|
| | Note | Number of ordinary shares 2020 Unit | Amount 2020 RM |
| **Issued and fully paid-up** | | | |
| At 11 June 2019 (date of incorporation) | (a) | 2 | 2 |
| Issuance of ordinary shares | (b) | 998 | 998 |
| Issuance of shares for acquistion of a subsidiary | (c), 8 | 235,469,000 | 35,320,350 |
| Issuance of shares for acquistion of non-controlling interests | (d) | 6,530,000 | 979,500 |
| At end of financial period | | 242,000,000 | 36,300,850 |

### (a) Incorporation

The Company issued 2 ordinary shares at a price of RM1 per ordinary shares to the subscribers on the date of incorporation for a total cash consideration of RM2.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. SHARE CAPITAL (CONTINUED)**

**(b) Issuance of ordinary shares**

On 29 July 2019, the Company issued 998 new ordinary shares of the Company at an issue price of RM1.00 per share for a total cash consideration of RM998.

**(c) Issuance of shares for acquisition of a subsidiary**

On 22 January 2020, the Company issued 235,469,000 new ordinary shares of the Company at an issue price of RM0.15 per share to Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan for the acquisition of 100% equity interest in ACO Holdings Sdn. Bhd. pursuant to the conditional share sale agreement dated 2 August 2019.

**(d) Issuance of shares for acquisition of non-controlling interests**

(i) On 22 January 2020, the Company issued 4,565,000 new ordinary shares in the Company at an issue price of RM0.15 per share to non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 20% shareholdings in Electric Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM684,750 pursuant to the share sale agreement dated 2 August 2019 entered between the Company, ACO Holdings Sdn. Bhd. and non-controlling interest.

(ii) On 22 January 2020, the Company issued 875,000 new ordinary shares in the Company at an issue price of RM0.15 per share to non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 7.5% shareholdings in Voltage Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM131,250 pursuant to the share sale agreement dated 2 August 2019 entered between the Company, ACO Holdings Sdn. Bhd. and non-controlling interest.

(iii) On 22 January 2020, the Company issued 1,090,000 new ordinary shares in the Company at an issue price of RM0.15 per share to non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 10% shareholdings in Maylec Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM163,500 pursuant to the share sale agreement dated 2 August 2019 entered between the Company, ACO Holdings Sdn. Bhd. and non-controlling interest.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 16. CAPITAL CONTRIBUTION

| | Group | |
|---|---|---|
| | 2020 RM | 2019 RM (Note 35) (Unaudited) |
| **Deemed capital contribution from shareholders** | | |
| At beginning of financial year | 5,000,000 | 5,000,000 |
| Adjustment pursuant to the reorganisation | (5,000,000) | - |
| At end of financial year | - | 5,000,000 |

Deemed capital contributions from shareholders represent interest-free advances of which demand for settlement is neither planned for by the shareholders nor likely in the foreseeable future. These amounts are, in substance, a part of the shareholders' net investment in the Group.

## 17. REORGANISATION RESERVE

The reorganization reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation under the merger accounting principles.

## 18. LOANS AND BORROWINGS

| | Note | Group | |
|---|---|---|---|
| | | 2020 RM | 2019 RM (Note 35) (Unaudited) |
| **Non-current:** | | | |
| Term loans | (a) | 8,182,508 | 8,678,707 |
| Finance lease liabilities | (b) | 677,892 | 448,442 |
| | | 8,860,400 | 9,127,149 |
| **Current:** | | | |
| Term loans | (a) | 609,486 | 804,953 |
| Finance lease liabilities | (b) | 350,870 | 216,208 |
| Bankers' acceptances | (c) | 3,736,565 | 4,634,499 |
| Trust receipts | (d) | 12,079,595 | 10,548,647 |
| Bank overdrafts | (e) | 2,035,558 | 1,008,552 |
| | | 18,812,074 | 17,212,859 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 18. LOANS AND BORROWINGS (CONTINUED)

| | | Group | |
|---|---|---|---|
| | Note | 2020<br>RM | 2019<br>RM<br>(Note 35)<br>(Unaudited) |
| **Total loans and borrowings** | | | |
| Term loans | **(a), 28(b), 28(c)** | 8,791,994 | 9,483,660 |
| Finance lease liabilities | **(b), 28(b), 28(c)** | 1,028,762 | 664,650 |
| Bankers' acceptances | **(c), 28(b)** | 3,736,565 | 4,634,499 |
| Trust receipts | **(d), 28(b)** | 12,079,595 | 10,548,647 |
| Bank overdrafts | **(e), 28(b)** | 2,035,558 | 1,008,552 |
| | **28(a), 31** | 27,672,474 | 26,340,008 |

### (a) Term loans

Term loan 1 of the Group of Nil (2019: RM78,433) bears interest at Nil (2019: 5.72%) per annum and is repayable by monthly instalments of RM15,847 over five years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the investment property as disclosed in Note 7; and
(ii) Personal guarantee by the Company's director.

Term loan 2 of the Group of RM1,104,885 (2019: RM1,150,005) bears interest at 4.65% (2019: 4.52%) per annum and is repayable by monthly instalments of RM8,331 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the investment property as disclosed in Note 7; and
(ii) Personal guarantee by the Company's director.

Term loan 3 of the Group of RM403,362 (2019: RM423,947) bears interest at 4.75% (2019: 4.62%) per annum and is repayable by monthly instalments of RM3,690 over fifteen years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the freehold land and building as disclosed in Note 5; and
(ii) Personal guarantee by the Company's director.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18. LOANS AND BORROWINGS (CONTINUED)**

**(a) Term loans (Continued)**

Term loan 4 of the Group of RM1,743,213 (2019: RM1,812,961) bears interest at 8.93% (2019: 8.93%) per annum and is repayable by monthly instalments of RM12,816 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the freehold land and building as disclosed in Note 5; and
(ii) Joint and several guarantee by the Company's directors.

Term loan 5 of the Group of RM771,104 (2019: 751,738) bears interest at 5.29% (2019: 5.29%) per annum and is repayable by monthly instalments of RM5,441 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the freehold land and building as disclosed in Note 5;
(ii) Corporate guarantee by the subsidiary; and
(iii) Joint and several guarantee by the Company's directors and management personnel.

Term loan 6 of the Group of RM1,023,332 (2019: RM1,128,109) bears interest at 5.64% (2019: 5.39%) per annum and is repayable by monthly instalments of RM13,702 over ten years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the leasehold land and building as disclosed in Note 6;
(ii) Joint and several corporate guarantee by the subsidiaries; and
(iii) Joint and several guarantee by the Company's director and subsidiary's director.

Term loan 7 of the Group of RM958,813 (2019: RM1,057,284) bears interest at 5.64% (2019: 5.39%) per annum and is repayable by monthly instalments of RM12,846 over ten years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the leasehold land and building as disclosed in Note 6;
(ii) Joint and several corporate guarantee by the subsidiaries; and
(iii) Joint and several guarantee by the Company's director and subsidiary's director.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18. LOANS AND BORROWINGS (CONTINUED)**

**(a) Term loans (Continued)**

Term loan 8 of the Group of RM460,000 (2019: 576,618) bears interest at 6.40% (2019: 6.40%) per annum and its monthly principal instalments is RM10,000 over five years commencing from the day of first drawdown during the year 2018 and is secured supported as follows:

(i) Corporate guarantee by the subsidiary; and
(ii) Personal guarantee by the subsidiary's director.

Term loan 9 of the Group of Nil (2019: RM99,133) bears interest at Nil (2019: 8.42%) per annum and is repayable by monthly instalments of RM3,890 over five years commencing from the day of first drawdown and is secured and supported as follows:

(i) First party legal charge over the freehold lands and buildings as disclosed in Note 5;
(ii) Corporate guarantee by the subsidiary; and
(iii) Joint and several guarantee by the Company's directors.

Term loan 10 of the Group of RM2,327,285 (2019: RM2,405,432) bears interest at 5.00% (2019: 4.94%) per annum and is repayable by monthly instalments of RM16,198 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

(i) Legal charge over the freehold land and building as disclosed in Note 5;
(ii) Corporate guarantee by the subsidiary; and
(iii) Joint and several guarantee by the Company's director and subsidiary's director.

**(b) Finance lease liabilities**

Certain property, plant and equipment and right-of-use assets of the Group as disclosed in Notes 5 and 6 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The interest rate implicit in the leases ranging from 2.38% to 5.09% (2019: 2.41% to 5.09%).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 18. LOANS AND BORROWINGS (CONTINUED)

### (b) Finance lease liabilities (Continued)

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

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| Minimum lease payments | | |
| - Not later than one year | 401,874 | 251,502 |
| - Later than one year and not later than five years | 743,692 | 490,270 |
| | 1,145,566 | 741,772 |
| Less: Future finance charges | (116,804) | (77,122) |
| Present value of minimum lease payments | 1,028,762 | 664,650 |
| Present value of minimum lease payments payable: | | |
| - Not later than one year | 350,870 | 216,208 |
| - Later than one year and not later than five years | 677,892 | 448,442 |
| | 1,028,762 | 664,650 |
| Less: Amount due within twelve months | (350,870) | (216,208) |
| Amount due after twelve months | 677,892 | 448,442 |

### (c) Bankers' acceptances

Bankers' acceptances bear effective interests at rates ranging from 3.16% to 4.70% (2019: 3.17% to 4.93%) per annum and is secured and supported as follows:

(i) First party legal charge over the freehold lands and buildings as disclosed in Note 5;
(ii) First party legal charge over the leasehold lands and buildings as disclosed in Note 6;
(iii) Legal charge over the freehold land and building of a related party;
(iv) Joint and serveral corporate guarantee by the subsidiaries; and
(v) Joint and several guarantee by the Company's directors and subsidiary's director.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 18. LOANS AND BORROWINGS (CONTINUED)

### (d) Trust receipts

Trust receipts bear effective interests at rates ranging from 4.21% to 4.57% (2019: 3.17% to 5.12%) per annum and is secured and supported as follows:

(i) Legal charge over the freehold lands and buildings as disclosed in Note 5;
(ii) Legal charge over the fixed deposit as disclosed in Note 13;
(iii) Joint and several guarantee by the Company's directors and subsidiary's director; and
(iv) Corporate guarantee by the subsidiary.

### (e) Bank overdrafts

The bank overdrafts bear interest rates of:

(i) 0.50% above Base Lending Rate, calculated on daily rests basis; or
(ii) 1.25% above Islamic Financing Rate per annum.

The bank overdrafts are secured and supported as follows:

(i) First party legal charge over the freehold lands and buildings as disclosed in Note 5;
(ii) First party legal charge over the investment properties as disclosed in Note 7; and
(iii) Joint and several guarantee by the Company's directors.

## 19. LEASE LIABILITIES

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| Current | 240,142 | - |
| Non-current | 520,195 | - |
| | 760,337 | - |

The Group leases a number of shoplot under operating leases for average lease term between 1 to 3 years, with option to renew the lease at the end of the lease term.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 19. LEASE LIABILITIES (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| Minimum lease payments: | | |
| - Not later than one year | 275,720 | - |
| - Later than one year but not later than five years | 579,300 | - |
| | 855,020 | - |
| Less: Future finance charges | (94,683) | - |
| Present value of minimum lease payments | 760,337 | - |
| Present value of minimum lease payments payable: | | |
| - Not later than one year | 240,142 | - |
| - Later than one year but not later than five years | 520,195 | - |
| | 760,337 | - |
| Less: Amount due within twelve months | (240,142) | - |
| Amount due after twelve months | 520,195 | - |

As the MFRS 16 *Leases* adjustments is applied modified retrospectively, there is no lease liabilities as at the preceding financial year ended.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 20. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

| | As at 1 March 2019 RM (Note 35) (Unaudited) | Recognised in profit or loss RM (Note 26) | As at 29 February 2020 RM |
|---|---|---|---|
| **Group** | | | |
| **Deferred tax liabilities:** | | | |
| Property, plant and equipment | 295,994 | (61,771) | 234,223 |
| Revaluation surplus on investment properties | 127,955 | - | 127,955 |
| Asset classified as held for sale | 271,051 | (271,051) | - |
| | 695,000 | (332,822) | 362,178 |

| | As at 1 March 2018 RM (Note 35) (Unaudited) | Reclassification RM | Recognised in profit or loss RM (Note 26) | As at 28 February 2019 RM (Note 35) (Unaudited) |
|---|---|---|---|---|
| **Group** | | | | |
| **Deferred tax liabilities:** | | | | |
| Property, plants and equipment | 565,045 | (271,051) | 2,000 | 295,994 |
| Revaluation surplus on investment properties | 127,955 | - | - | 127,955 |
| Assets classified as held for sale | - | 271,051 | | 271,051 |
| | 693,000 | - | 2,000 | 695,000 |
| **Deferred tax asset:** | | | | |
| Property, plants and equipment | (1,700) | - | 1,700 | - |
| | 691,300 | - | 3,700 | 695,000 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 20. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the followings items:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| Unutilised tax losses | - | 128,245 |
| Unutilised capital allowances | - | 1,265 |
| Deductible taxable income | - | 129,510 |
| Potential deferred tax benefit at 24% | - | 31,082 |

The availability of unused tax losses offsetting against future taxable profits in Malaysia are subject to requirements under the Income Tax, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of the above items as there is no probable future taxable profits will be available against which the unabsorbed taxable losses can be utilised.

Any unutilised business losses bought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2020 to 2026).

## 21. TRADE AND OTHER PAYABLES

| | | Group | | Company |
|---|---|---|---|---|
| | | **2020** | **2019** | **2020** |
| | **Note** | **RM** | **RM** | **RM** |
| | | | **(Note 35)** | |
| | | | **(Unaudited)** | |
| **Non-current:** | | | | |
| **Non-trade** | | | | |
| Other payable | **(a)** | - | 600,000 | - |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| **Trade** | | | | |
| Trade payables | **(b)** | 28,931,100 | 29,328,887 | - |
| **Non-trade** | | | | |
| Other payables | **(a)** | 1,153,114 | 3,558,262 | - |
| Amount owing to a director | **(c)** | 10,000 | 687,778 | 10,000 |
| Accruals | | 886,901 | 572,474 | 52,000 |
| Deposits received | **(d)** | 82,329 | 1,368,867 | - |
| | | 31,063,444 | 35,516,268 | 62,000 |
| **Total trade and other payables (non-current and current)** | **(e), 28(a), 28(b)** | 31,063,444 | 36,116,268 | 62,000 |

**(a) Other payables**

Included in the other payables of the Group is RM600,000 (2019: RM1,800,000) relate to the remaining purchase consideration payable to a former non-controlling shareholder for the acquisition of 480,000 ordinary shares of a subsidiary, Maydenki Sdn. Bhd., representing the remaining 24% shares in Maydenki Sdn. Bhd..

**(b) Trade payables**

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 days to 120 days (2019: 30 days to 120 days).

**(c) Amount owing to a director**

Amount owing to a director is unsecured, non-trade in nature, non-interest bearing and repayable upon demand.

**(d) Deposits received**

Included in the prior year of deposits received of the Group is RM1,140,480 non-refundable deposit received from customers for its purchases with the Group.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

### (e) Currency exposure

The currency exposure profile of trade and other payables are as follows:

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) | Company 2020 RM |
|---|---|---|---|---|
| RM | | 31,063,444 | 35,902,260 | 62,000 |
| SGD | **28(b)** | - | 214,008 | - |
| | | 31,063,444 | 36,116,268 | 62,000 |

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 28(b)(ii).

## 22. REVENUE

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| **At a point in time:** | | | | |
| Sales of goods | **34** | 134,287,863 | 134,373,539 | - |

## 23. FINANCE COSTS

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) |
|---|---|---|---|
| Interest expense on: | | | |
| - Term loans | | 435,722 | 420,977 |
| - Finance lease liabilities | | 48,652 | 28,801 |
| - Bankers' acceptances | | 259,430 | 344,752 |
| - Trust receipts | | 444,253 | 96,436 |
| - Bank overdrafts | | 125,747 | 133,563 |
| - Lease liabilities | | 25,357 | - |
| - Bank guarantee | | - | 2,988 |
| | **34** | 1,339,161 | 1,027,517 |

## 24. PROFIT/(LOSS) BEFORE TAX

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| **Profit/(Loss) before tax is arrived at after charging:** | | | | |
| Auditors' remuneration | | | | |
| - current year | | 125,000 | 96,000 | 31,500 |
| - prior year | | (1,000) | - | - |
| Depreciation of property, plant and equipment | **5, 34** | 1,072,366 | 1,267,596 | - |
| Depreciation of right-of-use assets | **6, 34** | 635,113 | - | - |
| Property, plant and equipment written off | | 13,807 | - | - |
| Employee benefits expense | **25** | 9,146,522 | 8,277,530 | - |
| Impairment losses on trade receivables | **11** | 257,225 | 342,012 | - |
| Rental expenses | | | | |
| - equipment | | 87,767 | 78,877 | - |
| - premises | | 33,777 | 406,600 | - |

## 24. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| **and after crediting:** | | | | |
| Realised gain on foreign exchange | | 44,817 | - | - |
| Bad debts recoverable | | 32,918 | 17,000 | - |
| Changes in fair value of investment properties | 7 | 150,000 | 350,000 | - |
| Gain on disposal of property, plant and equipment | | 32,497 | 97,309 | - |
| Gain on disposal of asset classified as held for sale | | 438,460 | - | - |
| Interest income | | 43,110 | 15,111 | - |
| Reversal of impairment losses on trade receivables | 11 | 179,513 | 288,701 | - |
| Rental income | 7 | 230,500 | 198,000 | - |
| Waiver of amount owing to a director | | - | 348,094 | - |
| Insurance claims | | 13,467 | 385,813 | - |
| GST relief | | 13,032 | - | - |

## 25. EMPLOYEE BENEFITS EXPENSE

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| Salaries, allowances, fees, incentives and bonuses | | 8,088,448 | 7,355,286 | 48,000 |
| Defined contribution plans | | 720,010 | 700,216 | - |
| Other staff related expenses | | 338,064 | 222,028 | - |
| | 24, 34 | 9,146,522 | 8,277,530 | 48,000 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| Included in employee benefits expense are: | | | | |
| - Directors' fees | | 118,000 | 168,000 | 48,000 |
| - Directors' salaries, allowances, incentives and bonuses | | 722,341 | 409,361 | - |
| - Directors' defined contribution plans | | 69,861 | 43,356 | - |
| - Directors' other emolument | | 5,753 | 15,683 | - |
| | 30(d) | 915,955 | 636,400 | 48,000 |

### 26. INCOME TAX EXPENSE

The major components of income tax expense for the financial year ended 28 February 2019 and financial period ended 29 February 2020 are as follows:

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2019 RM |
|---|---|---|---|---|
| **Statements of comprehensive income** | | | | |
| **Current income tax:** | | | | |
| - Current income tax charge | | 2,316,508 | 1,719,000 | - |
| - Adjustment in respect of prior year | | 128,104 | 28,415 | - |
| | | 2,444,612 | 1,747,415 | - |
| **Deferred tax:** | | | | |
| - (Reversal)/Origination of temporary differences | | (319,587) | 27,700 | - |
| - Adjustment in respect of prior year | | (13,235) | (24,000) | - |
| | 20 | (332,822) | 3,700 | - |
| Income tax expense recognised in profit or loss | 34 | 2,111,790 | 1,751,115 | - |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 26. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysia statutory rate of 24% of the estimated assessable profit for the financial year/period.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below and annual sales less than RM50 million (2019: Nil) is subject to the statutory tax rate of 17% (2019: 17%) on chargeable income up to RM600,000 (2019: RM500,000). For chargeable income in excess of RM600,000 (2019: RM500,000), statutory tax rate of 24% is still applicable.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expenses are as follows:

| | Group | | Company |
|---|---|---|---|
| | 01.03.2020 to 29.02.2020 RM | 01.03.2019 to 28.02.2020 RM (Note 35) (Unaudited) | 11.06.2019 to 29.02.2019 RM |
| Profit/(Loss) before tax | 9,946,894 | 9,167,168 | (88,297) |
| Tax at Malaysian statutory income tax rate of 24% | 2,387,255 | 2,200,120 | (21,191) |
| SME tax savings | (149,619) | (176,939) | - |
| Adjustments: | | | |
| - Income not subject to tax | (54,526) | (379,245) | - |
| - Non-deductible expenses | 221,294 | 155,564 | 21,191 |
| - Reversal on deferred tax liabilities recognised on asset classified as held for sale following its disposal | (376,401) | - | - |
| - Reinvestment allowance incentives* | - | (52,800) | - |
| - Utilisation of previously unrecognised tax losses | (30,779) | - | - |
| - Utilisation of previously unrecognised capital allowances | (303) | - | - |
| - Adjustment in respect of current income tax of prior year | 128,104 | 28,415 | - |
| - Adjustment in respect of deferred tax of prior year | (13,235) | (24,000) | - |
| Income tax expense | 2,111,790 | 1,751,115 | - |

## 26. INCOME TAX EXPENSE (CONTINUED)

* The Group was granted Investment Tax Allowance ("ITA") by the Malaysian Investment Development Authority under Promotion of Investment Act, 1986; which they are eligible to offset 100% of qualifying capital allowance against statutory income. By virtue of this ITA, it can be offset against 70% of the statutory business income in the year of assessment and unutilised allowance can be carried forward until they can be fully absorbed.

## 27. EARNINGS PER SHARE

**Basic earnings per ordinary share and diluted earnings per ordinary share**

Basic earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM<br>(Note 35)<br>(Unaudited) |
| Profit attributable to owners of the Company | 7,667,283 | 6,871,054 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 242,000,000 | 242,000,000 |
| Basic and diluted earnings per ordinary share | 0.03 | 0.03 |

* In the calculation of earnings per share for the financial year ended 28 February 2019, it is assumed that 242,000,000 ordinary shares were in issue.

## 28. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

| | Note | Carrying amount RM | Amortised cost RM |
|---|---|---|---|
| **At 29 February 2020** | | | |
| **Financial assets** | | | |
| **Group** | | | |
| Trade and other receivables | 11 | 32,986,287 | 32,986,287 |
| Cash and short-term deposits | 13 | 5,854,794 | 5,854,794 |
| | | 38,841,081 | 38,841,081 |
| **Company** | | | |
| Other receivable | 11 | 920,500 | 920,500 |
| Cash and short-term deposits | 13 | 19,128 | 19,128 |
| | | 939,628 | 939,628 |
| **Financial liabilities** | | | |
| **Group** | | | |
| Loans and borrowings | 18 | 27,672,474 | 27,672,474 |
| Lease liabilities | 19 | 760,337 | 760,337 |
| Trade and other payables | 21 | 31,063,444 | 31,063,444 |
| | | 59,496,255 | 59,496,255 |
| **Company** | | | |
| Other payables | 21 | 62,000 | 62,000 |
| **At 28 February 2019 (unaudited)** | | | |
| **Financial assets** | | | |
| **Group** | | | |
| Trade and other receivables | 11 | 30,319,904 | 30,319,904 |
| Cash and short-term deposits | 13 | 9,710,779 | 9,710,779 |
| | | 40,030,683 | 40,030,683 |
| **Financial liabilities** | | | |
| **Group** | | | |
| Loans and borrowings | 18 | 26,340,008 | 26,340,008 |
| Trade and other payables | 21 | 36,116,268 | 36,116,268 |
| | | 62,456,276 | 62,456,276 |

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for its shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on their obligations. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

**Trade receivables**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the statements of financial position.

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

<u>Credit risk concentration profile</u>
At the end of the reporting period, the Group and the Company do not have any significant exposure to any individual customers.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk (Continued)

**Trade receivables (Continued)**

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

| | | Trade receivables | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Current RM | 1 to 30 days past due RM | 31 to 60 days past due RM | 61 to 90 days past due RM | > 91 days past due RM | Total RM |
| **At 29 February 2020** | | | | | | | |
| Expected credit loss rate | | 0% | 0% | 0% | 0% | 22% | 2% |
| Gross carrying amount at default | 11 | 13,485,667 | 7,236,505 | 6,574,371 | 2,294,926 | 3,733,855 | 33,325,324 |
| Impairment losses | 11 | - | - | - | - | (804,109) | (804,109) |
| | | 13,485,667 | 7,236,505 | 6,574,371 | 2,294,926 | 2,929,746 | 32,521,215 |
| **At 28 February 2019 (unaudited)** | | | | | | | |
| Expected credit loss rate | | 0% | 0% | 0% | 0% | 30% | 3% |
| Gross carrying amount at default | 11 | 17,389,938 | 6,390,901 | 2,956,736 | 1,247,684 | 2,765,364 | 30,750,623 |
| Impairment losses | 11 | - | - | - | - | (823,845) | (823,845) |
| | | 17,389,938 | 6,390,901 | 2,956,736 | 1,247,684 | 1,941,519 | 29,926,778 |

**Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial asset is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk (Continued)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (Continued)**

**(i) Credit risk (Continued)**

**Financial guarantee contract**

In the prior year, the Group is exposed to credit risk in relation to financial guarantee given to a bank in respect of loans granted to a related party. The Group monitors the results of the related party and its repayment on an on-going basis. The maximum exposure to credit risks in prior year amounts to RM500,000 representing the maximum amount the Group could pay if the guarantee is called on as disclosed in Note 28(b)(ii). As at the preceding financial reporting date, there was no indication that the related party would default on repayment.

The financial guarantee has not been recognised since the fair value on initial recognition was not material.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables, loans and borrowings.

The Group and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (ii) Liquidity risk (Continued)

Maturity analysis
The maturity analysis of the Group's and the Company's financial liability by its relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

| | Note | Carrying amount RM | ← On demand or within 1 year RM | Contractual cash flows Between 1 and 5 years RM | More than 5 years RM | → Total RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **At 29 February 2020** | | | | | | |
| Trade and other payables | 21 | 31,063,444 | 31,063,444 | - | - | 31,063,444 |
| Term loans | 18 | 8,791,994 | 1,021,100 | 4,234,687 | 6,576,093 | 11,831,880 |
| Finance lease liabilities | 18 | 1,028,762 | 401,874 | 743,692 | - | 1,145,566 |
| Bankers' acceptances | 18 | 3,736,565 | 3,736,565 | - | - | 3,736,565 |
| Trust receipts | 18 | 12,079,595 | 12,079,595 | - | - | 12,079,595 |
| Bank overdrafts | 18 | 2,035,558 | 2,035,558 | - | - | 2,035,558 |
| Lease liabilities | 19 | 760,337 | 275,720 | 579,300 | - | 855,020 |
| | | **59,496,255** | **50,613,856** | **5,557,679** | **6,576,093** | **62,747,628** |
| **At 28 February 2019 (unaudited)** | | | | | | |
| Trade and other payables | 21 | 36,116,268 | 35,516,268 | 600,000 | - | 36,116,268 |
| Term loans | 18 | 9,483,660 | 1,069,795 | 3,956,228 | 7,288,208 | 12,314,231 |
| Finance lease liabilities | 18 | 664,650 | 251,502 | 490,270 | - | 741,772 |
| Bankers' acceptances | 18 | 4,634,499 | 4,634,499 | - | - | 4,634,499 |
| Trust receipts | 18 | 10,548,647 | 10,548,647 | - | - | 10,548,647 |
| Bank overdrafts | 18 | 1,008,552 | 1,008,552 | - | - | 1,008,552 |
| Financial guarantee contract | | 500,000 | 500,000 | - | - | 500,000 |
| | | **62,956,276** | **53,529,263** | **5,046,498** | **7,288,208** | **65,863,969** |
| **Company** | | | | | | |
| **At 29 February 2020** | | | | | | |
| Other payables | 21 | **62,000** | **62,000** | - | - | **62,000** |

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and bank balances that are denominated in a foreign currency).

The foreign currencies in which these transactions are denominated are mainly USD, EUR and SGD.

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

| | | Group | |
|---|---|---|---|
| | **Note** | **2020 RM** | **2019 RM (Note 35) (Unaudited)** |
| Financial assets and liabilities not held in functional currencies: | | | |
| Cash and short-term deposits | | | |
| USD | **13** | 12,103 | 11,905 |
| SGD | **13** | 15,336 | 29,823 |
| | | 27,439 | 41,728 |
| Trade receivables | | | |
| EUR | **11** | 185,542 | - |
| Trade payables | | | |
| SGD | **21** | - | 214,008 |

<u>Sensitivity analysis for foreign currency risk</u>
The Group's principal foreign currency exposure relates mainly to USD,EUR and SGD.

No sensitivity analysis foreign currency risk is prepared at the end of reporting period as the Group does not have significant exposure to foreign currency risk.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (Continued)**

**(iv) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

The following tables set out the carrying amounts, the interest rates as at the reporting date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

| | Note | Interest rate % | Within 1 year RM | Later than 1 year but not later than 2 years RM | Later than 2 years but not later than 3 years RM | Later than 3 years but not later than 4 years RM | Later than 4 years but not later than 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **At 29 February 2020** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| **Financial asset** | | | | | | | | | |
| Short-term deposits | 13 | 2.65-3.34 | 1,068,625 | - | - | - | - | - | 1,068,625 |
| **Financial liability** | | | | | | | | | |
| Finance lease liabilities | 18 | 2.38-5.09 | 350,870 | 326,989 | 201,550 | 121,321 | 28,032 | - | 1,028,762 |
| **Floating rate** | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | |
| Term loans | 18 | 4.65-8.93 | 609,486 | 613,575 | 640,702 | 655,193 | 583,226 | 5,689,812 | 8,791,994 |
| Bankers' acceptances | 18 | 3.16-4.70 | 3,736,565 | - | - | - | - | - | 3,736,565 |
| Trust receipts | 18 | 4.21-4.57 | 12,079,595 | - | - | - | - | - | 12,079,595 |
| Bank overdrafts | 18 | 6.90-7.39 | 2,035,558 | - | - | - | - | - | 2,035,558 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (Continued)**

**(v) Interest rate risk (Continued)**

The following tables set out the carrying amounts, the interest rates as at the reporting date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk (Continued):

| | Note | Interest rate % | Within 1 year RM | Later than 1 year but not later than 2 years RM | Later than 2 years but not later than 3 years RM | Later than 3 years but not later than 4 years RM | Later than 4 years but not later than 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **At 28 February 2019 (unaudited)** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| **Financial asset** | | | | | | | | | |
| Short-term deposits | 13 | 3.15-3.37 | 971,310 | - | - | - | - | - | 971,310 |
| **Financial liability** | | | | | | | | | |
| Finance lease liabilities | 18 | 2.41-5.09 | 216,208 | 180,661 | 148,981 | 83,309 | 35,491 | - | 664,650 |
| **Floating rate** | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | |
| Term loans | 18 | 4.52-8.93 | 804,953 | 662,998 | 613,475 | 640,702 | 651,811 | 6,109,721 | 9,483,660 |
| Bankers' acceptances | 18 | 3.17-4.93 | 4,634,499 | - | - | - | - | - | 4,634,499 |
| Trust receipts | 18 | 3.17-5.12 | 10,548,647 | - | - | - | - | - | 10,548,647 |
| Bank overdrafts | 18 | 7.15-7.54 | 1,008,552 | - | - | - | - | - | 1,008,552 |

The other financial instruments of the Group that are not included in the above tables are not subject to interest rate risk. There is no any financial instruments of the Company that is subject to interest rate risk.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (Continued)**

**(iv) Interest rate risk (Continued)**

Sensitivity analysis for interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates of the Group's floating rate financial assets and liabilities, with all other variables held constant on the Group's total equity and profit for the financial year.

| | Note | Carrying amount RM | Movement in basis points | Effect on profit and equity for the financial year RM |
|---|---|---|---|---|
| **Group** | | | | |
| **29 February 2020** | | | | |
| Term loans | 18 | 8,791,994 | + 50 | (33,410) |
| | | | - 50 | 33,410 |
| Bankers' acceptances | 18 | 3,736,565 | + 50 | (14,199) |
| | | | - 50 | 14,199 |
| Trust receipts | 18 | 12,079,595 | + 50 | (45,902) |
| | | | - 50 | 45,902 |
| Bank overdrafts | 18 | 2,035,558 | + 50 | (7,735) |
| | | | - 50 | 7,735 |
| **28 February 2019 (unaudited)** | | | | |
| Term loans | 18 | 9,483,660 | + 50 | (36,029) |
| | | | - 50 | 36,029 |
| Bankers' acceptances | 18 | 4,634,499 | + 50 | (17,611) |
| | | | - 50 | 17,611 |
| Trust receipts | 18 | 10,548,647 | + 50 | (40,085) |
| | | | - 50 | 40,085 |
| Bank overdrafts | 18 | 1,008,552 | + 50 | (3,832) |
| | | | - 50 | 3,832 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurement

The carrying amounts of cash and short-term deposits, receivables, payables, bankers' acceptances, trust receipts and bank overdrafts are reasonably approximate to their fair values due to relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year/period.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

| | | | Fair value of financial instruments not carried at fair value | | | |
|---|---|---|---|---|---|---|
| | | Carrying | ← Fair value → | | | |
| | | amount | Level 1 | Level 2 | Level 3 | Total |
| | Note | RM | RM | RM | RM | RM |
| **29 February 2020** | | | | | | |
| **Financial liabilities** | | | | | | |
| Term loans | 18 | 8,791,994 | - | - | 7,665,798 | 7,665,798 |
| Finance lease liabilities | 18 | 1,028,762 | - | - | 1,075,118 | 1,075,118 |
| **28 February 2019 (unaudited)** | | | | | | |
| **Financial liabilities** | | | | | | |
| Term loans | 18 | 9,483,660 | - | - | 7,723,121 | 7,723,121 |
| Finance lease liabilities | 18 | 664,650 | - | - | 690,885 | 690,885 |

**Level 3 fair value**

<u>Fair value of financial instruments not carried at fair value</u>

The fair value of liability component of term loans and finance lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

## 29. COMMITMENTS

### (a) Capital commitments

The Group has made commitments for the following capital expenditure:

| | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) |
|---|---|---|
| **Approved but not contracted for** | | |
| - Property, plant and equipment | 17,961,000 | 17,961,000 |

### (b) Operating lease commitments – as lessee

The Group leases a number of shoplot under operating leases for average lease term of Nil (2019: 1 to 3 years), with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

| | Note | Group 2020 RM | Group 2019 RM (Note 35) (Unaudited) |
|---|---|---|---|
| - Not later than one year | | - | 279,400 |
| - More than one year and not later than five years | | - | 345,500 |
| | 2.2 | - | 624,900 |

On adoption of MFRS 16 *Leases*, all operating leases save for those leases with lease terms of 12 months or less and leases that have been determined to be low value, are to be classified as lease liabilities in the statements of financial position.

### (c) Operating lease commitments – as lessor

The Group leases several of its investment properties for average lease term between 1 to 2 years (2019: less than 1 year). Rental charges are revised every 2 years (2019: 2 years) to reflect current market conditions.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**29. COMMITMENTS (CONTINUED)**

**(c) Operating lease commitments – as lessor (Continued)**

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

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| | | **(Note 35)** |
| | | **(Unaudited)** |
| - Not later than one year | 119,400 | 65,000 |
| - More than one year and not later than five years | 14,100 | - |
| | 133,500 | 65,000 |

**30. RELATED PARTIES**

**(a) Identification of related parties**

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group and the Company include:

(i) Entity owned by persons connected to a director;
(ii) Entity in which certain directors have interests; and
(iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

## 30. RELATED PARTIES (CONTINUED)

### (b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

| | Group | | Company |
|---|---|---|---|
| | 01.03.2019 to 29.02.2020 RM | 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | 11.06.2019 to 29.02.2020 RM |
| **Sales of goods** | | | |
| - Entity owned by persons connected to a director | 20,881 | 60,556 | - |
| **Rental of office** | | | |
| - Entity in which certain directors have interests | - | 26,400 | - |
| **Disposal of asset classified as held for sale** | | | |
| - Entity in which certain directors have interests | 2,150,000 | - | - |

### (c) Compensation of key management personnel

The remunerations of the key management personnel who are the directors, Chief Financial Officer, Head of Procurement, Head of Operations and Head of Human Resources of the Group during the year are as follows:

| | Group | | Company |
|---|---|---|---|
| | 01.03.2019 to 29.02.2020 RM | 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | 11.06.2019 to 29.02.2020 RM |
| Salaries, allowances, fees, incentives and bonuses | 1,454,790 | 1,607,477 | 48,000 |
| Defined contribution plan | 136,597 | 158,313 | - |
| Other staff related benefits | 10,370 | 62,559 | - |
| | 1,601,757 | 1,828,349 | 48,000 |

## 30. RELATED PARTIES (CONTINUED)

### (d) Directors' remuneration

| | Note | Group 01.03.2019 to 29.02.2020 RM | Group 01.03.2018 to 28.02.2019 RM (Note 35) (Unaudited) | Company 11.06.2019 to 29.02.2020 RM |
|---|---|---|---|---|
| **Company's directors** | | | | |
| - Directors' fees | | 70,000 | - | 48,000 |
| - Directors' salaries, allowances, incentives and bonuses | | 386,041 | - | - |
| - Directors' defined contribution plans | | 39,040 | - | - |
| - Directors' other emolument | | 2,983 | - | - |
| | | 498,064 | - | 48,000 |
| **Subsidiaries' directors** | | | | |
| - Directors' fees | | 48,000 | 168,000 | - |
| - Directors' salaries, allowances, incentives and bonuses | | 336,300 | 409,361 | - |
| - Directors' defined contribution plans | | 30,821 | 43,356 | - |
| - Directors' other emolument | | 2,770 | 15,683 | - |
| | | 417,891 | 636,400 | - |
| **Total directors' remuneration** | | | | |
| - Directors' fees | | 118,000 | 168,000 | 48,000 |
| - Directors' salaries, allowances, incentives and bonuses | | 722,341 | 409,361 | - |
| - Directors' defined contribution plans | | 69,861 | 43,356 | - |
| - Directors' other emolument | | 5,753 | 15,683 | - |
| | 25 | 915,955 | 636,400 | 48,000 |

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 21.

In the prior year, the Group provides secured corporate guarantees to banks in respect of banking facilities granted to the a related party as disclosed in Note 28(b)(ii).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 31. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial period ended 29 February 2020 and the financial year ended 28 February 2019.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as net debts divided by total equity of the Group and the Company. The Company has no loans and borrowings for the current financial period. Accordingly, the calculation of gearing ratio is not meaningful to the Company.

The gearing ratio as at 29 February 2020 and 28 February 2019 as follows:

| | | Group | |
|---|---|---|---|
| | Note | 2020<br>RM | 2019<br>RM<br>(Note 35)<br>(Unaudited) |
| Loans and borrowings | 18 | 27,672,474 | 26,340,008 |
| Less: Cash and short-term deposits | 13 | (5,854,794) | (9,710,779) |
| | | 21,817,680 | 16,629,229 |
| Total equity | | 44,129,280 | 36,293,176 |
| Gearing ratio (times) | | 0.49 | 0.46 |

There were no changes in the Group's and the Company's approach to capital management during the financial year/period under review.

The Group is required to comply with externally imposed capital requirements on leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

## 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PERIOD

### (a) Acquisition of ACO Holdings Sdn. Bhd.

On 2 August 2019, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of ACO Holdings Sdn. Bhd. comprising 2,500,000 ordinary shares for total purchase consideration of RM35,320,350. The acquisition of ACO Holdings Sdn. Bhd. was entirely satisfied by the issuance of 235,469,000 new shares of the Company at an issue price of RM0.15 per share. The acquisition of ACO Holdings Sdn. Bhd. was completed on 22 January 2020.

### (b) Acquisition of non-controlling interests in Electric Master Sdn. Bhd.

On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 20% shareholdings in Electric Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM684,750. The said purchase consideration was entirely satisfied by the issuance of 4,565,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

### (c) Acquisition of non-controlling interests in Voltage Master Sdn. Bhd.

On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 7.5% shareholdings in Voltage Master Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM131,250. The said purchase consideration was entirely satisfied by the issuance of 875,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

### (d) Acquisition of non-controlling interests in Maylec Sdn. Bhd.

On 2 August 2019, the Company entered into a conditional share sale agreement with ACO Holdings Sdn. Bhd. and non-controlling interest for ACO Holdings Sdn. Bhd.'s acquisition of remaining 10% shareholdings in Maylec Sdn. Bhd. not owned by ACO Holdings Sdn. Bhd. for a purchase consideration of RM163,500. The said purchase consideration was entirely satisfied by the issuance of 1,090,000 new ordinary shares in the Company at an issue price of RM0.15 per share. The share issuance and acquisition was completed on 22 January 2020.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PERIOD (CONTINUED)**

**(e) Listing on ACE Market of Bursa Securities**

On 27 February 2020, the Company issued its Prospectus and undertook an Initial Public Offering ("IPO") comprising:

(i) Public issue of 58,000,000 new ordinary shares at the IPO Price of RM0.28 per ordinary share allocated in the following manner:

(a) 15,000,000 new shares available for application by the Malaysian Public;

(b) 9,000,000 new shares available for application by the eligible directors, employees and person who have contributed to the success of the Company;

(c) 4,000,000 new shares by way of private placement to identified investors; and

(d) 30,000,000 new shares by way of private placement to Bumiputera investors approved by the MITI.

(ii) Offer for sale of 25,000,000 existing shares at the IPO price of RM0.28 per ordinary share by way of private placement to identified investors.

**33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR/PERIOD**

**(a) Coronavirus outbreak**

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

For the Group's financial statements for the financial year ended 29 February 2020, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period.* Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 29 February 2020.

The Group is unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 28 February 2021 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's sales, operations and supply chains. The Group will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR/PERIOD (CONTINUED)**

**(b) Listed on ACE Market of Bursa Securities**

Following the Company's issuance of the Prospectus on 27 February 2020, the Company has on 18 March 2020 succesfully listed its enlarged issued share capital, comprising 300,000,000 shares on the ACE Market of Bursa Securities.

**(c) Business collaboration agreement between Actgen Industry Sdn. Bhd., a wholly-owned subsidiary of the Company and Prima Nexus Sdn. Bhd.**

On 4 June 2020, Actgen Industry Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a business collaboration agreement with Prima Nexus Sdn. Bhd. to promote and sell rapid test kits, diagnosis materials and personal protective equipment required to conduct health screening amidst the Covid-19 pandemic.

**34. SEGMENT INFORMATION**

The Group prepared the following segment information in accordance with *MFRS 8 Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assesment.

The two reportable operating segments are as follows:

| **Segments** | **Product and services** |
|---|---|
| Industrial users | Sales of electrical products and accessories to electrical contractors, electrical products manufacturers, factory and business owners, and others |
| Resellers | Sales of electrical products and accessories to intermediaries including distributors and retailers |

## 34. SEGMENT INFORMATION (CONTINUED)

Inter-segment pricing is determined on negotiated basis.

| | Note | Industrial users RM | Resellers RM | Others RM | Adjustment and eliminations RM | Total RM |
|---|---|---|---|---|---|---|
| **29 February 2020** | | | | | | |
| **Revenue:** | | | | | | |
| Revenue from external customers | | 100,547,573 | 33,740,290 | - | - | 134,287,863 |
| Inter-segment revenue | | 10,269,288 | - | 1,700,000 | (11,969,288) | - |
| | 22 | 110,816,861 | 33,740,290 | 1,700,000 | (11,969,288) | 134,287,863 |
| **Segment profit** | | 22,151,875 | 3,814,454 | - | - | 25,966,329 |
| Other income | | | | | | 1,401,380 |
| Unallocated expenses | | | | | | (16,081,654) |
| Finance costs | 23 | | | | | (1,339,161) |
| Income tax expense | 26 | | | | | (2,111,790) |
| Profit for the financial year | | | | | | 7,835,104 |
| **Results:** | | | | | | |
| *Included in the measure of segments profit are:* | | | | | | |
| Employee benefits expense | 25 | | | | | 9,146,522 |
| Depreciation of property, plant and equipment | 5, 24 | | | | | 1,072,366 |
| Depreciation of right-of-use assets | 6, 24 | | | | | 635,113 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 34. SEGMENT INFORMATION (CONTINUED)

| | | Industrial users RM | Resellers RM | Others RM | Adjustment and eliminations RM | Total RM |
|---|---|---|---|---|---|---|
| **28 February 2019 (unaudited)** | | | | | | |
| **Revenue:** | | | | | | |
| Revenue from external customers | | 95,559,135 | 38,814,404 | - | - | 134,373,539 |
| Inter-segment revenue | | 9,133,907 | - | 600,000 | (9,733,907) | - |
| | 22 | 104,693,042 | 38,814,404 | 600,000 | (9,733,907) | 134,373,539 |
| **Segment profit** | | 18,351,103 | 3,867,022 | - | - | 22,218,125 |
| Other income | | | | | | 1,710,898 |
| Unallocated expenses | | | | | | (13,734,338) |
| Finance costs | 23 | | | | | (1,027,517) |
| Income tax expense | 26 | | | | | (1,751,115) |
| Profit for the financial year | | | | | | 7,416,053 |
| **Results:** | | | | | | |
| *Included in the measure of segments profit are:* | | | | | | |
| Employee benefits expense | 25 | | | | | 8,277,530 |
| Depreciation of property, plant and equipment | 5, 24 | | | | | 1,267,596 |
| Depreciation of right-of-use assets | 24 | | | | | - |

## 35. COMPARATIVE FIGURE

### (a) Group

The acquisition of the entire issued and paid up shares of ACO Holdings Sdn. Bhd. by the Company is a reorganisation and does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of ACO Holdings Sdn. Bhd. and its subsidiaries, and is accounted for as follows:

- the assets and liabilities of ACO Holdings Sdn. Bhd. and its subsidiaries are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group;
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves; and
- the comparative information presented in these consolidated financial statements is that of Aco Holdings Sdn. Bhd. and its subsidiaries.

The comparatives are not audited as the Group was not in existence in the previous financial year.

### (b) Company

There are no comparative figures presented as this is the Company's first set of audited financial statements since its incorporation on 11 June 2019.

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**
(Pursuant to Section 251(2) of the Companies Act 2016)

We, **TANG PEE TEE @ TAN CHANG KIM** and **TAN YUSHAN**, being two of the directors of ACO GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 29 February 2019 and of their financial performance and cash flows for the financial period then ended.

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

..............................................................
**TANG PEE TEE @ TAN CHANG KIM**
Director

..............................................................
**TAN YUSHAN**
Director

Kuala Lumpur

Date: 1 July 2020

**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**STATUTORY DECLARATION**
(Pursuant to Section 251(2) of the Companies Act 2016)

I, **TAN YUSHAN**, being the director primarily responsible for the financial management of ACO GROUP 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.

.........................................................
**TAN YUSHAN**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 1 July 2020.

Before me,

..................................................
Commissioner for Oaths

Baker Tilly Monteiro Heng PLT
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***Registration No. 201901020410 (1329739-A)***

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACO GROUP BERHAD**
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of ACO Group Berhad, which comprise the statements of financial position as at 29 February 2020 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year/period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 29 February 2020, and of their financial performance and their cash flows for the financial year/period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year/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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**Key Audit Matters (continued)**

**Inventories (Note 10 to the financial statements)**

The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable value and identifying slow-moving inventories.

**Our response:**

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories;
- evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected samples of inventory; and
- observing year end physical inventory count to examine physical existence and condition of the inventories and evaluating the design and implementation of controls during the count.

**Trade receivables (Note 11 to the financial statements)**

The Group has significant trade receivables as at 29 February 2020. We focused on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate.

**Our response:**

Our audit procedures included, among others:
- understanding the design and implementation of controls associated with monitoring of outstanding receivables impairment calculation;
- eveloping understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period.

**Company**

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACO GROUP BERHAD**
(Incorporated in Malaysia)

### Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**ACO GROUP BERHAD**
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

**Other Matters**

1. Without qualifying our report, we draw attention to Note 35 to the financial statements which states that the Group's comparative figures disclosed in financial statements have not been audited.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

| | |
|---|---|
| Baker Tilly Monteiro Heng PLT | Paul Tan Hong |
| 201906000600 (LLP0019411-LCA) & AF 0117 | No. 03459/11/2021 J |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur

Date: 1 July 2020