VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd
(Company No.: 266797-T)
V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 7931-3188
Fax: (603) 7931-2188
Email: enquiries@vitalfactor.com
Website: www.vitalfactor.com

10 February 2020

The Board of Directors
ACO Group Berhad
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Dear Sirs and Madam

Independent Assessment of the Distribution of Electrical Products Industry in Malaysia

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above subject for inclusion into the prospectus of ACO Group Berhad in relation to its proposed listing on the ACE Market of Bursa Securities. We have prepared this report in an independent and objective manner and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report includes assessments and opinions, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders (formerly known as Australian Institute of Management). He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Malaysia Securities Berhad.

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INDEPENDENT ASSESSMENT OF THE DISTRIBUTION OF ELECTRICAL PRODUCTS INDUSTRY IN MALAYSIA

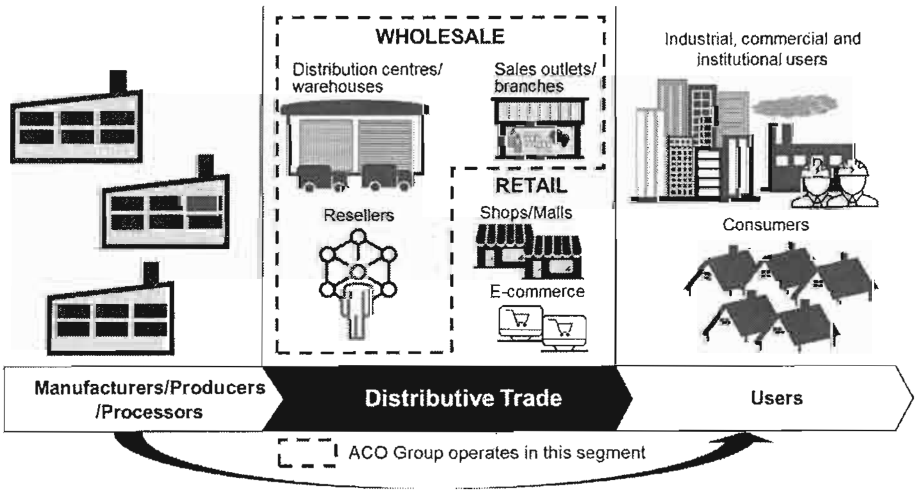
1. INTRODUCTION

- ACO Group Berhad and its group of subsidiaries (ACO Group) are principally in the distribution of electrical products and accessories in Malaysia. As such, ACO Group operates within the distributive trade industry focusing on electrical products in Malaysia, which will be the focus of this report. The following terms used in this report includes the following:
  - electrical products in this report includes complete products, parts and components;
  - electrical products are a distinct category on its own and does not include electronic products, parts and components;
  - wholesale and retail trade in this report refer to goods only, and does not include services; and
  - wholesale and retail trade in this report exclude motor vehicles.

2. DISTRIBUTIVE TRADE INDUSTRY

2.1 Value Chain

- Distributive trade is the intermediary stage comprising all linkages and activities that channel goods for resale or to users.



- Goods passing through the distributive trade sector are sold without transformation. Operators within the distributive trade sector may physically break bulk, sort, grade, assemble, mix, pack or repack, but do not refine, process, manufacture or otherwise transform the goods.

- Operators within the distributive trade may sell directly to users and/or other intermediaries who subsequently resell to users. In some situations, manufacturers, producers and processors may also sell their goods directly to users.

- The distributive trade is segmented into wholesale and retail trade. Retail trade refers to the resale of goods to the general public or consumers for personal or household use. Retail trade covers different selling formats including store-based and non-store-based to sell goods. Store-based retailing has physical outlets to display and sell goods. Non-store-based retailing includes sales through single and multilevel marketing, telephone, television, catalogue, mail order and online. Goods sold through retail trade are commonly referred as consumer goods.

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- Wholesale trade refers to the resale of goods to either industrial users or resellers. Resellers include other wholesalers or retailers. Industrial users refer to industrial, commercial, institutional, government, professionals or other groups but not to the general public. Goods sold through wholesale trade are commonly referred to as industrial goods.

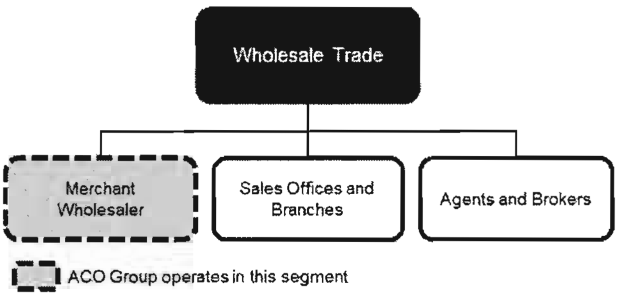
- The distinction between consumer goods and industrial goods has legal implications as goods sold to consumers are covered by the Consumer Protection Act 1999, Consumer Protection (Amendment) Act 2017 and Consumer Protection (Credit Sale) Regulations 2017. In some situations, the distinction between consumer and industrial sales may not be obvious.

- ACO Group operates within the distributive trade industry as a wholesaler and largely sells to industrial users and resellers.

2.2 Operators of Wholesale Trade

- Within the Wholesale Trade Industry, there are three general categories of operators:

  - **Merchant wholesalers**: These are operators that buy their goods from manufacturers, processors, producers or other wholesalers, and take title to the goods before the goods are resold. This category has by far the largest number of operators and include, among others, industrial distributors, contractors, exporters, importers and cooperative purchasers.



  - **Sales offices and branches**: These are mainly sales outlets owned by manufacturers and producers for the purpose of selling their own goods, but not amounting to retailing.

  - **Agents and brokers:** These are intermediaries that source buyers or sell on behalf of suppliers of the goods. They do not take title to the goods, and mainly work on commission or fee basis.

- ACO Group operates within the merchant wholesaler segment as an industrial distributor.

- One sub-segment of Merchant Wholesalers is **Industrial Distributors**, that take title to goods, stock goods, and sell to industrial users including commercial, industrial, institutional, professionals (include tradespersons) and resellers including wholesalers and retailers. There are four categories of industrial distributors as follows:

  - **Full-line**: These operators carry a broad line of products and brands distributing to different user groups. For example, a full-line electrical product distributor will carry a wide variety of electrical products and accessories sourced from different manufacturers and suppliers, and distributes to various user groups including building and construction contractors, mechanical and electrical contractors, electrical product manufacturers, property developers and interior fit-out operators.

  - **Product specific**: These operators specialise in distributing products and accessories for one or a very narrow range of applications, for example, industrial automation and control;

instrumentation and sensors; lighting equipment; and rotating equipment (such as motors, pumps and compressors).

- **Brand/supplier specific**: These operators only carry products from a specific manufacturer or brand for resale.

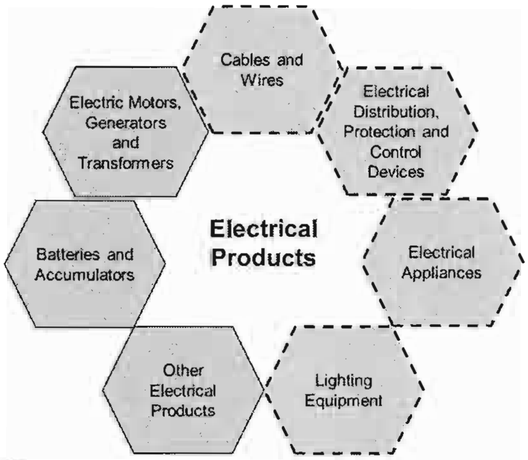
- **Product and service specific**: These operators provide solutions incorporating products and services. They include some combination of design, engineering, procurement, installation, commissioning, maintenance and repair. While these operators may buy products for their own provision of solutions, they also stock extra products for resale to other industrial buyers.

- ACO Group is a full-line industrial distributor focusing on electrical products and accessories.

3. ELECTRICAL PRODUCTS

- Electrical products are machine, equipment, apparatus, appliances and devices that require electricity for them to function. They also include those that generate, transmit, distribute, control or store electricity.

- In the context of this report, they also include parts and components that make up the final electrical product. Accessories are various types of hardware and products that may not be electrical in nature, but are commonly incorporated when using, installing or fabricating an electrical product or system.



ACO Group distributes mainly products within these segments

- Electronic products, although uses electricity, is a special category on its own and is distinct from electrical products. Many electrical products incorporate electronic parts and components to improve efficiency, accuracy, functionality, user interface and aesthetics.

- **Cables and wires:** Cables and wires are designed to conduct electricity ranging from extra low to extra high voltage to serve different purposes. Cables and wires are made of copper and aluminium (or aluminium alloy) conductors that may be insulated or non-insulated and can be generally categorised based on its main function as below:

  - Power cables and wires are mainly used in power grids as well as buildings, structures and infrastructures for the transmission and distribution of electricity from the power generating plant to users and devices;

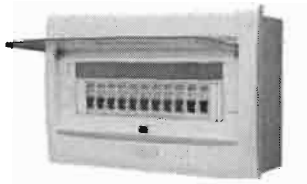
  - Communication cables and wires carry data and signals to provide linkages between two or more communications network or devices; and

  - Control and instrumentation cables and wires are mainly used in industrial and commercial settings to connect instruments and devices that monitor or measure certain situation or events. These cables and wires allow transmission of data or signals between processors and devices to trigger an action or display analysed information.

Power Cable

Communications Cable

Switchboard



Starter

Relay

Circuit Breaker

- **Electrical distribution, protection and control devices:** They are electrical parts, components and devices whose main functions comprise distributing electricity to various locations including from substations to other substations and premises; within buildings, facilities and infrastructures; and to plants, machineries and equipment. Such products also incorporate protection functions against electricity leakages, surges and fluctuations that may cause damage to equipment, properties and lives. It also includes devices that control the flow of electricity, in terms of varying the voltage, based on predefined conditions or input signals from sensors or other devices. Electrical distribution, protection and control devices include switchgears, switchboards, lightning arrestors, surge protectors, circuit breakers, fuses, starters for electric motors, switches, regulators, relays, plugs and sockets.

- **Electrical appliances:** They are machines used to do work or to accomplish one or more functions. They include, among others, refrigerators, freezers, air-conditioners, fans, water heaters, dish washers, washing machines, microwave ovens, vacuum cleaners and coffee making machines.

Lighting Equipment

- **Lighting equipment:** Lighting equipment are devices and accessories whose main function is to provide illumination using various electricity-based light sources including florescence, tungsten halogen, metal halide and light-emitting diodes (LED). They also include lighting casings, fittings and fixtures.

- **Batteries and accumulators:** Batteries are electrochemical generators of power mainly used as main, back-up or secondary electric current source in numerous devices, appliances, machines or vehicles. Batteries include wet-cell batteries typically used in cars, dry-cell batteries used in toys and torchlights, and battery packs used in notebooks and smart phones. Accumulators are batteries that can be reused through recharging.

Electrical Motor

Transformer

- **Electric motors, generators and transformers:** Electric motors uses electricity to provide rotary movement to power other devices such as fans, blowers, pumps, compressors, vacuum cleaners and refrigerator compressors. Generators are the reverse of motors where it converts rotary movement to generate electricity. Transformers are used to step-up or down an input power supply voltage to the desired output voltage.

- **Other electrical products:** They include signalling equipment, uninterruptible power supply system, indicator panels, traffic signals and electrodes for furnaces.

- ACO Group is a distributor of cables, wires and accessories; electrical distribution, protection and control devices; electrical appliances and accessories; and lightings and fittings.

3.1 Regulation Governing the Industry

Electrical equipment Certification of Approval (CoA)

- According to the Electricity Regulations 1994, CoA is issued by the Energy Commission Malaysia for the manufacture, import, display, sale or advertisement of any electrical equipment under the regulated list. Such equipment refers to any domestic equipment, low voltage equipment that is usually sold direct to the general public, or low voltage equipment which does not require special skills in its operations. Approved electrical equipment are required to be affixed with safety labels before being sold to the public. A list of regulated electrical equipment are as follows:

- Adapter/charger
- Air conditioner
- Audio and video player unit
- Ballast/control gear/driver of lamp
- Bayonet cap and multiway adaptors
- Capacitor for fluorescent lamp
- Ceiling rose
- Christmas light
- Circuit breaker
- Domestic power tools (portable type)
- Energy (kwh) meter
- Fan
- Fluorescent lamp/starter holder
- Hand operated hair dryer/skin care
- Hi-fidelity set
- Immersion water heater
- Iron
- Kettle including heating elements
- Kitchen machine
- Lamp fitting
- Massager
- Plug top/plug (≤15A)
- Portable luminaire lamp
- Refrigerator
- Rice cooker
- Shaver
- Socket Outlet (≤15A)
- Switch and dimmer
- Toaster/oven
- Vacuum cleaner
- Vaporiser
- Video and TV
- Washing machine
- Water heater include heating elements
- Wires/cables/cords (non-armoured) (0.5 mm^2 to 35 mm^2)

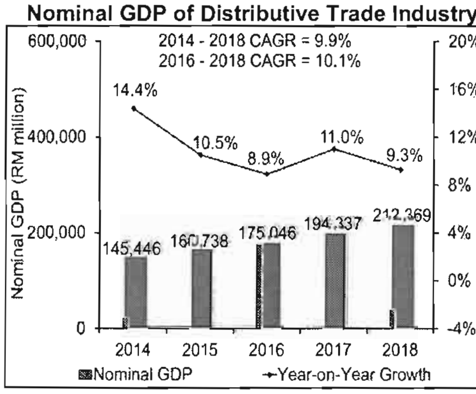
- All regulated electrical equipment that require CoA must be affixed with "SIRIM-ST" label. The "SIRIM-ST" label is issued by SIRIM QAS International Sdn Bhd, a certification, inspection and testing body which provides certification on certain products. Products bearing SIRIM label demonstrates that the product is in compliance with certain standards and provides the user an assurance of safety and reliability.

- ACO Group's own brand *Afg* of LED tubes and downlights have received the CoA approvals and certification from the Energy Commission of Malaysia and SIRIM.

4. PERFORMANCE OF DISTRIBUTIVE TRADE

- Gross domestic product (GDP) is a measurement of the gross value added in the output of goods and services during a specified period of time. It is an indicator of the overall size of the output. Nominal GDP (commonly used without the prefixed "nominal") measures output based on the current or prevailing prices of the goods and services. Real GDP removes the impact of inflation on the prices of goods and services, and as such measures "real" changes in output due to changes in the quantity of goods and services produced, and not due to changes in their prices.

Nominal GDP of Distributive Trade Industry



(Source: Bank Negara Malaysia; Vital Factor analysis)

- The Distributive Trade industry is one of the main contributors to Malaysia's economic performance. In 2018, GDP of the Distributive Trade industry, represented by the sum of Wholesale and Retail Trade (not including motor vehicles), amounted to RM212.369 billion, representing 26.4% of the GDP of the total Services sector, and 14.7% of Malaysia's total GDP.

- As at the third quarter (Q3) 2019, the distributive trade industry continued to grow at a rate of 7.4% to record a GDP of RM164.811 billion, compared to RM153.449 billion in Q3 2018.

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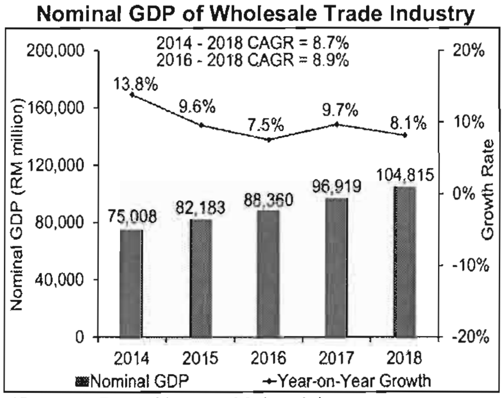
- Between 2014 and 2018, the GDP of the Distributive Trade industry grew by compound annual growth rate (CAGR) of 9.9% in nominal terms. In contrast, for the same period, Malaysia's growth in nominal GDP were registered at 6.9%. This indicates that the GDP of the Distributive Trade industry grew faster than the economy of Malaysia in nominal terms between 2014 and 2018.
- In 2018, GDP of the Wholesale Trade industry amounted to RM104.815 billion, representing 13.0% of the GDP of the Services sector, and 7.2% of the GDP of Malaysia.

Nominal GDP of Wholesale Trade Industry



(Source: Bank Negara Malaysia)

- In 2018, GDP of Wholesale Trade industry grew at a year-on-year rate of 8.1% in nominal terms and 7.3% in real terms. In contrast, Malaysia's nominal and real GDP for 2018 recorded a year-on-year growth of 5.5% and 4.7% respectively.
- As at Q3 2019, GDP of Wholesale Trade industry was recorded at RM81.169 billion, a 6.8% growth as compared to RM76.031 billion recorded in Q3 2018.

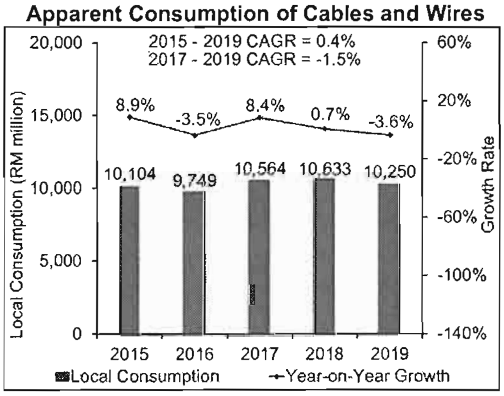
5. APPARENT CONSUMPTION OF ELECTRICAL PRODUCTS AND ACCESSORIES

- Apparent consumption measures the amount of a product consumed or used in a country within a given period of time. It is derived by adding imports to production, and subtracting exports during the period being measured.

5.1 Cables and Wires

- In 2019, the apparent consumption of cables and wires contracted at a rate of 3.6% amounting to RM10.250 billion. The decline was mainly due to contraction in local production and increase in exports compared to 2018.
- In 2019, local production, imports and exports of cables and wires amounted to RM10.300 billion (growth = -2.8%), RM3.205 billion (growth = 2.1%) and RM3.255 billion (growth = 4.9%) respectively.
- Supply of cables and wires in Malaysia was mainly from local manufacturers as their value was approximately 3.2 times greater than imported cables and wires in 2019.

Apparent Consumption of Cables and Wires



(Source: Dept of Statistics; Vital Factor analysis)

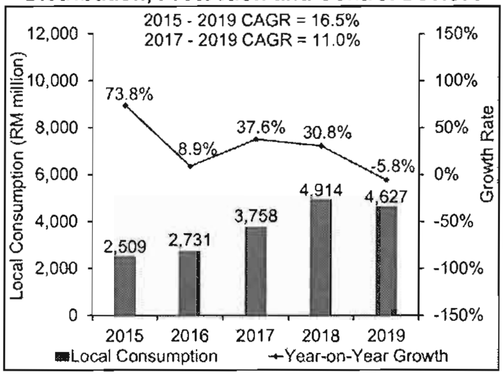
5.2 Electrical Distribution, Protection and Control Devices

- Apparent consumption of electrical distribution, protection and control devices grew at a CAGR of 11.0% from RM3.758 billion in 2017 to RM4.627 billion in 2019.
- The increase in 2015 was mainly due to net increase of RM1.059 billion based on imports (RM1.821 billion) less exports (RM762 million). The increase in imports was mainly for switching

and protection products as well as parts used in electrical distribution, protection and control devices.

- In 2019, local production, imports and exports of electrical distribution, protection and control devices amounted to RM4.505 billion (growth = -0.2%), RM12.495 billion (growth = 1.7%) and RM12.373 billion (growth = 4.1%) respectively. In 2019, the decrease in apparent consumption was mainly attributed to increase in exports amounting to RM0.484 billion.

Apparent Consumption of Electrical Distribution, Protection and Control Devices



(Source: Dept of Statistics; Vital Factor analysis)

- Malaysia depends significantly on imports of electrical distribution, protection and control devices which amounted to RM12.495 billion in 2019. In 2019, imports were larger than local production of electrical distribution, protection and control devices by approximately 2.8 times.

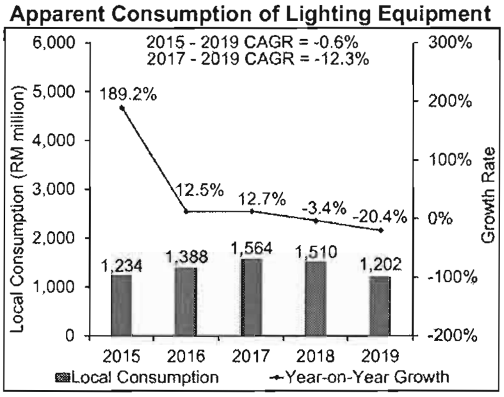
5.3 Lighting Equipment

- Apparent consumption of lighting equipment contracted by a CAGR of 12.3% from RM1.564 billion in 2017 to RM1.202 billion in 2019.

- The high growth in apparent consumption in 2015 was mainly due the low base of RM427 million in 2014 and the increase in imports amounting to RM689 million (34.7%). The increase in imports were for lamps and light fittings as well as signalling equipment.

- In 2019, apparent consumption fell by RM0.308 billion, mainly due to drop in imports from RM3.130 billion in 2018 to RM2.779 billion in 2019. In 2019, local production, imports and exports of lighting equipment amounted to RM482 million (growth = 8.8%), RM2.779 billion (growth = -11.2%) and RM2.058 billion (growth = -0.2%) respectively.

Apparent Consumption of Lighting Equipment



(Source: Dept of Statistics; Vital Factor analysis)

- Malaysia depends significantly on imports of lighting equipment where in 2019, import value of lighting equipment was approximately 5.8 times greater than sales of local manufactured lighting equipment.

6. DEMAND DEPENDENCIES AND USER INDUSTRIES

- Demand for the distribution of electrical products industry is dependent on the growth of user industries such as the construction industry as well as the power and electrical industry.

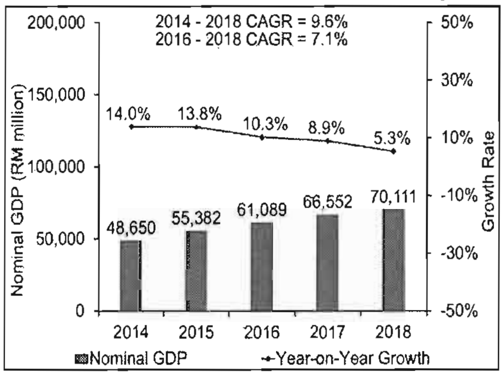
6.1 Construction Industry

- The construction industry is a major user industry for electrical products. These electrical products are used inside buildings, structures and infrastructures such as ports, airports, railways, roads and water treatment plants. As such, a growing construction industry will drive demand for electrical products, auguring well for all operators within the value added and supply chain, including distributors.

- Between 2014 and 2018, GDP of the construction industry grew by CAGR of 9.6% to reach RM70.111 billion, representing 4.8% of Malaysia's total GDP.

- In 2018, GDP of the construction industry registered a moderated growth of 5.3% compared to 8.9% in 2017. This was mainly due to higher levels of oversupply of the residential and commercial properties *(Source: Bank Negara Malaysia)*.

Nominal GDP of Construction Industry



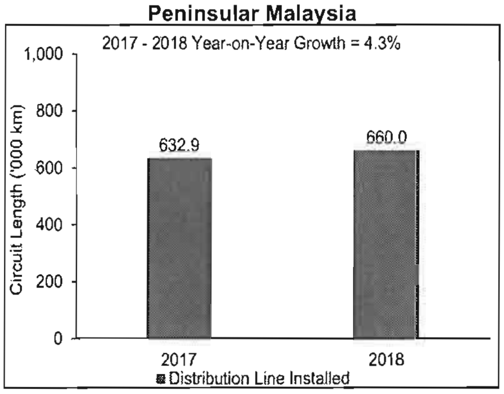
(Source: Bank Negara Malaysia)

- As at Q3 2019, GDP of the construction industry was recorded at RM53.323 billion, a 1.0% growth as compared to RM52.805 billion recorded in Q3 2018.

6.2 Power Industry

- The power industry is a major buyer of cables and wires particularly for the power grid comprising transmission and distribution cables. It also includes last mile cables to user premises. The installation of power cables also requires electrical products especially for transmission and distribution substations, as well as for connection to user premises. Such electrical products include transformers, and electrical distribution, protection and control devices (such as lightning arrestors, circuit breakers, relays, regulators, switchgears and switchboards).

Installed Power Distribution Cables in Peninsular Malaysia



(Source: Tenaga Nasional Berhad)

- In general, electrical products used in power transmission are designed to withstand high voltage electricity, whereas electrical products used for power distribution are mainly for electricity of medium and low voltage.

- The circuit length of distribution cables installed in Peninsular Malaysia grew by 4.3% from 632,929km in 2017 to 660,038km in 2018. There was no comparable information prior to 2017 as available statistics were for route length of installed distribution cables.

(Note: Circuit length is different from route length. For example, a 1km of a 3-phased connection between two points would have one cable for each phase plus one neutral cable, which adds up to 4km cable route length, but it is only 1km circuit length.)

- According to the mid-term review of 11th Malaysia Plan, the government is targeting to provide electricity supply to an additional 41,160 houses to achieve 99% electricity coverage in rural area by 2020, an 2.9% increase in electricity coverage from 96.1% as at 2017. Rural electrification programmes augur well for electrical products and parts distributors as demand increases to meet national objectives.

- According to Tenaga Nasional Berhad, a capital expenditure of between RM9.0 billion to RM9.5 billion will be allocated for 2019, of which RM6.0 billion will be allocated for the grid division, RM2.5 billion will be invested in the generation division and the remainder will be spent on renewable energy and smart metering. The capital expenditure is likely to encourage development in the power industry which would benefit electrical products distributors.

7. OPERATORS IN THE INDUSTRY

- The electrical product distribution industry in Malaysia is fragmented. The number of operators in the industry range from a large number of sole proprietors and family-owned businesses operating one or a few outlets, to large local and international distributors with chains of outlets in Malaysia. For example, Sonepar is a large international distributor of electrical products recording global sales of €22.4 billion (*approximately RM106 billion**) in 2018. Sonepar is a privately-owned company with operations in 44 countries with approximately 2,800 branches. Sonepar Malaysia has 42 branches in Malaysia and recorded sales of €198 million (*approximately RM937 million**) in 2018 in Malaysia. *(Source: Sonepar) Note: *Based on exchange rate of the RM to € was RM4.7340 in 2018. (Source: Bank Negara Malaysia).*

- Although there are no published data on the number of companies distributing electrical products in Malaysia, there were approximately 550 companies involved in the distribution of electrical products in Malaysia that are registered as members of The Electrical and Electronics Association of Malaysia (TEEAM) or its affiliated state associations in 2018. It should also be noted that there are distributors who are not registered with the above associations.

- Below are two public listed companies whose subsidiaries are involved in the distribution of electrical products in addition to other business activities, as well as ACO Group (listed in descending order of Group Revenue).

	Financial Year Ended[a]	Segment Revenue RM'000	Segment Revenue Contribution[e]	Group Revenue[f] RM'000	Group Net Profit[f] RM'000
Pansar Berhad	31 Mar 2019	25,325 [b]	6.9%	367,983	7,929
EITA Resources Bhd	30 Sept 2019	79,116 [c]	25.9%	305,386	21,881
ACO Group	**28 Feb 2019**	**122,954 [d]**	**91.5%**	**134,373[g]**	**7,416[g]**

Notes:
(a) Latest available financial information from annual reports of respective companies and ACO Group.
(b) Segmental revenue for sales and distribution of electrical products and office automation products *(Source: Annual report)*.
(c) Segmental revenue for marketing and distribution of electrical and electronic components and equipment *(Source: Annual report)*.
(d) Segmental revenue for distribution of cables, wires and accessories; electrical distribution, protection and control devices; as well as electrical appliances and accessories.
(e) Segment revenue divided by the Group's revenue for the latest financial year.
(f) For total Group which includes distribution of electrical products and other business activities.
(g) Includes distribution of other products such as water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.

- Some private companies and group of companies that distribute electrical products in Malaysia include the following:

  - Chi-Tak group of companies[1]
  - Focus Electrical Malaysia Sdn Bhd
  - Furse Electric (Sabah) Sdn Bhd
  - Gemilite Sdn Bhd
  - Gentlelite group of companies[2]
  - Genuine Electric Sdn Bhd
  - Oon Brothers Electrical Trading Co Sdn Bhd
  - Powerpoint Electrical Sdn Bhd
  - Sin Lian Wah group of companies[3]
  - Sonepar Malaysia group of companies[4]
  - Surelite Electrical Co. Sdn Bhd
  - Tegas Tulin Sdn Bhd

- Guanlite Sdn Bhd
- Joo Ming Electrical Sdn Bhd
- Kheng Seng Letrik (M) Sdn Bhd
- Kim Siah Electric Co Sdn Bhd
- WBC Electrical group of companies[5]
- WH Electrical Marketing (M) Sdn Bhd
- Wing Hup Elektrik Sdn Bhd
- Wong Electrical group of companies[6]

Notes: The above companies or group of companies are listed in alphabetical order.
(1) Includes Chi-Tak Electrical (KL) Sdn Bhd, Chi-Tak Electrical (Selangor) Sdn Bhd, Chi-Tak Electrical Sdn Bhd, Chi-Tak Electrical (JB) Sdn Bhd, Chi-Tak Lighting Sdn Bhd and Chi-Tak Holdings Sdn Bhd.
(2) Includes Gentlelite Electrical Trading Sdn Bhd and Gentlelite (Asia) Sdn Bhd.
(3) Includes Sin Lian Wah Electric Sdn Bhd and Sin Lian Wah Lighting Sdn Bhd.
(4) Includes KVC Industries Supplies Sdn Bhd and its subsidiaries including FMEG Sdn Bhd, KVC Connectors Sdn Bhd, Hup Seng Electric Sdn Bhd, KVC Controls & Automation Sdn Bhd, Skyline Technology (M) Sdn Bhd, Syarikat See Wide Letrik Sdn Bhd, Originex Controls Sdn Bhd, See Wide Letrik (Selangor) Sdn Bhd, Originex Distribution Sdn Bhd, Originex Lumens Sdn Bhd, Originex Controls (JB) Sdn Bhd and Originex Controls (PG) Sdn Bhd; and other companies such as Electplus Industry Sdn Bhd, Oakwell Engineering (M) Sdn Bhd, Vallen Singapore Pte Ltd (Malaysian Branch), and Total Industrial Solutions (M) Sdn Bhd and its subsidiaries including Interstate M&E Sdn Bhd, Interstate Solutions Sdn Bhd, Sun Power Automation Sdn Bhd, Sun Power System Sdn Bhd, Esta Industrial Systems Sdn Bhd, IBET Automation Sdn Bhd and Esta Power Sdn Bhd.
(5) Includes WBC Electrical Corporation Sdn Bhd, WBC Electrical (Ipoh) Sdn Bhd and WBC Electrical Trading Sdn Bhd.
(6) Includes Wong Electrical & Teak Wood (Selangor) Sdn Bhd, Wong Electrical & Teak Wood Sdn Bhd, Wong Lighting (M) Sdn Bhd, Wong Electrical & Teak Wood (Penang) Sdn Bhd and Soon Fay Sdn Bhd.

The list of companies or group of companies above are selected based on the following criteria:
- Distribution of electrical products of mainly third-party brands in Malaysia;
- Revenue of each company or group of companies is RM50 million and above based on their respective latest available financial information. Some of these companies' revenues are larger than ACO Group;
- Latest available financial information from Companies Commission of Malaysia (CCM);
- May include other business activities; and
- Sources of information include TEEAM and its affiliated state associations, general research, published information and company websites.

8. MARKET SIZE AND SHARE

- The market size and share of ACO Group's three categories of products that it distributes are provided below:

	FYE 28 Feb 2019 (1)	2019	
Electrical Product Categories	**ACO Group's Revenue by type**	**Market Size in Malaysia (2)**	**Market Share of ACO Group (3)**
Cables and wires	RM37.79 million	RM10.250 billion	Less than 1%
Electrical distribution, protection and control devices	RM34.14 million	RM4.627 billion	Less than 1%
Lighting equipment	RM14.79 million	RM1.202 billion	1%

Notes:
(1) For estimation of ACO Group's market share, ACO Group's 12-month FYE 28 February 2019 is used as a proxy for calendar year 2019.
(2) Market size is based on apparent consumption (refer to section 5.1, 5.2 and 5.3 of this report).
(3) The estimated market share of ACO Group was computed by dividing ACO Group's revenue for FYE 28 February 2019 from each product category by their corresponding electrical product category market size *(Source: Vital Factor analysis)*.

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

8.1.1 We could lose our authorised distributorships if we are unable to fulfil agreed sales target and/or obligations

As an authorised distributor, we have to meet our annual sales targets which are normally set and reviewed together with our principals every year. If we are unable to meet the agreed sales target and/or are unable to fulfil our other obligations including payment terms, there is a risk that we would lose our status as an authorised distributor of the respective brands that we represent. In addition, there is no assurance that our distributorship agreements will be renewed even if we meet all our distributorship requirements under the agreements as renewal is at the respective principals' discretion. In such events, in order to continue to provide such products to our customers who may require specific brands, product specifications or requirements, we may need to source the products indirectly from other authorised distributors or resellers. In doing so, we may not be able to secure terms comparable to those under our existing authorised distributorship agreements. This may result in an adverse impact on our business and financial performance.

In particular, our purchases for certain electrical products and accessories under the Actgen-SE Distribution Agreement and Maydenki-SE Distribution Agreement on which our Group's business and profitability is materially dependent on represents 14.96%, 15.33%, 14.75% and 14.84% of our Group's total purchases for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. Please see Section 6.8 of this Prospectus for our major suppliers and Section 6.4.13 of this Prospectus for further details of the Actgen-SE Distribution Agreement and Maydenki-SE Distribution Agreement.

As such, any disruptions or termination of these business relationships with our principals may also adversely affect our Group's financial performance. Although we enjoy long standing relationships with our principals, there is no assurance that we would be able to maintain our business relationships if we are unable to fulfil our obligations as an authorised distributor. For the past three (3) financial years up to the LPD, we have not experienced any disruptions or termination of these business relationships.

8.1.2 We operate in a competitive environment

We face competition from other operators that are involved in the distribution of electrical products and accessories. The electrical product distribution industry in Malaysia is fragmented where the number of operators in the industry ranges from a large number of sole proprietors and family-owned businesses operating one or a few outlets to large local and international distributors with a chain of outlets in Malaysia. Although there are no published data on the number of companies distributing electrical products in Malaysia, there were approximately 550 companies involved in the distribution of electrical products in Malaysia who were registered as members of The Electrical and Electronics Association of Malaysia (TEEAM) or its affiliated state associations in 2018. It should also be noted that there are distributors who are not registered with the above associations *(Source: Industry Overview)*. For further details on our competitors, please refer to Section 7 of this Prospectus.

Our revenue is driven by, among others, our ability to retain existing customers and/or secure new customers based on the quality, range of products, price competitiveness of our electrical products and accessories, timeliness in delivery, accessibility of our sales outlets and our ability to meet customers' specifications. Intense and/or increase competition may result in a reduction in our prices and impact our profitability as well as loss of market share in our existing market. This could materially affect the result of our business and financial performance. Nevertheless, there is no assurance that we would be able to continue to compete effectively against our peers in the same business, and that our business and financial performance will not be materially and adversely affected if we are unable to do so.

8.1.3 We rely on our distribution centres

We rely on our distribution centre in Johor Bahru (supporting our four (4) sales outlets and one (1) lighting concept store in Johor) and distribution centre in Semenyih (supporting our sales outlets in Selangor and Melaka) to support our business operations.

Any significant disruption in the operations of our distribution centres due to natural disasters or calamities such as flooding or events such as fire, accidents, prolonged power outages, system failures or other unforeseen circumstances could severely damage our inventory, rendering the inventory unsaleable. In such an event, it could adversely affect our product distribution and sales until such time we secure an alternative facility or arrangements with our product principals and suppliers.

We cannot guarantee that our product principals or suppliers will agree to deliver those inventories that we distribute through our distribution centres, directly to our sales outlets or lighting concept store, nor can we guarantee that we will be able to secure an alternative facility in a timely manner and on terms and conditions which are commercially acceptable to us.

Furthermore, if we encounter difficulties, delays or problems arising from the operations of our distribution centres, we cannot ensure that the critical systems and operations will be restored in a timely manner, resulting in delayed deliveries to our sales outlets, customers, or delivery scheduling conflicts, thereby affecting our ability to restock our sales outlets or lighting concept store or deliver our products to our customers in a timely manner.

Any disruption or disasters affecting our distribution centres or delays from the operations of our distribution centres may consequently result in a material adverse impact on our business operations, financial performance and profitability.

8.1.4 We are dependent on our Executive Directors and key senior management for the continuing success of our Group

The knowledge and experience of our Executive Directors, namely Ir. Tang Pee Tee @ Tan Chang Kim, Chai Poh Choo and Tan Yushan in the distribution of electrical products and accessories, and the industry which we operate in is important for our Group's business continuity, growth and strategic direction. They are supported by the key senior management in the day-to-day operations and implementation of our Group's business strategies. As such, loss of any of our Executive Directors and key senior management, without suitable and timely replacement, may have a material adverse impact on our business. The profiles of our Executive Directors and key senior management are set out in Sections 5.1.2, 5.2.2 and 5.2.8 of this Prospectus.

In the past three (3) financial years under review and up to the LPD, we have not experienced any loss of our Executive Directors or key senior management which has materially impacted on our business. Nonetheless, there can be no assurance that we would be successful in attracting and/or retaining our key management personnel or ensure a smooth transition should any changes in management were to occur.

8.1.5 Our business depends on our ability to manage our inventory

Our Group's business depends on our ability to procure sufficient inventory to meet our customers' demands at competitive costs and in a timely manner. In case of delay or other problems in receiving the supply of products, shortages may occur or procurement costs may increase. This may result in loss of business opportunities for our Group.

For regulated electrical equipment, we will also need to ensure that such products (including third party brands or our own brand products) we procure have the applicable regulatory certifications before we are able to sell these products. For example, certain regulated electrical equipment may require certificates of approvals from the Energy Commission (**"COA"**) pursuant to the Guideline for Approval of Electrical Equipment issued under the Electricity Supply Act 1990. These COAs are typically issued to the product manufacturers. If we sell any regulated electrical equipment which do not have COAs, we may be subject to penalties under the Electricity Supply Act 1990 as a seller.

In case of overstock of particular products, we may also face shortage of storage space. If we are unable or are not efficient in monitoring and managing our inventory via our ERP System (such as using historical data to anticipate future demands; to monitor the quantity and sufficiency of the products stocked; to monitor the movement of supplies; as well as to minimise slow-moving inventory) our business operations, financial performance and results of our operations may be materially and adversely affected.

8.1.6 Our growth prospects may be limited if there is a delay in the implementation of our business strategies and future plans

Our business strategy includes setting up additional new sales outlets and distribution centres, new head office with a distribution centre, and lighting concept stores as well as purchasing of new trucks, upgrading of our IT system and expansion of our product range. For further details on our business strategies and plans, please refer to Section 6.10 of this Prospectus. The implementation of our business strategies and future plans are dependent on, among others, our ability to implement and execute the strategies effectively and in a timely manner including identifying suitable locations for expansion, ability to secure sufficient funds and/or bank borrowings, as well as the ability to attract, train and retain key senior management.

There is a risk that we may not be able to achieve our business strategies and plans in a timely manner nor can we provide assurance that our business strategies and plans will be commercially successful or that we will be able to anticipate and to mitigate all the business and operational risks associated with our strategies. Any failure in executing our business strategies and plans effectively may adversely affect our business and financial prospects.

8.1.7 We may not be able to secure sufficient financing, especially on terms acceptable to us, to meet our future capital needs

Our Group intends to secure financing from a financial institution to fund the purchase of land and building for the setting up of our new head office and distribution centre. As at the LPD, our Group is arranging for financing from a financial institution to fund the purchase cost of this said land and building. We may also require bank borrowings to implement and execute our other business strategies and plans. Please refer to Section 6.10 for a summary of our Group's business strategies and plans that may involve funding via bank borrowings.

Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future business operations, financial results and cash flows, the performance of the Malaysian economy, the cost of financing and the condition of the financial markets, as well as the continued willingness of banks to provide new financing. We cannot be assured that any required additional financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or, at all.

If adequate financing is not available when needed, or is available only on unfavourable terms, we may not be able to meet our capital needs, to take advantage of business opportunities or to respond to competitive pressures, any of which could have a material adverse effect on our business operations and financial results.

8.1.8 We rely on contract manufacturers and/or suppliers for our own brands of electrical products

It is part of our business strategies and plans to expand the product range for our own brands moving forward. For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue from our own brands accounted for 3.22%, 3.31%, 4.56% and 6.39% of our total Group revenue, respectively.

We rely on local contract manufacturers and/or suppliers for the supply of our own brands of electrical products and accessories namely control and instrumentation, and communication cables and wires, LV transformer for metering devices, LED tubes, downlights and floodlights. Please refer to Section 6.4.2.6 of this Prospectus for details of our own brands. In this respect, any disruptions in the business dealings and supply from our contract manufacturers and/or suppliers may adversely affect our business and financial performance.

8.1.9 We are subject to the risk of product liability

While manufacturers and/or our principals are likely to be the most directly exposed to the risk of product liability (as the brand owner or party manufacturing the products), we as a distributor may also be exposed to legal risks. Product liability is generally stemming from, among others, manufacturing defects, design defects or defective warnings or instructions, and product mislabelling. Customers claiming damages from these defects may take legal action against us as a distributor, which may impact on our business, as well as create negative publicity that may damage our reputation.

As at the LPD, we also distribute control and instrumentation, and communication cables and wires, LV transformer for metering devices, LED tubes, downlights and floodlights under our own brands. For such products sold under our own brands, as the brand owner, we may be subject to claims for defective products. For the past three (3) financial years up to the LPD, we have not experienced any incidences of product liability claims which had a material adverse financial impact.

8.1.10 We may not have adequate insurance to cover all losses or liabilities

In our business operations, we are subject to risks such as payment defaults by our customers, fire, flood, accidents that may adversely affect our business operations, such as damages to our inventory, building and equipment.

For payment defaults risk, we have insurance to cover against the risk of trade credit default of up to RM60.00 million. We also have insurance to cover against the other risks such as fire, flood and accidents. However, we may not be able to cover all risks that are associated with our business operations. In addition, any losses or damages in excess of our insured limits or in areas for which we are not fully insured, could have an adverse effect on our business, financial conditions and results of operations.

8.1.11 We are exposed to the risk of pilferage and theft

Our products at our sales outlets and distribution centres are susceptible to the risk of pilferage and theft. While we have taken measures against pilferage and theft such as installation of CCTVs, security patrol for our distribution centres, regular cycle count and total stock taking process, we may not be able to prevent, detect or deter all instances of pilferage and theft nor can we assure that the preventive measures that we have or to be undertaken by us will be adequate.

For the past three (3) financial years and up to the LPD, we have not experienced any incidences of pilferage and theft which had a material adverse financial impact on our business or financial position.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 The distributive trade industry faces competition from e-commerce

The distributive trade industry faces competitive pressure from e-commerce platforms hosting numerous online sales operations, individual online sales sites and operators that match suppliers with buyers. The increasing use of e-commerce may adversely impact on operators in the distributive trade industry including distributors that rely on physical sales outlets and distribution centres. If we are unable to compete effectively with e-commerce of electrical products and accessories, our business and financial performance may be adversely affected.

8.2.2 We are subject to political, economic and regulatory conditions in Malaysia

Our business is subject to prevailing economic, political and social conditions. Any adverse developments in the above conditions may have a negative impact on our financial position and business prospects. The risks include, among others, economic downturn; downturn in the main user industries; risk of war or civil disturbances; changes in government policies; introduction of new regulations or changes in governmental policies and regulation; import and export restrictions, duties and tariffs; changes in political leadership; changes in foreign exchange policies; changes in interest rates; and changes in taxation methods and rates.

There is no assurance that any adverse developments in economic, political, regulatory or social conditions would not materially affect our business performance or the industry as a whole.

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8.3 RISKS RELATING TO INVESTING IN OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to the IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration various factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:-

(i) variations in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the prevailing local and global economic conditions or stock market sentiments or other events or factors;

(v) additions or departures of key senior management;

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in litigation.

8.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5.1 of this Prospectus, our Promoters, via Kompas, will collectively hold in aggregate 70.16% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

8.3.4 There may be a potential delay to or cancellation of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

(i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;

(ii) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;

(iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or

(iv) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the issuance and allotment of our IPO Shares:-

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:-

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:-

    (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

    (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other.

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Transactions that are material to our Group

Save as disclosed below, our Directors have confirmed that there are no other material related party transactions that we had entered into with related parties in respect of the past three (3) FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD:-

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
				RM	RM	RM	RM	RM
Actgen	K.E. Electric Sdn Bhd ("**KEESB**")	• Jin Siew Yen is a director of Actgen • Jin Siew Yoong and Jin Kong Chaut are Jin Siew Yen's siblings and are both directors and shareholders of KEESB	Sale of electrical products from Actgen to KEESB.	53,726 (0.05% of the Group's revenue)	67,769 (0.05% of the Group's revenue)	55,971 (0.04% of the Group's revenue)	11,419 (0.01% of the Group's revenue)	3,348[(3)]

9. RELATED PARTY TRANSACTIONS (Cont'd)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
				RM	RM	RM	RM	RM
Maydenki	KEESB	• Jin Siew Yen is a director of Maydenki Jin Siew Yoong and Jin Kong Chaut are Jin Siew Yen's siblings and are both directors and shareholders of KEESB	Sale of electrical products from Maydenki to KEESB.	-	5,628 (0.005% of the Group's revenue)	4,585 (0.003% of the Group's revenue)	1,662 (0.002% of the Group's revenue)	-
Actgen	ITEC Electric (KL) Sdn Bhd ("**ITEC KL**")	• Ir. Tang Pee Tee @ Tan Chang Kim held common directorships in Actgen and ITEC KL up till 15 May 2019 where he resigned as a director of ITEC KL • Ir. Tang Pee Tee @ Tan Chang Kim is a shareholder of Actgen. He was also a shareholder of ITEC KL up till 12 June 2019 where he disposed his entire equity interest in ITEC KL	Actgen purchased two (2) motor vehicles from ITEC KL.	-	38,962 (0.12% of the Group's NA)	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
				RM	RM	RM	RM	RM
Electric Master	Kompas	• Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Electric Master and Kompas (1)	Electric Master rented from Kompas the office premise located at No. 13, Jalan IKS M5, Taman IKS Merdeka, 75350 Melaka.	26,400 (0.46% of the Group's PBT)	26,400 (0.40% of the Group's PBT)	26,400 (0.29% of the Group's PBT)	-	-
Actgen	Kompas	• Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Actgen and Kompas (2)	Sale by Actgen to Kompas of a semi-detached workshop held under Geran 242295, Lot 51459, Mukim Plentong, Daerah Johor Bahru, Negeri Johor bearing postal address No. 133, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	-	-	-	2,150,000(4)	-

Notes:-

(1) Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen have indirect shareholdings in Electric Master by virtue of their shareholdings in ACO Holdings which is the holding company of Electric Master.

(2) Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen have indirect shareholdings in Actgen by virtue of their shareholdings in ACO Holdings which is the holding company of Actgen.

(3) Percentage unable to be ascertained as at the LPD as our Group's audited financial statements for 1 December 2019 up to the LPD is not available.

(4) Based on a third party valuation carried out by a registered property valuer.

9. RELATED PARTY TRANSACTIONS (Cont'd)

The above transactions were transacted on an arm's length basis and based on normal commercial terms which are not more favourable to the related party. The Directors are of the opinion that the above transactions were transacted in the best interests of our Group.

Upon Listing, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past three (3) FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD.

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9. RELATED PARTY TRANSACTIONS (Cont'd)

9.3 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance made by us to or for the benefit of the related parties for the past three (3) FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD.

Company within our Group	Interested related party and nature of relationship	Nature of transaction and purpose	Amount				
			<------------------As at 28 February--------------->			As at 30 November	As at the LPD
			2017 RM	2018 RM	2019 RM	2019 RM	RM
Actgen	• Kompas is our Promoter • Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Actgen and Kompas [(1)]	Corporate guarantee given by Actgen to Public Bank Berhad for credit facilities granted to Kompas. This guarantee had been discharged on 2 April 2019.	500,000 (1.91% of the Group's NA)	500,000 (1.60% of the Group's NA)	500,000 (1.38% of the Group's NA)	-	-

Note:-

(1) For the respective FYE 28 February 2017 to FYE 28 February 2019, Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen have indirect shareholdings in Actgen by virtue of their shareholdings in ACO Holdings which is the holding company of Actgen.

10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

None of our Directors and/or substantial shareholders have any interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent

AIBB and/or its related companies ("**Alliance Bank Malaysia Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading and credit transaction services business. The Alliance Bank Malaysia Group has engaged and may in the future, engage in transactions with and perform services for ACO Group and/or the ACO Group's affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Alliance Bank Malaysia Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of the ACO Group, its shareholders, and/or its affiliates and/or any other entity or person, hold long or short positions in securities issued by the ACO Group and/or its affiliates, and may trade or otherwise effect transactions for its own account or account of its other customer in debt or equity securities or loans of any member of the ACO Group and/or its affiliates. This is the result of the businesses of Alliance Bank Malaysia Group generally acting independently of each other and accordingly, there may be situations where parts of the Alliance Bank Malaysia Group now have or in the future, may have an interest or take actions that may conflict with the interest of the ACO Group. Nonetheless, Alliance Bank Malaysia Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

For information, the total outstanding financing to the ACO Group amounting to RM0.73 million, represents 1.77% of the combined net assets of ACO of RM41.25 million as at 30 November 2019, and 0.01% of the latest available audited consolidated net assets of Alliance Bank Malaysia Berhad of RM5.73 billion as at 31 March 2019.

AIBB has confirmed that there is no conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent to our Group in relation to the Listing as the abovementioned total outstanding financing owed by our Group is not material as compared to the consolidated net assets of Alliance Bank Malaysia Berhad. The Underwriting Agreement, which certain details are set out in Section 4.6 of this Prospectus, was entered into on arm's length basis and on market terms.

10.2.2 Solicitors for the Listing

Chooi & Company + Cheang & Ariff has confirmed that there is no conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

10.2.3 External Auditors and Reporting Accountants

Messrs. Baker Tilly Monteiro Heng PLT has confirmed that there is no conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

10. CONFLICT OF INTEREST (Cont'd)

10.2.4 Independent Business and Market Research Consultants

Vital Factor has confirmed that there is no conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same financial years / period under review. Additionally, the unaudited combined financial information of our Group for the FPE 30 November 2018 has been prepared for comparison purpose only.

You should read the historical audited combined financial information below together with:-

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

(a) Historical audited combined statements of comprehensive income of our Group

	<------Audited	------	------>	Unaudited	Audited
	<------FYE 28 February	------	------>	<---FPE 30 November	--->
	2017	**2018**	**2019**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	114,509	124,193	134,373	95,670	104,084
Cost of sales	(97,095)	(104,517)	(112,155)	(80,566)	(84,511)
Gross profit	**17,414**	**19,676**	**22,218**	**15,104**	**19,573**
Other income	717	956	1,711	450	1,090
Administrative expenses	(11,678)	(13,280)	(13,734)	(9,407)	(11,690)
Operating profit	**6,453**	**7,352**	**10,195**	**6,147**	**8,973**
Finance costs	(682)	(740)	(1,028)	(749)	(1,005)
PBT	**5,771**	**6,612**	**9,167**	**5,398**	**7,968**
Income tax expense	(1,317)	(1,609)	(1,751)	(1,062)	(1,924)
PAT	**4,454**	**5,003**	**7,416**	**4,336**	**6,044**
PAT attributable to:					
- Owners of the Group	3,836	4,333	6,871	3,849	5,927
- Non-controlling interests	618	670	545	487	117
	4,454	**5,003**	**7,416**	**4,336**	**6,044**
Total comprehensive income attributable to:					
- Owners of the Group	3,836	4,333	6,871	3,849	5,927
- Non-controlling interests	618	670	545	487	117
	4,454	**5,003**	**7,416**	**4,336**	**6,044**

	Audited			Unaudited	Audited
	FYE 28 February			FPE 30 November	
	2017	**2018**	**2019**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Depreciation and amortisation (RM'000)	879	1,120	1,268	738	1,226
Assumed no. of Shares in issue					
- After the Internal Reorganisation Exercise(1) ('000)	242,000	242,000	242,000	242,000	242,000
- After the Public Issue(2) ('000)	300,000	300,000	300,000	300,000	300,000
Basic and diluted EPS					
- After the Internal Reorganisation Exercise(3) (sen)	1.59	1.79	2.84	2.12	3.27
- After the Public Issue(4) (sen)	1.28	1.44	2.29	1.71	2.63
GP margin(5) (%)	15.21	15.84	16.53	15.79	18.81
PBT margin(6) (%)	5.04	5.32	6.82	5.64	7.66
PAT margin(7) (%)	3.89	4.03	5.52	4.53	5.81

Notes:-

(1) Based on assumed number of Shares in issue of 242,000,000 after the Internal Reorganisation Exercise, but before Public Issue.

(2) Based on assumed number of Shares in issue of 300,000,000 after the Public Issue.

(3) Based on PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 242,000,000 for the financial years under review.

Based on annualised PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 242,000,000 for the financial periods under review.

(4) Based on PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 300,000,000 for the financial years under review.

Based on annualised PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 300,000,000 for the financial periods under review.

(5) GP margin is calculated based on GP divided by revenue.

(6) PBT margin is calculated based on PBT divided by revenue.

(7) PAT margin is calculated based on PAT divided by revenue.

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the financial years / periods under review. The audited financial statements of our Group for the financial years / period under review were not subject to any qualification or modification.

11. FINANCIAL INFORMATION (Cont'd)

(b) Historical audited combined statements of financial position of our Group

The table below sets out the summary of our audited combined statements of financial position as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019, which has been extracted from the Accountants' Report set out in Section 12 of this Prospectus.

	<---Audited			--->
	<---FYE 28 February		--->	FPE 30 November
	2017	**2018**	**2019**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total non-current asset	19,512	23,863	28,407	30,012
Total current assets	55,602	59,846	71,730	75,983
Total assets	**75,114**	**83,709**	**100,137**	**105,995**
Invested equity	2,500	2,500	2,500	2,501
Capital contribution	5,000	5,000	5,000	5,000
Retained earnings	15,979	20,312	27,819	33,746
Equity attributable to owners of our Group	23,479	27,812	35,319	41,247
Non-controlling interests	2,639	3,515	974	1,091
Total equity	**26,118**	**31,327**	**36,293**	**42,338**
Total non-current liabilities	6,213	8,743	10,422	10,290
Total current liabilities	42,783	43,639	53,422	53,367
Total liabilities	**48,996**	**52,382**	**63,844**	**63,657**
Total equity and liabilities	**75,114**	**83,709**	**100,137**	**105,995**
NA^	23,479	27,812	35,319	41,247

Note:-

^ NA attributable to owners of our Group.

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11. FINANCIAL INFORMATION (Cont'd)

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

(i) as at 31 December 2019, after taking into account the Internal Reorganisation Exercise but before the Public Issue and use of proceeds; and

(ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from the Public Issue.

	(Unaudited) As at 31 December 2019 RM'000	**After the Public Issue and use of proceeds RM'000**
Indebtedness		
Current		
Secured and guaranteed:		
- Term loans	585	585
- Finance lease liabilities	333	333
- Bankers' acceptance	5,540	5,540
- Trust receipts	10,583	10,583
- Bank overdrafts	2,392	2,392
	19,433	19,433
Non-current		
Secured and guaranteed:		
- Term loans	8,300	8,300
- Finance lease liabilities	660	660
	8,960	8,960
Total Indebtedness	**28,393**	**28,393**
Capitalisation		
Shareholders' equity	42,166	56,251
Total capitalisation and indebtedness	**70,559**	**84,644**
Gearing ratio (times)*	0.67	0.50

Note:-

* Computed based on total indebtedness divided by our shareholders' equity.

11. FINANCIAL INFORMATION (Cont'd)

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

11.3.1 Overview of our operations

Our Company is principally an investment holding company while our subsidiaries are principally involved in the distribution of electrical products and accessories for third party brands as well as our own brands specialising in the following:-

(i) cables, wires and accessories;

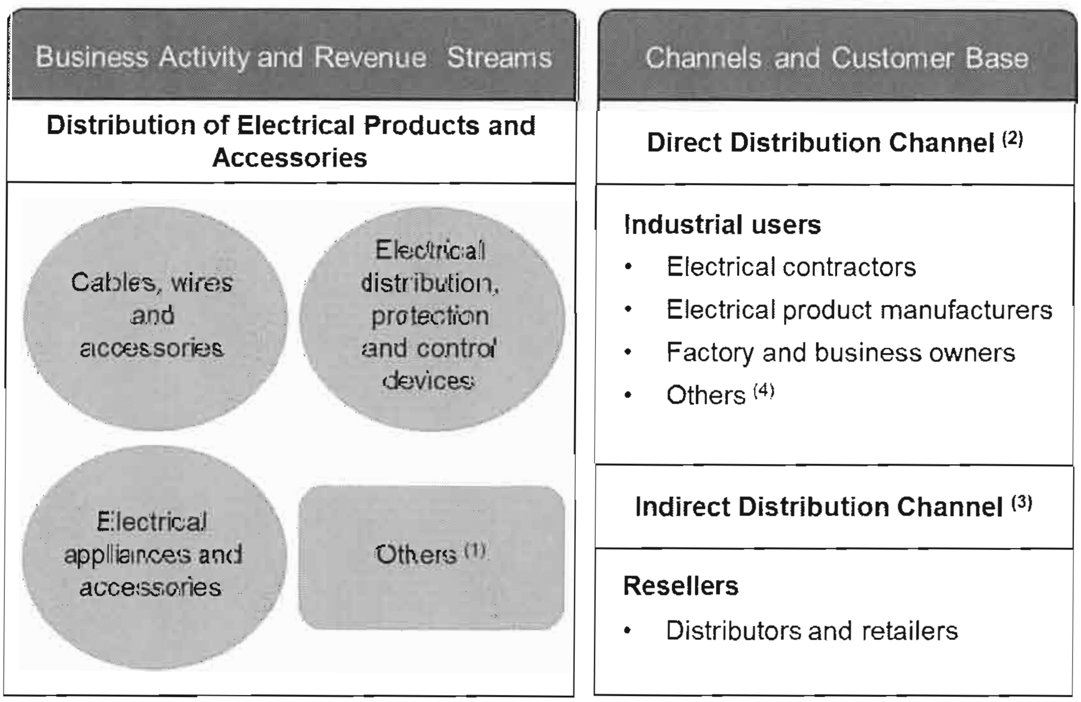
(ii) electrical distribution, protection and control devices; and

(iii) electrical appliances and accessories.

In addition, we also distribute other products such as water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.

We use a combination of direct and indirect distribution channels to sell our products. Under the direct distribution channel, we sell our products directly to industrial users which comprise electrical contractors, electrical product manufacturers, factory and business owners and others such as architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers. As for the indirect distribution channel, we sell our products to resellers which comprise distributors and retailers.

A summary of our business model is set out as follows:-



Notes:-

(1) Others include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.

(2) Direct distribution channel involves selling our products directly to end-users which includes people who purchase our products to carry out their work; for use as input materials to manufacture other electrical products; and/or for their own use.

(3) Indirect distribution channel involves selling our products to intermediaries who will resell our products to their respective customers.

(4) Other industrial users include architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

Please refer to Section 6 of this Prospectus for further information on our business activities.

11.3.2 Review of operations

(a) Revenue

Our revenue is derived from the distribution of electrical products and accessories to our customers via the direct and indirect distribution channels. Our direct distribution channel refers to sales made to industrial users comprising electrical contractors, electrical product manufacturers, factory and business owners and others, while our indirect distribution channel refers to sales made to resellers which comprise distributors and retailers. The sales made to industrial users contributed to approximately 73.17%, 66.83%, 71.11% and 74.46% of our Group's total revenue for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The sales contributed from resellers accounted for approximately 26.83%, 33.17%, 28.89% and 25.54% of our Group's total revenue for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively.

Our revenue from the three (3) major components of our electrical products and accessories namely, cables, wires and accessories; electrical distribution, protection and control devices; and the electrical appliances and accessories, contributed more than 90% of our total sales generated during the financial years / periods under review. The balance of our total revenue was contributed from the sales of other electrical products and accessories such as water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.

The revenue from our sales of electrical products and accessories are recognised at a point in time when control of the electrical products and accessories has been transferred, i.e. when the customer accepts the delivery of the goods. In addition, our revenue is recognised based on the price specified in the contracts and/or invoices.

Our revenue is driven by the following key factors:-

- the prospects of the power industry as well as the construction industry and the general economy which may affect demand for our electrical products and accessories;

- the competition from other operators that are involved in the sales and distribution of electrical products and accessories which may affect the selling prices and sales volume of our products; and

- our ability to retain existing customers and/or secure new customers based on the quality, range of products, price competitiveness of our electrical products and accessories, timeliness in delivery, accessibility of our sales outlets and our ability to meet customers' specifications.

As at the LPD, our revenue is derived from the domestic market through our subsidiaries.

(i) Analysis of contribution to revenue by distribution channel

The breakdown of our Group's revenue by distribution channel for the financial years / periods under review is as follows:-

	Audited						Unaudited		Audited	
	FYE 28 February						FPE 30 November			
	2017		2018		2019		2018		2019	
Distribution channel	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Direct - Industrial users	83,785	73.17	83,002	66.83	95,559	71.11	67,151	70.19	77,501	74.46
Indirect - Resellers	30,724	26.83	41,191	33.17	38,814	28.89	28,519	29.81	26,583	25.54
Total revenue	**114,509**	**100.00**	**124,193**	**100.00**	**134,373**	**100.00**	**95,670**	**100.00**	**104,084**	**100.00**

(ii) Analysis of contribution to revenue by product categories

The breakdown of our Group's revenue by product categories for the financial years / periods under review is as follows:-

	Audited						Unaudited		Audited	
	FYE 28 February						FPE 30 November			
	2017		2018		2019		2018		2019	
Product categories	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Cables, wires and accessories	42,796	37.37	47,034	37.87	54,322	40.43	39,636	41.43	41,768	40.13
Electrical distribution, protection and control devices	33,812	29.53	34,487	27.77	34,139	25.41	23,688	24.76	26,833	25.78
Electrical appliances and accessories	27,945	24.40	32,757	26.38	34,493	25.67	24,338	25.44	26,656	25.61
Others	9,956	8.70	9,915	7.98	11,419	8.49	8,008	8.37	8,827	8.48
Total revenue	**114,509**	**100.00**	**124,193**	**100.00**	**134,373**	**100.00**	**95,670**	**100.00**	**104,084**	**100.00**

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our total revenue increased by RM9.68 million or 8.46% to RM124.19 million (FYE 28 February 2017: RM114.51 million). The increase in total revenue for the FYE 28 February 2018 was mainly due to the increase in our sales via indirect distribution channel, i.e. sales to resellers which increased by RM10.47 million to RM41.19 million (FYE 28 February 2017: RM30.72 million). Our sales via direct distribution channel, i.e. sales to industrial users decreased marginally by RM0.78 million to RM83.00 million (FYE 28 February 2017: RM83.78 million).

The overall increase in sales for the FYE 28 February 2018 was mainly attributable to the following factors:-

(i) increase in sales from a reseller, namely Focus Electrical Malaysia Sdn Bhd amounting to RM8.00 million for the supply of cables, wires and accessories, as well as electrical appliances and accessories such as fans, switches and power outlets for its customers in the East coast region;

(ii) we secured order from a new customer, namely Muarlite Industries Sdn Bhd amounting to RM2.42 million for the supply of electrical appliances and accessories in particular lightings and fittings;

(iii) increase in sales for our own brands of products in particular lightings as well as cables and wires amounting to RM0.84 million and RM0.26 million, respectively due to our continuous marketing campaigns and enhanced market acceptance; and

(iv) we made an upward revision to the selling price for certain range of electrical distribution, protection and control devices as well as cables and wires.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

For the FYE 28 February 2019, our total revenue increased by RM10.18 million or 8.20% to RM134.37 million (FYE 28 February 2018: RM124.19 million). The increase in total revenue for the FYE 28 February 2019 was mainly due to the increase in our direct sales to industrial users which increased by RM12.56 million to RM95.56 million (FYE 28 February 2018: RM83.00 million). Nevertheless, the extent of the increase in revenue was partly offset by the decrease in the revenue for our sales to resellers under indirect distribution channel by RM2.38 million to RM38.81 million (FYE 28 February 2018: RM41.19 million).

The overall increase in sales for the FYE 28 February 2019 was mainly attributable to the following factors:-

(i) increase in sales for cables, wires and accessories due to higher sales from both industrial users and resellers for our own brand cables and wires amounting to RM1.50 million, increase in the sales of cables and wires accessories such as HDPE corrugated pipe amounting to RM1.65 million and the expansion of product range for the cables and wires;

(ii) increase in sales for our other products mainly the water plumbing materials amounting to RM0.70 million as we included high pressure water pipes to our range of plumbing materials during the FYE 28 February 2019;

(iii) increase in sales from two (2) electrical contractors, namely Keyy Electrical Sdn Bhd and Low Elite Sdn Bhd amounting to RM2.40 million and RM3.10 million, respectively for the supply of cables, wires and accessories, as well as electrical appliances and accessories such as switches and power outlets for their projects; and

(iv) increase in sales amounting to RM2.40 million contributed from our sales outlet in Semenyih as it has gradually increased its sales to industrial users in the vicinity.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

For the FPE 30 November 2019, our total revenue increased by RM8.41 million or 8.79% to RM104.08 million (FPE 30 November 2018: RM95.67 million). The increase in total revenue for the FPE 30 November 2019 was mainly due to the increase in our sales via the direct distribution channel, i.e. sales to industrial users which increased by RM10.35 million to RM77.50 million (FPE 30 November 2018: RM67.15 million). Our sales via indirect distribution channel, i.e. sales to resellers decreased by RM1.94 million to RM26.58 million (FPE 30 November 2018: RM28.52 million).

The overall increase in sales for the FPE 30 November 2019 was mainly attributable to the following factors:-

(i) increase in sales from cables, wires and accessories mainly due to higher sales for communication, and control and instrumentation cables and wires as well as cables accessories in particular HDPE corrugated pipe. We secured order from a new customer, namely MCH M&E Sdn Bhd amounting to RM1.51 million mainly for the supply of cables, wires and accessories in particular HDPE corrugated pipe;

(ii) increase in sales from an electrical contractor, namely Cahaya Engineering Works amounting to RM2.66 million for the supply of electrical distribution, protection and control devices in particular air circuit breakers;

(iii) increase in sales for our own brand of products in particular lightings amounting to RM1.85 million mainly due to higher demand and the commencement of our first lighting concept store in Johor Bahru in July 2019; and

(iv) increase in sales for our other products mainly the water plumbing materials amounting to RM0.50 million as we received increased orders for our high pressure water pipes.

(b) Cost of sales, GP and GP margin

Our cost of sales comprises mainly cost of purchase, carriage inwards and packaging materials. Our cost of sales increased from RM97.10 million for the FYE 28 February 2017 to RM112.16 million for the FYE 28 February 2019 in tandem with our revenue growth during the financial years under review. In addition, our cost of sales increased to RM84.51 million in the FPE 30 November 2019 as compared to RM80.57 million in the FPE 30 November 2018 in tandem with our revenue growth during the financial period under review.

Cost of purchase represents the substantial component which accounted for an average of approximately 99.77% of our cost of sales for the financial years / period under review. Our supplies are mainly sourced from local and international brand owners, manufacturers and suppliers. The cost of purchase is net of the incentives, rebates and payment discounts received from our principals and/or suppliers. Such incentive, rebates and payments discounts are subject to us achieving certain key performance targets such as quantity purchased and repayment period.

Other components of our cost of sales are carriage inwards and packaging materials which collectively constituted less than 1% of our total cost of sales for the financial years / periods under review. These costs were incurred in transporting the goods to our sales outlets or our distribution centres, as well as repackaging requirements.

The major factors affecting our cost of sales, GP and GP margin include, inter alia, the following:-

- our pricing strategy and ability to continually source and purchase quality electrical products and accessories which meet the requirements of our customers at competitive prices;
- our ability to maintain long-term relationships with our major suppliers and to secure wider range of electrical products and accessories at competitive prices and favourable terms to fulfil the increase in demand from our customers from time to time;
- the composition of sales via direct distribution channel and indirect distribution channel. We command higher GP margin for the sales via direct distribution channel i.e. sales to industrial users as compared to the sales via indirect distribution channel, i.e. sales to resellers as we sell directly to our customers rather than through intermediaries such as resellers;
- our product sales mix structure where some product categories may have higher margin as compared to others. Certain range of our electrical products and accessories commands better profit margin such as the following:-

  (i) cables, wires and accessories, whereby we provide 'cut-to-length' services for cables and wires to our customers and we source our cables accessories directly from manufacturers;

  (ii) electrical distribution, protection and control devices, whereby we are the authorised distributor for certain brands which we have volume purchase discount and target incentives; and

(iii) our own brand of products, whereby we incurred lower cost for our own brand products as compared to third party brand products. This is mainly due to the following:-

(a) instead of purchasing certain products from third party brands, our Group sources its own brand products directly from manufacturers and/or suppliers. These manufacturers and/or suppliers tend to sell these products with a minimum order quantity that allows our Group to command higher margins on these products;

(b) third party brands tend to cost higher for our Group as they take into account other costs incurred by these third party brands into the pricing of their products such as marketing and promotion costs; and

(c) our Group has better control in the pricing of own brand products as compared to third party brands.

- the change in the purchase costs of electrical products and accessories which may be influenced by the costs of raw materials (such as copper). The cost of raw materials may fluctuate due to changes in the supply and demand in the global market driven by global economic conditions. Nevertheless, such fluctuation in costs can generally be passed on to the customers.

(i) Analysis of cost of sales by cost component

A breakdown of our cost of sales by cost component for the financial years / periods under review is as follows:-

	<------Audited------				**------>**		**Unaudited**		**Audited**	
	<------FYE 28 February------				**------>**		**<------FPE 30 November**		**------>**	
	2017		**2018**		**2019**		**2018**		**2019**	
Type of cost component	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Cost of purchase	96,842	99.74	104,257	99.75	111,891	99.76	80,408	99.80	84,369	99.83
Carriage inwards	230	0.24	221	0.21	162	0.14	111	0.14	114	0.13
Packaging materials	23	0.02	39	0.04	102	0.10	47	0.06	28	0.04
Total cost of sales	**97,095**	**100.00**	**104,517**	**100.00**	**112,155**	**100.00**	**80,566**	**100.00**	**84,511**	**100.00**

(ii) **Analysis of GP and GP margins by distribution channel**

The breakdown of our Group's GP and GP margin by distribution channel for the financial years / periods under review are as follows:-

	Audited						Unaudited		Audited	
	FYE 28 February						FPE 30 November			
	2017		2018		2019		2018		2019	
GP	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Direct - Industrial users	14,452	82.99	15,724	79.91	18,351	82.60	12,557	83.14	16,651	85.07
Indirect - Resellers	2,962	17.01	3,952	20.09	3,867	17.40	2,547	16.86	2,922	14.93
Total GP	**17,414**	**100.00**	**19,676**	**100.00**	**22,218**	**100.00**	**15,104**	**100.00**	**19,573**	**100.00**
GP margin		**%**		**%**		**%**		**%**		**%**
Direct - Industrial users		17.25		18.94		19.20		18.70		21.48
Indirect - Resellers		9.64		9.59		9.96		8.93		10.99
Overall GP margin		**15.21**		**15.84**		**16.53**		**15.79**		**18.81**

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11. FINANCIAL INFORMATION (Cont'd)

(iii) Analysis of GP and GP margins by product categories

The breakdown of our Group's GP and GP margin by product categories for the financial years / periods under review are as follows:-

	<-----Audited				----->		Unaudited		Audited	
	<-----FYE 28 February				----->		<-----FPE 30 November		----->	
	2017		**2018**		**2019**		**2018**		**2019**	
GP	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Cables, wires and accessories	7,283	41.82	8,589	43.65	9,832	44.25	7,073	46.83	9,333	47.68
Electrical distribution, protection and control devices	5,586	32.08	6,197	31.50	6,822	30.71	4,384	29.03	5,202	26.58
Electrical appliances and accessories	3,821	21.94	4,001	20.33	4,530	20.39	2,998	19.85	4,166	21.28
Others	724	4.16	889	4.52	1,034	4.65	649	4.29	872	4.46
Total GP	**17,414**	**100.00**	**19,676**	**100.00**	**22,218**	**100.00**	**15,104**	**100.00**	**19,573**	**100.00**

GP margin	**%**	**%**	**%**	**%**	**%**
Cables, wires and accessories	17.02	18.26	18.10	17.84	22.34
Electrical distribution, protection and control devices	16.52	17.97	19.98	18.51	19.39
Electrical appliances and products	13.67	12.21	13.13	12.32	15.63
Others	7.27	8.97	9.06	8.10	9.88
Overall GP margin	**15.21**	**15.84**	**16.53**	**15.79**	**18.81**

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Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our total cost of sales increased by RM7.42 million or 7.64% to RM104.52 million (FYE 28 February 2017: RM97.10 million). The increase in total cost of sales for the FYE 28 February 2018 was in line with our increase in sales for the FYE 28 February 2018.

Meanwhile, our overall GP for the FYE 28 February 2018 increased by RM2.26 million or 12.99% to RM19.68 million (FYE 28 February 2017: RM17.41 million). Our overall GP margin improved from 15.21% in the FYE 28 February 2017 to 15.84% in the FYE 28 February 2018 which was mainly due to the increase in our GP and GP margin from direct distribution channel, i.e. the sales to industrial users.

The increase in our overall GP margin was also mainly attributable to the following factors:-

(i) higher margin from the revision of selling price for certain range of products under the electrical distribution, protection and control devices as well as cables and wires;

(ii) increase in demand for our own brands of products, namely lightings as well as cables and wires which command higher margin;

(iii) higher sales for our cables accessories which command better margin as we source directly from the manufacturers as compared to purchase from other distributors previously; and

(iv) better pricing strategy pursuant to the incentive provided by our principals and suppliers on volume discount and prompt payment.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

For the FYE 28 February 2019, our total cost of sales increased by RM7.64 million or 7.31% to RM112.16 million (FYE 28 February 2018: RM104.52 million). The increase in total cost of sales for the FYE 28 February 2019 was in line with our increase in sales for the FYE 28 February 2019.

Meanwhile, our overall GP for the FYE 28 February 2019 increased by RM2.54 million or 12.92% to RM22.22 million (FYE 28 February 2018: RM19.68 million). Our overall GP margin improved from 15.84% in the FYE 28 February 2018 to 16.53% in the FYE 28 February 2019 mainly due to higher sales contribution from direct distribution channel, i.e. sales to industrial users as compared to sales contribution from indirect distribution channel, i.e. sales to resellers.

The increase in our overall GP margin was also mainly attributable to the following factors:-

(i) lower cost incurred (for the purchase of products from the manufacturers at zero-rated GST) to build-up the inventories for certain high turnover products under the electrical distribution, protection and control devices during the zero-rated GST period from June 2018 to August 2018. These products were subsequently sold at a prevailing market price during the implementation of the SST; and

(ii) increase in demand for our own brands of products, namely lightings as well as cables and wires, which command higher margin due to our continuous marketing campaigns and enhanced market acceptance.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

For the FPE 30 November 2019, our total cost of sales increased by RM3.95 million or 4.90% to RM84.51 million (FPE 30 November 2018: RM80.56 million). The increase in total cost of sales for the FPE 30 November 2019 was in line with our increase in sales for the FPE 30 November 2019.

Meanwhile, our overall GP for the FPE 30 November 2019 increased by RM4.47 million or 29.59% to RM19.57 million (FPE 30 November 2018: RM15.10 million). Our overall GP margin improved from 15.79% in the FPE 30 November 2018 to 18.81% in the FPE 30 November 2019 mainly due to higher sales contribution from direct distribution channel, i.e. sales to industrial users as compared to sales contribution from indirect distribution channel, i.e. sales to resellers.

The increase in our overall GP margin was also mainly attributable to the following factors:-

(i) higher margin from the revision of selling prices for some of our cables, wires and accessories and higher sales for our cable and wire accessories which command higher margin in particular HDPE corrugated pipe; and

(ii) higher sales and revision of selling prices for our own brand of lighting products, which command higher margin.

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11. FINANCIAL INFORMATION (Cont'd)

(c) Other income

Our Group recorded other income of RM0.72 million, RM0.96 million, RM1.71 million and RM1.09 million for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The breakdown of our other income for the financial years / periods under review is as follows:-

	<------Audited				------>		Unaudited		Audited	
	<------FYE 28 February				------>		<------FPE 30 November		------>	
	2017		2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Insurance claim[(1)]	-	-	-	-	386	22.56	189	42.00	80	7.34
Insurance cash surrender value	-	-	-	-	-	-	-	-	82	7.52
Changes in fair value of investment properties	200	27.89	255	26.67	350	20.46	-	-	-	-
Waiver of amount owing to a director[(2)]	-	-	-	-	348	20.34	-	-	-	-
Reversal of impairment loss on trade receivables	265	36.96	412	43.10	289	16.89	87	19.33	132	12.11
Rental income	202	28.17	199	20.82	198	11.57	148	32.89	169	15.51
Gain on disposal of PPE and asset classified as held for sale	-	-	17	1.78	97	5.67	-	-	470	43.12
Bad debts recoverable	-	-	-	-	17	0.99	12	2.67	29	2.66
Interest income	-	-	*	^	15	0.88	14	3.11	37	3.39
Unrealised gain on foreign exchange	19	2.65	-	-	-	-	-	-	-	-
Realised gain on foreign exchange	2	0.28	14	1.46	-	-	-	-	45	4.13
Miscellaneous[(3)]	29	4.05	59	6.17	11	0.64	*	^	46	4.22
Total	**717**	**100.00**	**956**	**100.00**	**1,711**	**100.00**	**450**	**100.00**	**1,090**	**100.00**

Notes:-

* Less than RM1,000.

^ Negligible.

(1) Insurance claim refers to claims made by our Group against the insurer under our trade credit insurance coverage for non-payment of trade receivables exceeding credit period after being assessed by our Directors that the trade receivables are of high uncertainty would not be collectable.

(2) Waiver of amount owing to a director refers to mainly advances from a director to ACO Holdings for expenses paid on behalf and Maylec as down payment for the purchase of a new sales outlet in Johor Bahru in the FYE 28 February 2018

and was subsequently waived in the FYE 28 February 2019 after taking into consideration the operational cashflow requirements and dilution impact to the minority interest if the aforesaid advances were to be capitalised.

(3) Miscellaneous mainly comprise income derived from the disposal of scrap and damaged goods.

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our Group recorded an increase in other income by RM0.24 million or 33.33% to RM0.96 million as compared to RM0.72 million recorded in the FYE 28 February 2017. The increase in other income was mainly due to the following:-

(i) increase in reversal of impairment loss on trade receivables from RM0.27 million in FYE 28 February 2017 to RM0.41 million in FYE 28 February 2018, which was previously provided as part of our impairment policy in managing credit risk; and

(ii) changes in fair value of investment properties amounting to RM0.26 million in compliance with MFRS 140 to measure the investment properties based on open market values for financial reporting purposes.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

For the FYE 28 February 2019, our Group recorded an increase in other income by RM0.76 million or 78.97% to RM1.71 million as compared to RM0.96 million recorded in the FYE 28 February 2018. The increase in other income was mainly due to the following:-

(i) insurance claim amounting to RM0.39 million for non-payment of trade receivables exceeding credit period;

(ii) waiver of amount owing to a director amounting to RM0.35 million;

(iii) changes in fair value of investment properties amounting to RM0.35 million; and

(iv) gain on disposal of PPE amounting to RM0.10 million arising from the sales of motor vehicles during the FYE 28 February 2019.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

For the FPE 30 November 2019, our Group recorded an increase in other income by RM0.64 million or 142.22% to RM1.09 million as compared to RM0.45 million recorded in the FPE 30 November 2018. The increase in other income was mainly due to the following:-

(i) increase in reversal of impairment loss on trade receivables from RM0.09 million in FPE 30 November 2018 to RM0.13 million in FPE 30 November 2019, which was previously provided as part of our impairment policy in managing credit risk;

(ii) gain on disposal of asset held for sale amounting to RM0.44 million arising from the sale of a sales outlet in Taman Johor Jaya, Johor Bahru in April 2019 as the Group decided to move its operation in this sales outlet to its sales outlet in Taman Perindustrian Kempas Utama which has a larger space. In addition, the Group already has a few existing sales outlets in Taman Johor Jaya; and

(iii) realised gain on foreign exchange amounting to RM0.05 million arising from the depreciation of RM, as some of our sales were transacted in foreign currency.

(d) Administrative expenses

Our Group incurred administrative expenses of RM11.68 million, RM13.28 million, RM13.73 million and RM11.69 million for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The breakdown of our administrative expenses for the financial years / periods under review is as follows:-

	<---Audited---				--->		Unaudited		Audited	
	<---FYE 28 February---				--->		<---FPE 30 November---		--->	
	2017		2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	6,502	55.68	7,385	55.61	7,641	55.64	5,209	55.37	5,843	49.98
Depreciation of PPE and ROU	879	7.53	1,120	8.43	1,268	9.23	738	7.85	1,226	10.49
Upkeep of PPE	437	3.74	704	5.30	683	4.97	676	7.19	443	3.79
Directors' remuneration	730	6.25	730	5.50	636	4.63	362	3.85	382	3.27
Rental expenses	555	4.75	517	3.89	486	3.54	376	3.99	107	0.91
Legal and professional fees	347	2.97	368	2.77	502	3.66	269	2.86	142	1.21
Travelling and accommodation expenses	335	2.87	415	3.13	463	3.37	443	4.71	312	2.67
Utilities charges	390	3.34	372	2.80	405	2.95	200	2.13	308	2.63
Impairment losses on trade receivables	503	4.31	318	2.39	342	2.49	1	0.01	209	1.79
Insurance charges	246	2.11	384	2.89	282	2.05	324	3.44	362	3.10
Carriage outwards	89	0.76	154	1.16	101	0.73	101	1.07	114	0.98
Others[(1)]	665	5.69	813	6.13	925	6.74	708	7.53	2,242	19.18
Total	**11,678**	**100.00**	**13,280**	**100.00**	**13,734**	**100.00**	**9,407**	**100.00**	**11,690**	**100.00**

Note:-

(1) Others mainly consist of advertising and promotional expenses, bank charges, printing and stationery, road tax, quit rent and assessment, security charges, listing expenses and sundry expenses.

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our Group recorded an increase in administrative expenses by RM1.60 million or 13.72% to RM13.28 million as compared to RM11.68 million recorded in the FYE 28 February 2017.

The increase in administrative expenses during the financial year under review was mainly due to the following factors:-

(i) increase in staff costs by RM0.88 million mainly due to the increase in staff force by 10 employees from 160 employees in FYE 28 February 2017 to 170 employees in FYE 28 February 2018 to cater for the increase in our scale of operations;

(ii) increase in depreciation of PPE by RM0.24 million and upkeep of PPE by RM0.27 million which was in line with the acquisitions of additional PPE; and

(iii) increase in other administrative expenses by RM0.15 million mainly due to higher advertising and promotional expenses incurred, installation of surveillance and alarm system which was charged out during the FYE 28 February 2018, and higher bank charges incurred.

Nevertheless, the increase in administrative expenses was partly offset with the decrease in impairment losses on trade receivables by RM0.19 million during the FYE 28 February 2018.

<u>Comparison between FYE 28 February 2018 and FYE 28 February 2019</u>

For the FYE 28 February 2019, our Group recorded an increase in administrative expenses by RM0.45 million or 3.42% to RM13.73 million as compared to RM13.28 million recorded in the FYE 28 February 2018. The increase in administrative expenses during the financial year under review was mainly due to the following factors:-

(i) increase in staff costs by RM0.26 million mainly due to the higher bonus pay out and revision of salary during the FYE 28 February 2019;

(ii) increase in depreciation of PPE by RM0.15 million which was in line with the acquisitions of additional PPE; and

(iii) increase in legal and professional fees by RM0.13 million mainly due to additional legal fees incurred for the acquisition of properties, valuation fees incurred for the assessment of fair value of investment properties and success collection fees charged by insurance company in relation to our trade credit insurance.

Nevertheless, the increase in administrative expenses was partly offset with the decrease in insurance charges by RM0.10 million during the FYE 28 February 2019 due to revision on our insurance coverage to a level which was more reflective of our credit risk exposure.

<u>Comparison between FPE 30 November 2018 and FPE 30 November 2019</u>

For the FPE 30 November 2019, our Group recorded an increase in administrative expenses by RM2.28 million or 24.27% to RM11.69 million as compared to RM9.41 million recorded in the FPE 30 November 2018. The increase in administrative expenses during the financial period under review was mainly due to the following factors:-

(i) increase in staff costs by RM0.63 million mainly due to salary increment and increase of headcount by 13 employees from 158 employees in FPE 30 November 2018 to 171 employees in FPE 30 November 2019;

(ii) increase in depreciation of PPE and ROU by RM0.49 million which was mainly due to the recognition of the ROU pursuant to the adoption of MFRS16;

(iii) impairment losses on trade receivables amounting to RM0.21 million in the FPE 30 November 2019; and

(iv) listing expenses incurred during the financial period under review amounting to RM1.15 million.

Nevertheless, the increase in administrative expenses was partly offset mainly by the decrease in the upkeep of PPE by RM0.23 million during the FPE 30 November 2019.

(e) Finance costs

Our Group incurred finance costs of RM0.68 million, RM0.74 million, RM1.03 million and RM1.01 million for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The breakdown of our finance costs for the financial years / periods under review is as follows:-

	Audited						Unaudited		Audited	
	FYE 28 February						FPE 30 November			
	2017		2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	221	32.39	271	36.63	421	40.95	295	39.39	338	33.63
Bankers' acceptances	351	51.47	374	50.54	345	33.56	257	34.31	194	19.30
Bank overdrafts	93	13.64	67	9.05	134	13.04	106	14.15	89	8.86
Trust receipts	-	-	-	-	96	9.34	70	9.34	328	32.64
Finance lease liabilities	16	2.35	28	3.78	29	2.82	19	2.54	38	3.78
Lease obligations	-	-	-	-	-	-	-	-	18	1.79
Bank guarantee	1	0.15	*	^	3	0.29	2	0.27	*	^
Total	**682**	**100.00**	**740**	**100.00**	**1,028**	**100.00**	**749**	**100.00**	**1,005**	**100.00**

Notes:-

* Less than RM1,000.

^ Negligible.

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our Group recorded an increase in finance costs of RM0.06 million or 8.50% to RM0.74 million as compared to RM0.68 million recorded in the FYE 28 February 2017. The increase in the finance costs during the financial year under review was mainly due to drawdown of a new term loan and finance lease liabilities as well as higher utilisation of bankers' acceptance. The term loan was in relation to acquisition of one (1) sales outlet in Melaka while the finance lease liabilities were for the purchase of additional four (4) trucks during the FYE 28 February 2018.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

For the FYE 28 February 2019, our Group recorded an increase in finance costs of RM0.29 million or 38.92% to RM1.03 million as compared to RM0.74 million recorded in the FYE 28 February 2018. The increase in the finance costs during the financial year under review is mainly due to new drawdown of term loans and finance lease liabilities as well as utilisation of bank overdraft, bankers' acceptance and trust receipts. The term loans were in relation to acquisition of sales outlets in Muar and Johor Bahru while the finance lease liabilities were for the purchase of additional two (2) forklifts and one (1) motor vehicle during the FYE 28 February 2019.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

For the FPE 30 November 2019, our Group recorded an increase in finance costs of RM0.26 million or 34.18% to RM1.01 million as compared to RM0.75 million recorded in the FPE 30 November 2018. The increase in the finance costs during the financial period under review was mainly due to higher utilisation of trust receipts.

(f) Income Tax Expense

The breakdown of our income tax expense for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2018 and FPE 30 November 2019 is set out below:-

	Audited			Unaudited	Audited
	FYE 28 February			FPE 30 November	
	2017	**2018**	**2019**	**2018**	**2019**
Income tax expense (RM'000)	1,317	1,609	1,751	1,062	1,924
Effective tax rate (%)	22.82	24.33	19.10	19.67	24.15
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00

Our Group's effective tax rate was 22.82%, 24.33%, 19.10% and 24.15% for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. Generally, our subsidiaries enjoyed lower tax rate under the corporate tax rate for small to medium enterprises where tax rate on chargeable income up to the first RM500,000 was 18.00% for the FYE 28 February 2017 and FYE 28 February 2018 and 17.00% for the FYE 28 February 2019. For the FYE 29 February 2020, the tax rate will be at 17.00% (provided that annual sales are not more than RM50.00 million) on chargeable income up to the first RM600,000.

Our effective tax rate for the FYE 28 February 2017 was lower than the statutory tax rate mainly due to tax savings arising from the tax rate reduction for incremental chargeable income for the FYE 28 February 2017.

Our effective tax rate for the FYE 28 February 2018 was slightly higher than the statutory tax rate mainly due to certain expenditure not deductible for tax purposes, which include depreciation of the non-qualifying property, plant and equipment, during the FYE 28 February 2018.

Our effective tax rate for the FYE 28 February 2019 was lower than the statutory tax rate mainly due to our entitlement to tax incentives in the form of capital allowance and investment tax allowances following the installation of solar panel at our distribution centre in Johor.

Our effective tax rate for the FPE 30 November 2019 was higher than the statutory tax rate mainly due to one of our subsidiaries not entitled to the small to medium enterprise tax savings as its annual sales was more than RM50.00 million pursuant to the Budget 2020. In addition, there was a one-off tax incentive arising from capital allowance and investment tax allowances during the previous financial period.

(g) PBT, PBT margin, PAT and PAT margin

Our Group recorded PBT of RM5.77 million, RM6.61 million, RM9.17 million and RM7.97 million for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. In addition, we recorded PAT of RM4.45 million, RM5.00 million, RM7.42 million and RM6.04 million for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The increase in our PAT and PBT during the financial years / periods under review was in line with the increase in our revenue and GP.

	<--------------------Audited------------------>			**Unaudited**	**Audited**
	<-------------FYE 28 February------------>			**<--FPE 30 November-->**	
	2017	**2018**	**2019**	**2018**	**2019**
PBT (RM'000)	5,771	6,612	9,167	5,398	7,968
PAT (RM'000)	4,454	5,003	7,416	4,336	6,044
PBT margin (%)	5.04	5.32	6.82	5.64	7.66
PAT margin (%)	3.89	4.03	5.52	4.53	5.81

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

For the FYE 28 February 2018, our Group recorded an increase in PBT by RM0.84 million or 14.57% to RM6.61 million for the FYE 28 February 2018 and increase in PAT by RM0.55 million or 12.33% to RM5.00 million for the FYE 28 February 2018. The increase in both PBT and PAT for the FYE 28 February 2018 was mainly due to the increase in our GP as a result of higher revenue recorded during the FYE 28 February 2018.

Our PBT margin improved marginally from 5.04% for the FYE 28 February 2017 to 5.32% for the FYE 28 February 2018. Our PAT margin also improved marginally from 3.89% for the FYE 28 February 2017 to 4.03% for the FYE 28 February 2018. The improvement in the PBT margin and PAT margin was mainly due to better GP margin achieved during the FYE 28 February 2018.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

For the FYE 28 February 2019, our Group recorded an increase in PBT by RM2.56 million or 38.64% to RM9.17 million for the FYE 28 February 2019 and increase in PAT by RM2.41 million or 48.23% to RM7.42 million for the FYE 28 February 2019. The increase in both PBT and PAT for the FYE 28 February 2019 was mainly due to the increase in our GP as a result of higher revenue as well as an increase in other income by RM0.76 million recorded during the FYE 28 February 2019.

Our PBT margin improved from 5.32% for the FYE 28 February 2018 to 6.82% for the FYE 28 February 2019. Our PAT margin also improved from 4.03% for the FYE 28 February 2018 to 5.52% for the FYE 28 February 2019. The improvement in the PBT margin and PAT margin was mainly due to better GP margin achieved, proportion of increase in revenue is substantially higher than the increase in the administrative expenses due to economies of scale, and our entitlement to tax incentives during the FYE 28 February 2019.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

For the FPE 30 November 2019, our Group recorded an increase in PBT by RM2.57 million or 47.61% to RM7.97 million for the FPE 30 November 2019 and increase in PAT by RM1.71 million or 39.39% to RM6.04 million for the FPE 30 November 2019. The increase in both PBT and PAT for the FPE 30 November 2019 was mainly due to the increase in our GP as well as increase in other income by RM0.64 million during the FPE 30 November 2019.

Our PBT margin improved from 5.64% for the FPE 30 November 2018 to 7.66% for the FPE 30 November 2019. Our PAT margin also improved from 4.53% for the FPE 30 November 2018 to 5.81% for the FPE 30 November 2019. The improvement in the PBT margin and PAT margin was mainly due to better GP margin achieved during the FPE 30 November 2019.

11.3.3 Significant factors materially affecting our operations and financial results

Our business operations and financial conditions have been and will continue to be affected by factors including, but not limited to, the following:-

(a) Demand and supply condition

Our business, performance and results of operations are dependent on the demand and supply condition of the distribution of electrical products in Malaysia. The demand for our electrical products and accessories is closely associated with the growth of end-user industries such as the power industry as well as the construction industry as these are the major buyers of cables, wires and accessories; electrical distribution, protection and control devices; and electrical appliances and accessories such as lightings and switches.

The supply of electrical products and accessories are sourced from a wide pool of both local and international manufacturers and/or suppliers offering a diverse range of products in terms of quality, pricing, specifications and brands. Our future performance, to a certain extent, depends on our ability to maintain long-term arrangements or relationships with our major suppliers and continually source or purchase quality electrical products and accessories at competitive prices and terms which meet the requirements of our customers.

Please refer to Sections 7 and 8 of this Prospectus for further details on the demand and supply conditions in relation to the distribution of electrical products in Malaysia and the risk factors.

(b) Product sales mix and distribution channels

We use a combination of direct and indirect distribution channels to sell our electrical products and accessories which can be segmented into four (4) categories, namely cables, wires and accessories; electrical distribution, protection and control devices; electrical appliances and accessories; and others which consist of water plumbing materials, power tools and accessories, as well as CCTV and alarm systems. We command higher GP margin for the sales via direct distribution channel, i.e. sales to industrial users as compared to the sales via indirect distribution channel, i.e. sales to resellers. In addition, some of our product categories, brand portfolio and home brand products may command higher GP margin such as cables and wires; electrical distribution, protection and control devices; and electrical appliances and accessories such as lightings and fittings. Any significant change in our product sales mix and composition of sales via different mode of distribution channel may impact our revenue and GP margin, and as a result will affect our overall financial performance.

(c) Competition

Our Group is operating in the distribution of electrical products where the market is relatively fragmented and thus we are subject to competition from other operators that are involved in the sales and distribution of electrical products and accessories in terms of pricing, range and quality of products offered, outlet location, customer service and others. Nevertheless, our competitive advantages and key strengths have enabled us to compete effectively in the industry that we are operating in, which include the following:-

(i) we have an established track record of 29 years in the distribution of electrical products and accessories;

(ii) we carry a wide range of electrical products and accessories to meet the needs of industrial users;

(iii) we are an authorised distributor for 10 brands of electrical products and accessories;

(iv) we have experienced Executive Directors and key senior management team; and

(v) we provide customer convenience and facilitate timely delivery of goods to our customers.

We will continue to take measures to maintain our competitiveness through our competitive advantages and key strengths set out in Section 6.1.2 of this Prospectus. However, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Sections 7 and 8 of this Prospectus for further details on the competitive analysis on the distribution of electrical products in Malaysia and the risk factors.

(d) Business expansion and growth

Our financial results are dependent on our business growth and expansion of operational facilities in Malaysia, which is the principal market in which we operate. Currently, we have eight (8) sales outlets, two (2) distribution centres and one (1) lighting concept store located in Johor, Melaka and Selangor. Our ability to retain and secure new customers is dependent on the quality, range of products, price competitiveness of our electrical products and accessories, timeliness in delivery, accessibility of our sales outlets and our ability to meet customers' specifications. To grow our business, our Group intends to increase our coverage and market presence via the expansion of new operational facilities and product range as set out in Section 6.10 of this Prospectus. The larger scale of operations allows us to benefit from economies of scale, which in turn improves our efficiency in our distribution network and thus our revenue and GP margin, and as a result our overall financial performance.

Nevertheless, our Group's business expansion and growth would also be subject to the risk of a slowdown in the local economy and/or any adverse developments or uncertainties in the political, economic or regulatory conditions in Malaysia which could unfavourably affect our financial and business prospects.

(e) Impact of interest rates

As at 30 November 2019, our Group's total borrowings of RM24.07 million consist of term loans, finance lease liabilities, bank overdrafts, bankers' acceptances and trust receipts at the interest rates ranging from 2.38% to 8.93% per annum.

Our Group's objective in managing our interest rate expenses is to ensure an acceptable level of exposure to interest rate fluctuations. As at the LPD, our borrowings have fixed and determinable payments. Save for the finance lease liabilities, which are charged on a fixed rate, the interest rates for our term loans, bank overdrafts, bankers' acceptances and trust receipts are based on the prevailing bank's base lending rate or base financing rate plus or minus a margin agreed upon by our bankers when the respective loans and financings were granted.

There is no material impact from the fluctuations in interest rates on our profits for the financial years / periods under review. However, any hikes in interest rates would raise the cost of borrowings which may have adverse effect on our financial performance. The sensitivity analysis for interest rate risk is set out in the Accountants' Report under Section 12 of this Prospectus.

(f) Impact of foreign exchange

Our sales are denominated mainly in RM and 1.67%, 0.71% and 0.42% of our Group's total purchases for the FYE 28 February 2017, FYE 28 February 2018 and FYE 28 February 2019, respectively are sourced from overseas. For the FPE 30 November 2019, none of our Group's purchases are sourced from overseas. As such, there is no significant direct impact of foreign exchange fluctuations on the operating profits of our Group during the financial years / period under review.

(g) Impact of inflation

There was no material impact of inflation on our Group's financial results for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019. Nevertheless, there can be no assurance that future inflation would not have a material impact on our business and performance.

(h) Impact of government/economic/fiscal/monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 8 of this Prospectus. Save as disclosed in Sections 7, 8 and 11 of this Prospectus, there is no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019.

(i) Impact of commodity prices

Some of our electrical products and accessories such as cables and wires, are subject to fluctuation in the prices of its raw materials such as copper. However, we are not directly affected by such fluctuations as such cost can generally be passed on to our customers. As such, there was no material impact of commodity prices on our Group's financial results for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019.

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11. FINANCIAL INFORMATION (Cont'd)

11.3.4 Liquidity and capital resources

Our operations are funded through cash generated from our operating activities, credit extended by our suppliers, credit facilities granted by financial institutions as well as our existing cash and bank balances.

As at 30 November 2019, our Group has cash and short-term deposits of RM9.44 million, available credit facilities of RM37.75 million, of which RM23.63 million has yet to be utilised and working capital of RM22.61 million, being the difference between current assets of RM75.98 million and current liabilities of RM53.37 million.

Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

Cash flow

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the financial years / period under review, as well as the unaudited combined statement of cash flows for the FPE 30 November 2018 for comparison purpose only:-

	Audited			Unaudited	Audited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	495	2,157	4,943	2,470	3,192
Net cash from / (used in) investing activities	341	(1,969)	(3,893)	(2,140)	757
Net cash from / (used in) financing activities	800	1,786	1,670	(237)	(3,802)
Net increase in cash and cash equivalents	**1,636**	**1,974**	**2,720**	**93**	**147**
Cash and cash equivalents at the beginning of the financial years	**1,412**	**3,048**	**5,022**	**5,022**	**7,742**
Cash and cash equivalents at the end of the financial years / periods	**3,048**	**5,022**	**7,742**	**5,115**	**7,889**

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

Commentary:-

Net cash from operating activities

FYE 28 February 2017

For the FYE 28 February 2017, our operating cash flows before working capital changes were RM7.35 million. After adjusting for the following key items, our net cash from our operating activities was RM0.50 million:-

(i) increase in inventories of RM6.85 million which was in line with the increase in purchases and operations level of our Group;

(ii) increase in trade and other receivables of RM8.91 million mainly due to increase in trade receivables by RM8.39 million which was in line with the higher revenue recorded during the financial year under review. Other receivables also increased by RM0.52 million mainly due to deposit paid for the purchase of sales outlet in Melaka;

(iii) increase in trade and other payables of RM9.86 million mainly due to increase in trade payables by RM9.34 million which was in line with the higher purchases made during the financial year under review. Other payables also increased by RM0.52 million mainly due to accrual of bonus and amount owing to contractors for renovation work; and

(iv) payment of income tax of RM0.92 million which was partly offset with the refund of income tax amounted to RM0.06 million.

FYE 28 February 2018

For the FYE 28 February 2018, our operating cash flows before working capital changes were RM8.11 million. After adjusting for the following key items, our net cash from our operating activities was RM2.16 million:-

(i) increase in inventories of RM5.02 million which was in line with the increase in purchases and operations level of our Group;

(ii) decrease in trade and other receivables of RM2.59 million mainly due to decrease in trade receivables by RM2.90 million which was in line with the improvement in collection from our customers as a result of our enhanced credit control measure implemented during the financial year under review. Nevertheless, the decrease in the trade receivables was partly offset with the increase in other receivables of RM0.31 million mainly due to deposit paid for the purchase of a sales outlet in Johor Bahru;

(iii) decrease in trade and other payables of RM2.03 million mainly due to decrease in trade payables by RM2.39 million which was in line with the prompt repayment to our suppliers from the collection of trade receivables. Nevertheless, other payables increased by RM0.36 million mainly due to the increase in accrual for staff costs; and

(iv) payment of income tax of RM1.44 million which was partly offset with the refund of income tax amounted to RM0.02 million.

FYE 28 February 2019

For the FYE 28 February 2019, our operating cash flows before working capital changes were RM10.69 million. After adjusting for the following key items, our net cash from our operating activities was RM4.94 million:-

(i) increase in inventories of RM5.56 million which was in line with the increase in purchases and operations level of our Group;

(ii) increase in trade and other receivables of RM1.44 million mainly due to increase in trade receivables by RM1.87 million which was in line with the higher revenue recorded during the financial year under review. Other receivables decreased by RM0.43 million mainly due to reversal of deposit paid for the purchase of a sales outlet in Johor Bahru in the previous financial year in which the transaction was subsequently completed during the financial year;

(iii) increase in trade and other payables of RM3.10 million mainly due to increase in other payables by RM3.44 million which was mainly arising from amount owing to a non-controlling shareholder; and contractors and suppliers for renovation work amounting to RM2.35 million as well as increase in deposits of RM1.34 million due to deposit received from a customer. Nevertheless, the increase in other payables was partly offset by the decrease in trade payables of RM0.34 million due to prompt repayment to our suppliers which was in line with the better collection cycle from trade receivables; and

(iv) payment of income tax of RM1.75 million.

FPE 30 November 2019

For the FPE 30 November 2019, our operating cash flows before working capital changes were RM9.75 million. After adjusting for the following key items, our net cash from our operating activities was RM3.19 million:-

(i) increase in inventories of RM5.03 million which was in line with the increase in purchases and operations level of our Group;

(ii) increase in trade and other receivables of RM1.34 million mainly due to increase in trade receivables by RM1.06 million which was in line with the higher revenue recorded during the financial period under review. Other receivables increased by RM0.28 million mainly due to prepayment of the listing expenses;

(iii) increase in trade and other payables of RM1.64 million mainly due to increase in trade payables by RM4.89 million which was in line with the higher purchases made during the FPE 30 November 2019. Nevertheless, the increase in trade payables was partly offset by the decrease in other payables by RM3.25 million mainly due to payment to a former non-controlling shareholder; and contractors and suppliers for renovation work; and

(iv) payment of income tax of RM1.76 million.

Net cash from / (used in) investing activities

FYE 28 February 2017

Our Group generated net cash from investing activities of RM0.34 million for the FYE 28 February 2017. This was mainly attributed to the proceeds received from the disposal of investment property amounting to RM1.30 million which was partly offset with the purchases of motor vehicles and renovation cost for our sales outlet in Johor Bahru amounting to RM0.96 million during the financial year under review.

FYE 28 February 2018

Our Group recorded net cash used in investing activities of RM1.97 million for the FYE 28 February 2018. This was mainly attributed to the following:-

(i) purchases of new sales outlet in Melaka, computer and software, motor vehicles and renovation costs for sales outlet in Johor Bahru amounting to RM1.37 million;

(ii) decrease in deposits pledged for banking facilities amounting to RM0.60 million; and

(iii) dividend paid to non-controlling interest amounting to RM0.10 million.

However, the outflow was partly offset by the proceeds from disposal of motor vehicles amounting to RM0.11 million during the FYE 28 February 2018.

FYE 28 February 2019

Our Group recorded net cash used in investing activities of RM3.89 million for the FYE 28 February 2019. This was mainly attributed to the following:-

(i) purchases of new sales outlets in Muar and Johor Bahru, motor vehicles, office equipment and renovation cost for our sales outlet in Muar and Johor Bahru amounting to RM3.64 million; and

(ii) decrease in deposits pledged for banking facilities amounting to RM0.36 million.

However, the outflow was partly offset by the proceeds from disposal of motor vehicles amounting to RM0.10 million.

FPE 30 November 2019

Our Group recorded net cash from investing activities of RM0.76 million for the FPE 30 November 2019. This was mainly attributed to the following:-

(i) proceeds received from the disposal of asset classified as held for sale amounting to RM2.15 million;

(ii) proceeds received from the disposal of one (1) of our sales outlet in Johor Bahru amounting to RM0.08 million; and

(iii) interest received from the fixed deposit pledged with licensed bank amounting to RM0.04 million.

However, the inflow was partly offset by the purchases of motor vehicles, office equipment and renovation cost for our lighting concept store amounting to RM1.45 million as well as decrease in deposits pledged for banking facilities amounting to RM0.06 million.

Net cash from / (used in) financing activities

FYE 28 February 2017

Our Group recorded net cash from financing activities of RM0.80 million mainly due to proceeds received from term loans and bankers' acceptances amounting to RM4.96 million. The inflow was partly offset by the repayment of term loans and finance lease liabilities amounting to RM0.43 million, repayment of amount owing to directors amounting to RM3.14 million for working capital purposes and interests paid for banking facilities granted to our Group amounting to RM0.59 million.

FYE 28 February 2018

Our Group recorded net cash from financing activities of RM1.79 million mainly due to proceeds received from bankers' acceptances amounting to RM3.37 million. The inflow was partly offset by the repayment of term loans and finance lease liabilities amounting to RM0.84 million, repayment of amount owing to directors amounting to RM0.08 million for working capital purposes and interests paid for banking facilities granted to our Group amounting to RM0.67 million.

FYE 28 February 2019

Our Group recorded net cash from financing activities of RM1.67 million mainly due to proceeds received from trust receipts amounting to RM10.55 million. The inflow was partly offset by the repayment of term loans, bankers' acceptance and finance lease liabilities of RM6.39 million, repayment of amount owing to directors amounting to RM1.55 million and payment of interests paid for banking facilities granted to our Group amounting to RM0.89 million.

FPE 30 November 2019

Our Group recorded net cash used in financing activities of RM3.80 million mainly due to the repayment of term loans, bankers' acceptance, finance lease liabilities, trust receipts and lease obligation amounting to RM2.35 million, repayment of amount owing to directors amounting to RM0.54 million and payment of interests for banking facilities granted to our Group amounting to RM0.91 million.

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11.3.5 Borrowings

(a) As at 30 November 2019, our total outstanding borrowings amounted to RM24.07 million comprising term loans, finance lease liabilities, banker's acceptance, trust receipts and bank overdrafts, can be analysed further as follows:-

Type of borrowings	Tenure	Interest rates (per annum)	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans	3 to 20 years	4.65% to 8.93%	584	8,352	8,936
Finance lease liabilities	3 to 5 years	2.38% to 5.09%	336	681	1,017
Bankers' acceptance	120 days	3.51% to 4.70%	3,808	-	3,808
Trust receipts	120 days	4.50% to 4.94%	9,778	-	9,778
Bank overdrafts	Existing (on demand)	- BLR + 0.50% - Islamic Financing Rate + 1.25%	533	-	533
Total borrowings			**15,039**	**9,033**	**24,072**
Gearing ratio as at 30 November 2019 (times)*					0.57

Note:-

* Computed based on total borrowings over our pro forma shareholders' equity (after the Internal Reorganisation Exercise but before the Public Issue and use of proceeds) as at 30 November 2019 of RM42.34 million.

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(b) We intend to secure financing from a financial institution to fund the purchase of land and building for the setting up of new head office and distribution centres.

For illustrative purposes, the following table sets out pro forma effects of the audited financial position of our Group as at 30 November 2019 had the bank borrowings for the proposed acquisition of new Head Office and Distribution Centre, the Public Issue and the use of proceeds been effected on that date:-

		Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	Pro Forma Statement of Financial Position as at 30 November 2019	After the Internal Reorganisation Exercise	After Pro Forma I and the Proposed Acquisition of the new Head Office and Distribution Centre	After Pro Forma II and the Public Issue and the Offer for Sale	After Pro Forma III and the use of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	-	24,072	38,441^	38,441	38,441
Shareholders' equity	1	42,338	41,788#	58,028*	55,873@
Gearing ratio (times)	-	**0.57**	**0.92**	**0.66**	**0.69**

Notes:-

^ Assuming that the bank borrowings granted to our Group is estimated at RM14.37 million, which is equivalent to 80% financing based on the total purchase price of RM17.96 million.

The funding requirements for our other business strategies and plans as disclosed in Section 6.10 (which include the setting up of the remaining sales outlets, distribution centres and lighting concept store) are not included in the pro forma illustration as the other business strategies and plans will only commence progressively at a later stage, and may be funded via internally generated funds and/or bank borrowings.

After incorporating the estimated amount of interest expense of approximately RM0.55 million (assuming indicative interest rate of 5.10% charged by the financial institution).

* After incorporating the proceeds raised from the Public Issue amounting to RM16.24 million.

@ After netting off RM2.16 million of the estimated listing expenses.

As at the LPD, all our bank borrowings are secured, interest bearing and denominated in RM. Our credit facilities are secured by charge over our lands and buildings, corporate guarantee by operating subsidiaries and joint and several guarantee by certain of our Directors. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the financial years / periods under review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

The short-term banking facilities available to our Group include finance lease liabilities, bankers' acceptance, bank overdrafts and term loans, which are generally used for working capital purposes and purchase of motor vehicles. The long-term banking facilities of our Group include finance lease liabilities and term loans, which are used for the purchases of land and buildings and motor vehicles.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

11.3.6 Type of financial instruments used

As at the LPD, save for bank borrowings as disclosed in Section 11.3.5 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, and trade and other receivables, as well as financial liabilities such as borrowings, lease obligations and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at the LPD, we do not use any financial instrument for hedging purposes.

11.3.7 Treasury policies and objectives

We finance our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit term from suppliers as well as short-term and long-term bank borrowings.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manage its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

11.3.8 Material commitment

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquiries, confirm that there are no other material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group:-

	Amount RM'000
Approved but not contracted for	
- New head office and distribution centre in Johor	17,961
Total	**17,961**

The above capital commitment will be financed through internally generated funds and/or bank borrowings. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus.

11.3.9 Material contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

11.3.10 Material litigation

As at the LPD, our Group is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material and/or adverse effect on the financial position or business of our Group.

11.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:-

	Audited			
	FYE 28 February			FPE 30 November
	2017	**2018**	**2019**	**2019**
Average trade receivables turnover period (days)	86	87	79	80
Average trade payables turnover period (days)	103	108	96	103
Average inventories turnover period (days)	59	75	87	105
Current ratio (times)	1.30	1.37	1.34	1.42
Gearing ratio (times)	0.51	0.57	0.73	0.57

Trade receivables

A summary of our trade receivables for the financial years / period under review is set out below:-

	<-------------------------Audited	------------------------>		
	<----------------FYE 28 February		--------------->	FPE 30 November
	2017	**2018**	**2019**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	114,509	124,193	134,373	104,084
Average trade receivables (1)	26,827	29,499	29,011	30,435
Average trade receivables turnover period (days)	**86**(2)	**87**(2)	**79**(2)	**80**(3)

Notes:-

(1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables of the respective financial years / period.

(2) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

(3) Computed based on average trade receivables of the financial period over the revenue of the financial period, multiplied by 275 days.

The credit period granted to our customers ranges from 30 days to 120 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by taking into consideration various factors such as the business relationship with our customers, customer categories, i.e. industrial users or resellers, the customers' payment history and creditworthiness as well as transaction volume while new customers are subject to our credit verification and assessment process. A small portion of our sales to industrial users are in cash term.

Our average trade receivables turnover period increased slightly from 86 days for the FYE 28 February 2017 to 87 days in the FYE 28 February 2018 and subsequently improved to 79 days in the FYE 28 February 2019. This was mainly attributable to improvement in our overall collection from our customers as our Group started to have trade credit insurance coverage and implemented stricter credit control policy and monitoring system in the FYE 28 February 2018. Our average trade receivables turnover period increased slightly from 79 days for the FYE 28 February 2019 to 80 days in the FPE 30 November 2019.

11. FINANCIAL INFORMATION (Cont'd)

As at 30 November 2019, the trade receivables of our Group amounted to RM30.94 million, the ageing analysis in respect of trade receivables are analysed as follows:-

	Within credit period	**<---------Exceed credit period by--------->**				
		1 – 30 days	**31 – 60 days**	**61 – 90 days**	**> 90 days**	**Total**
Trade receivables (RM'000)	19,030	5,834	2,729	967	3,266	31,826
Less: Impairment losses (RM'000)	-	-	-	-	(883)	(883)
Net trade receivables (RM'000)	19,030	5,834	2,729	967	2,383	30,943
% of total trade receivables	61.50	18.85	8.82	3.13	7.70	100.00
Subsequent collections as at the LPD (RM'000)	7,244	4,209	2,131	742	1,072	15,398
Outstanding trade receivables as at the LPD (RM'000)	11,786	1,625	598	225	1,311	15,545

As at the LPD, we have collected RM15.40 million or 49.76% of the total trade receivables outstanding as at 30 November 2019. We are in the process of collecting the remaining amount of RM15.55 million.

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted by more than 30 days, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on our dealings with the customers. With the trade credit insurance coverage, we will submit our claims to the insurer for payment in relation to those trade receivables exceeding credit period which our Directors have assessed that there are of high uncertainty of collection. Subsequent to our claims, the professional team engaged by the insurer will also continue to pursue the recoverability of those trade receivables under claims.

In addition, we also leverage on the expertise of the insurer for independent credit assessment and advising on setting customer credit limit. These will essentially reduce our credit risk exposure and mitigate the risk of default in payment by our trade receivables.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM15.55 million is recoverable and no further impairment of trade receivables is required after taking into consideration these customers' credentials, payment track record as well as our relationship with them.

Trade payables

A summary of our trade payables for the financial years / period under review is set out below:-

	Audited			
	FYE 28 February			FPE 30 November
	2017	2018	2019	2019
	RM'000	RM'000	RM'000	RM'000
Cost of sales	97,095	104,517	112,155	84,511
Average trade payables (1)	27,400	30,863	29,498	31,773
Average trade payables turnover period (days)	**103(2)**	**108(2)**	**96(2)**	**103(3)**

Notes:-

(1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years / period.

(2) Computed based on average trade payables of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

(3) Computed based on average trade payables of the financial period over the cost of sales of the financial period, multiplied by 275 days.

The normal credit period extended by our suppliers ranges from 30 days to 120 days. Our average trade payables turnover period increased slightly from 103 days for the FYE 28 February 2017 to 108 days in the FYE 28 February 2018 and subsequently improved to 96 days in the FYE 28 February 2019 mainly due to our concerted efforts to repay our suppliers earlier to enjoy better payment discounts and pricing. For the FPE 30 November 2019, our average trade payables turnover period increased to 103 days due to higher purchases made by our Group to fulfil the delivery of secured orders in the upcoming months. It is our practice to make prompt payments to our suppliers with the aim to strengthen our business relationship with suppliers in order to safeguard the continuity of supplies at more favourable terms and pricing.

As at 30 November 2019, the trade payables of our Group amounted to RM34.22 million, the ageing of which are analysed as follows:-

	Within credit period	Exceed credit period by				
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	Total
Trade payables (RM'000)	33,136	993	78	3	7	34,217
% of total trade payables	96.84	2.90	0.23	0.01	0.02	100.00
Subsequent payments as at the LPD (RM'000)	19,335	993	77	-	6	20,411
Outstanding trade payables as at the LPD (RM'000)	13,801	-	1	3	1	13,806

As at 30 November 2019, 96.84% of our trade payables were within the credit period. As at the LPD, we have settled RM20.41 million or 59.65% of our outstanding trade payables. As at the LPD, there is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the financial years / period under review.

Inventories

A summary of our inventories for the financial years / period under review is set out below:-

	Audited			
	FYE 28 February			FPE 30 November
	2017	**2018**	**2019**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of sales	97,095	104,517	112,155	84,511
Average inventories (1)	15,621	21,557	26,845	32,137
Average inventories turnover period (days)	**59**(2)	**75**(2)	**87**(2)	**105**(3)

Notes:

(1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years / period.

(2) Computed based on average inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

(3) Computed based on average inventories of the financial period over the cost of sales of the financial period, multiplied by 275 days.

Our inventories comprise electrical products and accessories for trading and are measured at the lower of cost and net realisable value. Due to the nature of our business, it is important for us to maintain a certain level of inventories to ensure availability of stocks and varieties of products to meet our customers' demand and delivery lead time requirements.

Our average inventories turnover period for the FYE 28 February 2017 was 59 days which gradually increased to 75 days in the FYE 28 February 2018 and further increased to 87 days in the FYE 28 February 2019. Subsequently, our average inventories turnover period increased to 105 days in the FPE 30 November 2019. These were mainly attributable to the increase in our purchases which was in line with the increase in our sales during the financial years / period under review. As part of our business growth strategy, we have acquired one (1) sales outlet in Melaka during the FYE 28 February 2018 and two (2) sales outlets in Muar and Johor Bahru during the FYE 28 February 2019, to expand our operations, where we have larger storage space to cater for the increase in inventories to meet the demands of our customers. During the FPE 30 November 2019, we have also made more purchases in order to meet the timely delivery of goods to our customers. In addition, we have commenced operations of our first lighting concept store in July 2019 where we also maintain certain level of inventories.

Our electrical products and accessories have long shelf life and the trend and model do not change frequently. In addition, we perform quarterly physical stock count on selected products as well as a full stock count annually in all our outlets to identify inconsistency in terms of quantity to the inventory system and slow moving inventories. Damaged and/or non-sellable inventories are either sold as scrap or written-off in accordance to our inventory management policy.

Current ratio

A summary of our current ratio for the financial years / period under review is set out below:-

	<-------Audited		------->	
	<-------FYE 28 February		------->	FPE 30 November
	2017	2018	2019	2019
	RM'000	RM'000	RM'000	RM'000
Current assets	55,602	59,846	71,730	75,983
Current liabilities	42,783	43,639	53,422	53,367
Current ratio (times)	**1.30**	**1.37**	**1.34**	**1.42**

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the financial years under review which has been fairly consistent ranging between 1.30 times and 1.37 times.

Our current ratio increased from 1.30 times as at 28 February 2017 to 1.37 times as at 28 February 2018. This was mainly attributable to the increase in our current assets position in particular our higher inventories level as we acquired one (1) sales outlet in Melaka during the FYE 28 February 2018 and two (2) sales outlets in Muar and Johor Bahru during the FYE 28 February 2019.

Our current ratio decreased slightly from 1.37 times as at 28 February 2018 to 1.34 times as at 28 February 2019. This was mainly attributable to the increase in our short-term borrowings to support our purchases of inventories for our continuous business and operational growth which was in line with the increase in our current assets position in particular our higher inventories level.

Our current ratio increased from 1.34 times as at 28 February 2019 to 1.42 times as at 30 November 2019. This was mainly attributable to the increase in our current assets position in particular our inventories for our continuous business and operational growth.

Gearing ratio

A summary of our gearing ratio for the financial years / period under review is set out below:-

	<-------Audited		------->	
	<-------FYE 28 February		------->	FPE 30 November
	2017	2018	2019	2019
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	13,343	17,927	26,340	24,072
Shareholders' equity	26,118	31,327	36,293	42,338
Gearing ratio (times)	**0.51**	**0.57**	**0.73**	**0.57**

Our gearing ratio has increased from 0.51 times as at 28 February 2017 to 0.57 times as at 28 February 2018 and to 0.73 times as at 28 February 2019 mainly due to the increase in our total loans and borrowings. The increase in loans and borrowings were mainly utilised to finance our purchases of PPE and inventories as a result of business growth and increased level of operations over the financial years under review.

Our gearing ratio has decreased from 0.73 times as at 28 February 2019 to 0.57 times as at 30 November 2019 mainly due to the increase in our shareholders' equity arising from increase in profits during the financial period under review.

11.5 TREND INFORMATION

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:-

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expects to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 6 and 8 of this Prospectus;

(b) material commitment for capital expenditure save as disclosed in Section 11.3.8 of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Section 8 of this Prospectus;

(d) known events, circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Section 8 of this Prospectus.

11.6 ORDER BOOK

Due to the nature of our business which is distribution of electrical products and accessories, our Group does not maintain an order book.

11.7 SIGNIFICANT CHANGES

There are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FPE 30 November 2019 and up to the LPD.

11.8 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Notwithstanding the above, our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:-

(i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

11. FINANCIAL INFORMATION (Cont'd)

(iv) our Company is solvent as the Act requires;

(v) any material impact of tax laws and other regulatory requirements; and

(vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. There is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividend for the year.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

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11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

3 February 2020

The Board of Directors
ACO Group Berhad
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur, Malaysia

Dear Sirs,

ACO GROUP BERHAD AND ITS SUBSIDIARIES

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of ACO Group Berhad ("ACO" or the "Company") and its subsidiaries, namely ACO Holdings Sdn. Bhd., Actgen Industry Sdn. Bhd., Maydenki Sdn. Bhd., Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd. ("ACO Group") for which the Directors of ACO are solely responsible. The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 30 November 2019 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of ACO have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statements of financial position of ACO Group has been compiled by the Directors of ACO, for illustrative purposes only, for inclusion in the prospectus of ACO ("Prospectus") in connection with the initial public offering of the IPO Shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of ACO on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of ACO Group as at 30 November 2019 adjusted for the transactions as described in Note 2.7, the Internal Reorganisation Exercise, the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

ACO GROUP BERHAD AND ITS SUBSIDIARIES
Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 November 2019 Included in A Prospectus

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As part of this process, information about ACO Group's pro forma consolidated financial positions has been extracted by the Directors of ACO from the audited financial statements of ACO and its subsidiaries as follows:

Company Name	Financial Period Ended ("FPE")
ACO	30 November 2019
ACO Holdings Sdn. Bhd. ("ACO Holdings")	30 November 2019
Actgen Industry Sdn. Bhd. ("Actgen")	30 November 2019
Maydenki Sdn. Bhd. ("Maydenki")	30 November 2019
Electric Master Sdn. Bhd. ("Electric Master")	30 November 2019
Voltage Master Sdn. Bhd. ("Voltage Master")	30 November 2019
Maylec Sdn. Bhd. ("Maylec")	30 November 2019

The audited financial statements of ACO and its subsidiaries for the FPE 30 November 2019 were reported by us to their respective members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of ACO are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

ACO GROUP BERHAD AND ITS SUBSIDIARIES
Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 November 2019 Included in A Prospectus

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Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Directors of ACO based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of ACO have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of ACO Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors of ACO in the compilation of the pro forma consolidated statements of financial position of ACO Group provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.2 to the pro forma consolidated statements of financial position, and to obtain sufficient appropriate evidence about whether:

(a) The pro forma consolidated statements of financial position of ACO Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of ACO and its subsidiaries for the FPE 30 November 2019, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 30 November 2019 and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and

(b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of ACO Group, the events or transactions in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

Our opinion

In our opinion:

(a) the pro forma consolidated statements of financial position of ACO Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of ACO and its subsidiaries for the FPE 30 November 2019 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 30 November 2019, which have been adopted by ACO as its group's accounting policies and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of ACO Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

Other matter

This report has been prepared for inclusion in the Prospectus of ACO in connection with IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2020 J
Chartered Accountant

ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of ACO Group Berhad ("ACO" or "Company") and its subsidiaries (hereinafter collectively referred to as the "ACO Group") has been compiled by the Directors of ACO, for illustrative purposes only, for inclusion in the prospectus of ACO ("Prospectus") in connection with the initial public offering of the IPO Shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of ACO on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") comprising the Public Issue and the Offer for Sale ("IPO").

1.1 In conjunction with the admission of ACO to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM52,540,850 comprising 300,000,000 Shares on the ACE Market of Bursa Securities ("Listing"), ACO had undertaken the following transactions:

1.2 Listing Scheme

1.2.1 Internal Reorganisation Exercise

(i) Acquisition of ACO Holdings Sdn. Bhd. ("ACO Holdings")

On 2 August 2019, ACO entered into a conditional share sale agreement to acquire the entire issued share capital of ACO Holdings of RM2.50 million comprising 2,500,000 ordinary shares from Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan for a purchase consideration of approximately RM35.32 million. The said purchase consideration was entirely satisfied by the issuance of 235,469,000 new ordinary shares in ACO ("ACO Share(s) or Share(s)") at an issue price of RM0.15 per Share. The Acquisition of ACO Holdings was completed on 22 January 2020 and ACO Holdings became a wholly-owned subsidiary of ACO.

The purchase consideration of approximately RM35.32 million was arrived at on a willing buyer-willing seller basis and after taking into account the audited net assets ("NA") of ACO Holdings as at 28 February 2019 of approximately RM35.32 million. The above purchase consideration includes the capital contribution of RM5,000,000 in aggregate from Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan to ACO Holdings. The rights of the capital contributions will transfer from Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan to ACO on the completion date.

(ii) Acquisitions of the Non-Controlling Interests

On 2 August 2019, ACO, ACO Holdings and the respective vendors in the table below entered into three (3) conditional share sale agreements to acquire the remaining shares not already owned by ACO Holdings in Electric Master Sdn. Bhd. ("Electric Master"), Voltage Master Sdn. Bhd. ("Voltage Master") and Maylec Sdn. Bhd. ("Maylec") from the respective shareholders below with the objective of consolidating Electric Master, Voltage Master and Maylec as wholly-owned subsidiaries of ACO Holdings.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.1 **Internal Reorganisation Exercise (Continued)**

(ii) **Acquisitions of the Non-Controlling Interests (continued)**

The purchase consideration for these subsidiaries' shares were fully satisfied by the issuance of ACO Shares to the respective vendors of Electric Master, Voltage Master and Maylec as below:-

	No. of ordinary shares acquired	Shareholdings held in companies (%)	Purchase consideration (RM)	No. of ACO Shares issued
Vendor of Electric Master				
Gan Bee Hong	80,001	20.0	684,750	4,565,000
Vendor of Voltage Master				
Goh Bee Tin	15,000	7.5	131,250	875,000
Vendor of Maylec				
Woo Yoong Eng	55,500	10.0	163,500	1,090,000

The purchase consideration for the remaining 20.0% of the issued share capital of Electric Master of approximately RM0.68 million was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NA position of Electric Master as at 28 February 2019 of approximately RM3.41 million (based on proportionate share of 20.00% of the audited NA of approximately RM0.68 million). The acquisition of Electric Master was completed on 22 January 2020.

The purchase consideration for the remaining 7.5% of the issued share capital of Voltage Master of approximately RM0.13 million was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NA position of Voltage Master as at 28 February 2019 of approximately RM1.73 million (based on proportionate share of 7.50% of the audited NA of approximately RM0.13 million). The acquisition of Voltage Master was completed on 22 January 2020.

The purchase consideration for the remaining 10.0% of the issued share capital of Maylec of approximately RM0.16 million was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NA position of Maylec as at 28 February 2019 of approximately RM1.62 million (based on proportionate share of 10.00% of the audited NA of approximately RM0.16 million). The acquisition of Maylec was completed on 22 January 2020.

Upon the completion of the Acquisition of ACO Holdings and the Acquisitions of the Non-Controlling Interests, the issued share capital of ACO increased to approximately RM36.30 million comprising 242,000,000 Shares.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

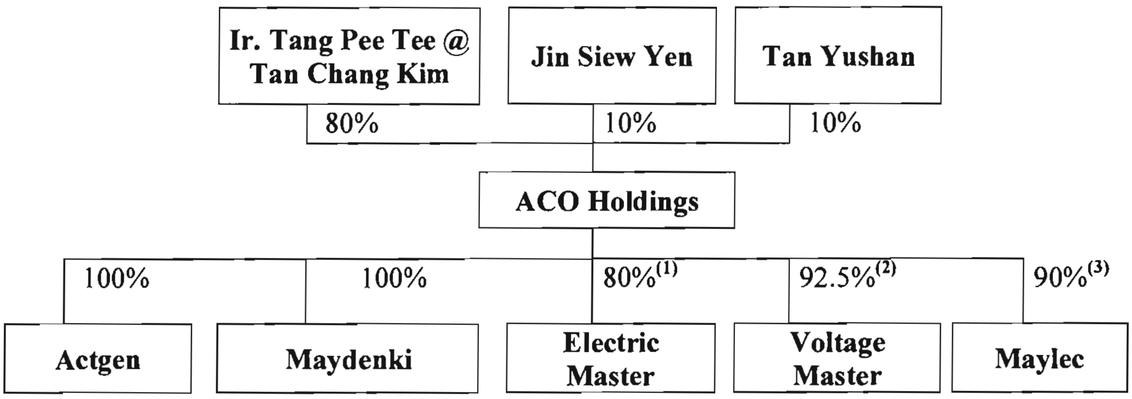
1. (Continued)

1.2 (Continued)

1.2.1 **Internal Reorganisation Exercise (Continued)**

The Group structure before and after the Internal Reorganisation Exercise is illustrated below:-

Before the Internal Reorganisation Exercise



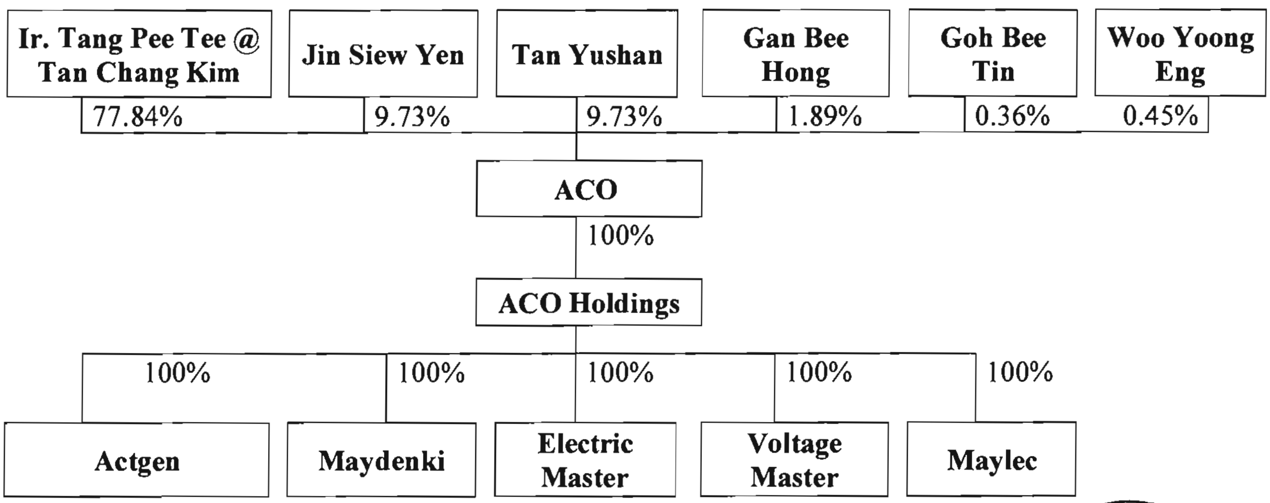
Notes:-

(1) The remaining 20% in Electric Master was held by Gan Bee Hong.

(2) The remaining 7.5% in Voltage Master was held by Goh Bee Tin.

(3) The remaining 10% in Maylec was held by Woo Yoong Eng.

After the Internal Reorganisation Exercise



ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.2 **Public Issue**

The Public Issue of 58,000,000 new ACO Shares at the initial public offering ("IPO") price of RM0.28 per Share, representing approximately 19.33% of the enlarged number of shares of ACO, will be allocated in the following manner:

(i) 15,000,000 new ACO Shares made available to the Malaysian Public;

(ii) 9,000,000 new ACO Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of ACO Group;

(iii) 4,000,000 new ACO Shares made available by way of private placement to identified investors; and

(iv) 30,000,000 new ACO Shares made available by way of private placement to Bumiputera investors approved by the MITI.

(Collectively hereinafter referred to as "Public Issue").

1.2.3 **Offer for Sale**

Offer for sale of 25,000,000 existing ACO Shares at the IPO price of RM0.28 per Share representing 8.33% of the enlarged issued share capital by way of private placement to identified investors.

1.2.4 **Share Transfer to Kompas**

During the prescription period (one day after the launching date of the Prospectus up to a period of 30 days), ACO's offerors, Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan will transfer their remaining shareholdings in conjunction with the IPO amounting to 210,469,000 Shares to Kompas for a purchase consideration of RM58,931,320.

1.2.5 **Listing**

The admission of ACO to the Official List and the listing of and quotation for its entire enlarged issued share capital of approximately RM52.54 million comprising 300,000,000 Shares on the ACE Market have been approved by Bursa Securities.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

2. **BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

2.1 The pro forma consolidated statements of financial position have been prepared to illustrate the pro forma consolidated financial position of ACO Group as at 30 November 2019, adjusted for the transactions as described in Note 2.7, the Internal Reorganisation Exercise, the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

2.2 The pro forma consolidated statements of financial position have been prepared based on audited financial statements of ACO and its subsidiaries for the financial period ended ("FPE") 30 November 2019 adjusted for the transactions as described in Note 2.7:

Company Name	FPE
ACO	30 November 2019
ACO Holdings	30 November 2019
Actgen Industry Sdn. Bhd. ("Actgen")	30 November 2019
Maydenki Sdn. Bhd. ("Maydenki")	30 November 2019
Electric Master	30 November 2019
Voltage Master	30 November 2019
Maylec	30 November 2019

2.3 The audited financial statements of the ACO and its subsidiaries for the financial period under review were reported by the auditors to their respective members without any modifications.

2.4 The pro forma consolidated statements of financial position of ACO Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of ACO Group and does not purport to predict the future financial position and results of ACO Group.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

2. **BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

2.5 The pro forma consolidated statements of financial position of ACO Group have been properly prepared on the basis set out in the accompanying notes to the audited financial statements of ACO and its subsidiaries for FPE 30 November 2019, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

2.6 The pro forma consolidated statements of financial position of ACO Group have been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 30 November 2019 and the adoption of the following new accounting policies, which had been adopted by ACO Group as the group's accounting policies.

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, ACO Group is a continuing entity of the acquired entity because the management of all the entities within the Group, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of ACO Group; and
- the equity structure, however, reflects the equity structure of ACO Group and the difference arising from the change in equity structure of ACO Group will be accounted for in merger reserve/deficit.

2.7 In connection with the Listing, the pro forma consolidated statements of financial position of ACO Group as at 30 November 2019 have been presented after adjusting for the Internal Reorganisation Exercise, the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP

3.1 The pro forma consolidated statements of financial position of ACO Group as set out below, for which the Directors of ACO Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of ACO Group as at 30 November 2019, had the transactions as described in Note 1.2 and use of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statement of Financial Position as at 30 November 2019 RM'000	Pro Forma I After the Internal Reorganisation Exercise RM'000	Pro Forma II After Pro Forma I and the Public Issue and the Offer for Sale RM'000	Pro Forma III After Pro Forma II and the use of proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	23,712	23,712	32,412
Investment properties	-	6,300	6,300	6,300
Total non-current assets	-	30,012	30,012	38,712
Current assets				
Inventories	-	34,651	34,651	34,651
Trade and other receivables	-	31,890	31,890	31,616
Cash and short-term deposits	11	9,442	25,682	15,101
Total current assets	11	75,983	92,223	81,368
TOTAL ASSETS	11	105,995	122,235	120,080
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	1	36,300	52,540	51,902
Merger deficit	-	(27,708)	(27,708)	(27,708)
Retained earnings	-	33,746	33,746	32,229
TOTAL EQUITY	1	42,338	58,578	56,423

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ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)

3.1 (Continued)

	Audited Statement of Financial Position as at 30 November 2019 RM'000	Pro Forma I After the Internal Reorganisation Exercise RM'000	Pro Forma II After Pro Forma I and the Public Issue and the Offer for Sale RM'000	Pro Forma III After Pro Forma II and the use of proceeds RM'000
Non-current liabilities				
Loans and borrowings	-	9,033	9,033	9,033
Lease obligations	-	648	648	648
Deferred tax liabilities	-	609	609	609
Total non-current liabilities	-	10,290	10,290	10,290
Current liabilities				
Loans and borrowings	-	15,039	15,039	15,039
Lease obligations	-	238	238	238
Current tax liabilities	-	876	876	876
Trade and other payables	10	37,214	37,214	37,214
Total current liabilities	10	53,367	53,367	53,367
TOTAL LIABILITIES	10	63,657	63,657	63,657
TOTAL EQUITY AND LIABILITIES	11	105,995	122,235	120,080
Number of ordinary shares assumed to be in issue ('000)	1	242,000	300,000	300,000

NA** (RM'000)	1	42,338	58,578	56,423
NA per ordinary share (RM)	1.00	0.17	0.19	0.19

** attributable to owners of the ACO Group

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The pro forma consolidated statements of financial position of ACO Group, for which the Directors of ACO Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of ACO Group as at 30 November 2019, had the transactions as described in Note 1.2 and use of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be use in the following manner:

Purposes	**RM**	**%**
Setting up of new sales outlets and lighting concept store	4,200,000	25.86
Setting up of new head office and distribution centre in Johor	2,500,000	15.39
Purchasing of new trucks and upgrading of IT system	2,000,000	12.32
Working capital	4,240,000	26.11
Estimated listing expenses	3,300,000	20.32
Total	**16,240,000**	**100.00**

3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporate the effects of the Internal Reorganisation Exercise as described in Note 1.2.1 on the pro forma statements of financial position of ACO as at 30 November 2019.

Acquisition of ACO Holdings

The merger deficit arising from the Acquisition of ACO Holdings are as below:

	RM'000
Purchase consideration	35,320
Less: Share capital of subsidiary	(2,500)
Less: Capital contribution	(5,000)
Merger deficit	27,820

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(a) **Pro Forma I (continued)**

Acquisitions of Non-Controlling Interest

The merger deficit arising from the Acquisition of Non-Controlling Interest are as below:

	RM'000
Purchase consideration	979
Less: Non-Controlling Interest	(1,091)
Merger surplus	(112)

The Internal Reorganisation Exercise had the following impact on the pro forma statement of financial position of ACO as at 30 November 2019:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Property, plant and equipment	23,712	-
Investment properties	6,300	-
Inventories	34,651	-
Trade and other receivables	31,890	-
Cash and short-term deposits	9,431	-
Share capital	-	36,299
Merger deficit	-	(27,708)
Retained earnings	-	33,746
Deferred tax liabilities	-	609
Lease obligations		
- non-current	-	648
- current	-	238
Loans and borrowings		
- non-current	-	9,033
- current	-	15,039
Trade and other payables	-	37,204
Current tax liabilities	-	876
	105,984	105,984

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3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Public Issue and the Offer for Sale as described in Note 1.2.2 and 1.2.3 respectively.

The Public Issue and Offer for Sales will have the following impact on the pro forma consolidated statements of financial position of ACO Group as at 30 November 2019:

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Cash and short-term deposits	16,240	-
Share capital	-	16,240
	16,240	16,240

(c) **Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the use of proceeds from the Public Issue of RM16.2 million after netting off RM3.3 million of estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM12.9 million will be used in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for purchase of property, plant and equipment of RM8.7 million is assumed to meet the criteria of capitalisation as property, plant and equipment and therefore will be debited to the Property, Plant and Equipment Account.

The proceeds arising from the Public Issue earmarked for ACO Group's working capital purposes of RM4.2 million will be included in the Cash and Short-Term Deposits Account.

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(c) **Pro Forma III (Continued)**

As at 30 November 2019, out of the RM3.3 million listing expenses, RM1.4 million has already been incurred of which RM1.1 million is charged to the Retained Earnings Account and RM0.3 million has been recognised as prepayment. The RM0.3 million is recognised as prepayment as this are directly attributable expenses relating to the new issuance of shares which will be capitalised under Share Capital Account upon Listing.

Out of the remaining estimated listing expense to be incurred of RM1.9 million, RM1.5 million will be charged to Retained Earnings Account and RM0.4 million is recognised in Share Capital Account as this are directly attributable expenses relating to the new issuance of shares. Together with the amount previously recorded as prepayment of RM0.3 million, a total of RM0.7 million will be capitalised under Share Capital Account.

The use of proceeds will have the following impact on the pro forma consolidated statements of financial position of ACO Group as at 30 November 2019:

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Property, plant and equipment	8,700	-
Cash and short-term deposits	(10,581)	-
Prepayment	(274)	-
Share capital	-	(638)
Retained earnings	-	(1,517)
	(2,155)	(2,155)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Merger deficit RM'000	Retained earnings RM'000
Audited statement of financial position of ACO as at 30 November 2019	1	-	-
Arising from the Internal Reorganisation Exercises	36,299	(27,708)	33,746
Per Pro Forma I	36,300	(27,708)	33,746
Arising from the Public Issue and Offer for Sale	16,240	-	-
Per Pro Forma II	52,540	(27,708)	33,746
Arising from the defrayment of estimated listing expenses in relation to the Listing	(638)	-	(1,517)
Per Pro Forma III	51,902	(27,708)	32,229

ACO GROUP BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Audited statement of financial position of ACO as at 30 November 2019	11
Arising from the Internal Reorganisation Exercise	9,431
Per Pro Forma I	9,442
Arising from the Public Issue and Offer for Sale	16,240
Per Pro Forma II	25,682
Arising from the use of proceeds:	
- purchase property, plant and equipment	(8,700)
- defrayment of estimated listing expenses in relation to the Listing	(1,881)
Per Pro Forma III	15,101

BAKER TILLY MONTEIRO HENG PLT
14
(LLP0019411-LCA)
AF 0117
For Identification Purposes Only

ACO GROUP BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of ACO Group Berhad in accordance with a resolution dated 3 February 2020.

....	....
Ir. Tang Pee Tee @ Tan Chang Kim	**Tan Yushan**
Director	**Director**

BAKER TILLY MONTEIRO HENG PLT
15
(LLP0019411-LCA)
AF 0117
★ For Identification Purposes Only ★

bakertilly

3 February 2020

The Board of Directors
ACO Group Berhad
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur, Malaysia

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T: +603 2297 1000
F: +603 2282 9980

info@bakertilly.my
www.bakertilly.my

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of ACO Group Berhad ("ACO" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company as defined in Note 2 to the combined financial statements (the "Group"), which comprise of the combined statements of financial position as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial period ended 30 November 2019, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 108.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the combined financial positions of the Group as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019, and of its financial performance and its cash flows for the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial period ended 30 November 2019, in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group 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.

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ACO GROUP BERHAD
(Incorporated in Malaysia)

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements contained in the Accountants' Report of the Company for the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial period ended 30 November 2019 so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group'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 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.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' 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 combined financial statements.

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 combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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ACO GROUP BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group 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 combined 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.

Other Matters

The comparative information for the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows and notes to the combined financial statements for the financial period ended 30 November 2018 has not been audited.

This report is made solely to the Board of Directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing of and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purposes. We do not assume responsibility to any other persons for the content of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2020 J
Chartered Accountant

Kuala Lumpur

Date: 3 February 2020

STATEMENT BY DIRECTORS

We, **IR. 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 combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019 and of its financial performance and cash flows for the financial years then ended 28 February 2017, 28 February 2018, 28 February 2019 and financial periods ended 30 November 2018 and 30 November 2019.

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

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

....
TAN YUSHAN
Director

Kuala Lumpur

Date: 3 February 2020

ACO GROUP BERHAD
Accountants' Report

STATUTORY DECLARATION

I, **IR. TANG PEE TEE @ TAN CHANG KIM**, 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 combined 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.

....
IR. TANG PEE TEE @ TAN CHANG KIM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 3 February 2020.

Before me,

PESURUHJAYA SUMPAH
W 761
NADINUR MOHD SYARIF
01/05/2019-31/12/2021
MALAYSIA

....
Commissioner for Oaths

CHAMBERS TWENTY FIVE
NO 25, JALAN TUNGKU, BUKIT TUNKU
50480 KUALA LUMPUR

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited as at 28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	13,817	17,911	22,107	23,712
Investment properties	6	5,695	5,950	6,300	6,300
Deferred tax assets	7	-	2	-	-
Total non-current assets		**19,512**	**23,863**	**28,407**	**30,012**
Current assets					
Inventories	8	19,047	24,066	29,623	34,651
Current tax assets		27	66	87	-
Trade and other receivables	9	31,685	29,191	30,598	31,890
Cash and short-term deposits	10	4,843	6,523	9,711	9,442
		55,602	59,846	70,019	75,983
Asset classified as held for sale	11	-	-	1,711	-
Total current assets		**55,602**	**59,846**	**71,730**	**75,983**
TOTAL ASSETS		**75,114**	**83,709**	**100,137**	**105,995**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	12	2,500	2,500	2,500	2,501
Capital contribution	13	5,000	5,000	5,000	5,000
Retained earnings		15,979	20,312	27,819	33,746
		23,479	27,812	35,319	41,247
Non-controlling interests		2,639	3,515	974	1,091
TOTAL EQUITY		**26,118**	**31,327**	**36,293**	**42,338**

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Audited as at			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	14	4,229	6,149	9,127	9,033
Lease obligations	15	-	-	-	648
Deferred tax liabilities	7	690	693	695	609
Trade and other payables	16	1,294	1,901	600	-
Total non-current liabilities		**6,213**	**8,743**	**10,422**	**10,290**
Current liabilities					
Loans and borrowings	14	9,114	11,778	17,213	15,039
Lease obligations	15	-	-	-	238
Current tax liabilities		428	652	693	876
Trade and other payables	16	33,241	31,209	35,516	37,214
Total current liabilities		**42,783**	**43,639**	**53,422**	**53,367**
TOTAL LIABILITIES		**48,996**	**52,382**	**63,844**	**63,657**
TOTAL EQUITY AND LIABILITIES		**75,114**	**83,709**	**100,137**	**105,995**

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

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited FYE 28 February 2017 RM'000	Audited FYE 28 February 2018 RM'000	Audited FYE 28 February 2019 RM'000	Audited FPE 30 November 2019 RM'000	Unaudited FPE 30 November 2018 RM'000
Revenue	17	114,509	124,193	134,373	104,084	95,670
Cost of sales		(97,095)	(104,517)	(112,155)	(84,511)	(80,566)
Gross profit		**17,414**	**19,676**	**22,218**	**19,573**	**15,104**
Other income	18	717	956	1,711	1,090	450
Administrative expenses		(11,678)	(13,280)	(13,734)	(11,690)	(9,407)
Operating profit		**6,453**	**7,352**	**10,195**	**8,973**	**6,147**
Finance costs	19	(682)	(740)	(1,028)	(1,005)	(749)
Profit before tax	20	**5,771**	**6,612**	**9,167**	**7,968**	**5,398**
Income tax expense	22	(1,317)	(1,609)	(1,751)	(1,924)	(1,062)
Profit for the financial years/periods, representing total comprehensive income for the financial years/periods		**4,454**	**5,003**	**7,416**	**6,044**	**4,336**
Profit attributable to:						
Owners of the Group		3,836	4,333	6,871	5,927	3,849
Non-controlling interests		618	670	545	117	487
		4,454	**5,003**	**7,416**	**6,044**	**4,336**
Total comprehensive income attributable to:						
Owners of the Group		3,836	4,333	6,871	5,927	3,849
Non-controlling interests		618	670	545	117	487
		4,454	**5,003**	**7,416**	**6,044**	**4,336**
Earnings per share (RM)						
- Basic and diluted	23	1.53	1.73	2.75	2.37	1.54

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

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	← Attributable to owners of the Group → Invested equity RM'000	Capital contribution RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 March 2016		100	-	12,143	12,243	1,946	14,189
Profit for the financial year, representing total comprehensive income for the financial year		-	-	3,836	3,836	618	4,454
Transactions with owners							
Issue of ordinary shares	12	2,400	-	-	2,400	-	2,400
Capital contribution	13	-	5,000	-	5,000	-	5,000
Non-controlling interests arising from acquisition of additional shares in a subsidiary		-	-	-	-	75	75
Total transactions with owners		2,400	5,000	-	7,400	75	7,475
At 28 February 2017		**2,500**	**5,000**	**15,979**	**23,479**	**2,639**	**26,118**

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	← Attributable to owners of the Group →					
		Invested equity RM'000	Capital contribution RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 March 2017		2,500	5,000	15,979	23,479	2,639	26,118
Profit for the financial year, representing total comprehensive income for the financial year		-	-	4,333	4,333	670	5,003
Transactions with owners							
Dividends paid to non-controlling interest		-	-	-	-	(104)	(104)
Non-controlling interests arising from acquisition of additional shares in subsidiaries		-	-	-	-	310	310
Total transactions with owners		-	-	-	-	206	206
At 28 February 2018		**2,500**	**5,000**	**20,312**	**27,812**	**3,515**	**31,327**

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	← Attributable to owners of the Group →					
		Invested equity RM'000	Capital contribution RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 March 2018		2,500	5,000	20,312	27,812	3,515	31,327
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,871	6,871	545	7,416
Transactions with owners							
Changes in ownership interests in subsidiaries		-	-	636	636	(3,136)	(2,500)
Non-controlling interests arising from acquisition of additional shares in a subsidiary		-	-	-	-	50	50
Total transactions with owners		-	-	636	636	(3,086)	(2,450)
At 28 February 2019		**2,500**	**5,000**	**27,819**	**35,319**	**974**	**36,293**

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	← Attributable to owners of the Group → Invested equity RM'000	Capital contribution RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 March 2019		2,500	5,000	27,819	35,319	974	36,293
Profit for the financial period, representing total comprehensive income for the financial period		-	-	5,927	5,927	117	6,044
Transaction with owners							
Issue of ordinary shares	12	1	-	-	1	-	1
At 30 November 2019		**2,501**	**5,000**	**33,746**	**41,247**	**1,091**	**42,338**

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	← Attributable to owners of the Group →				Non-controlling interests RM'000	Total equity RM'000
		Invested equity RM'000	Capital contribution RM'000	Retained earnings RM'000	Sub-total RM'000		
At 1 March 2018		2,500	5,000	20,312	27,812	3,515	31,327
Profit for the financial period, representing total comprehensive income for the financial period		-	-	3,849	3,849	487	4,336
Transactions with owners							
Changes in ownership interests in subsidiaries		-	-	527	527	(3,027)	(2,500)
Non-controlling interests arising from acquisition of additional shares in a subsidiary		-	-	-	-	50	50
Total transactions with owners		-	-	527	527	(2,977)	(2,450)
At 30 November 2018		**2,500**	**5,000**	**24,688**	**32,188**	**1,025**	**33,213**

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

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited FYE 28 February 2017 RM'000	Audited FYE 28 February 2018 RM'000	Audited FYE 28 February 2019 RM'000	Audited FPE 30 November 2019 RM'000	Unaudited FPE 30 November 2018 RM'000
Cash flows from operating activities						
Profit before tax		5,771	6,612	9,167	7,968	5,398
Adjustments for:						
Depreciation of property, plant and equipment	5	879	1,120	1,268	829	738
Depreciation of right-of-use assets	5	-	-	-	397	-
Gain on disposal of property, plant and equipment	18	-	(17)	(97)	(31)	-
Gain on disposal of asset classified as held for sale	18	-	-	-	(439)	-
Property, plant and equipment written off	20	-	-	-	14	-
Changes in fair value of investment properties	6	(200)	(255)	(350)	-	-
Reversal of impairment losses on trade receivables	9	(265)	(412)	(289)	(132)	(87)
Impairment losses on trade receivables	9	503	318	342	209	1
Bad debts recoverable	18	-	-	(17)	(29)	(12)
Finance costs	19	682	740	1,028	1,005	749
Interest income	18	-	*	(15)	(37)	(14)
Unrealised gain on foreign exchange	18	(19)	-	-	-	-
Waiver of amount owing to a director	18	-	-	(348)	-	-
Operating profit before changes in working capital		**7,351**	**8,106**	**10,689**	**9,754**	**6,773**
Changes in working capital:						
Inventories		(6,853)	(5,018)	(5,557)	(5,028)	(5,046)
Trade and other receivables		(8,909)	2,587	(1,443)	(1,340)	(3,186)
Trade and other payables		9,859	(2,029)	3,104	1,636	5,110
Net cash generated from operations		**1,448**	**3,646**	**6,793**	**5,022**	**3,651**
Income tax paid		(915)	(1,444)	(1,747)	(1,760)	(1,089)
Income tax refund		56	22	19	19	15
Interest received		-	*	15	*	1
Interest paid		(94)	(67)	(137)	(89)	(108)
Net cash flows from operating activities		**495**	**2,157**	**4,943**	**3,192**	**2,470**

* Less than RM1,000

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Audited FYE 28 February 2017 RM'000	Audited FYE 28 February 2018 RM'000	Audited FYE 28 February 2019 RM'000	Audited FPE 30 November 2019 RM'000	Unaudited FPE 30 November 2018 RM'000
Cash flows from investing activities						
Purchase of property, plant and equipment	(a)	(959)	(1,371)	(3,637)	(1,452)	(1,883)
Proceeds from disposal of property, plant and equipment		-	106	104	82	-
Proceeds from disposal of asset classified as held for sale		-	-	-	2,150	-
Proceeds from disposal of investment property		1,300	-	-	-	-
Change in pledge deposits		-	(600)	(360)	(60)	(270)
Dividends paid to non-controlling interest		-	(104)	-	-	-
Interest received		-	-	-	37	13
Net cash flows from/(used in) investing activities		**341**	**(1,969)**	**(3,893)**	**757**	**(2,140)**
Cash flows from financing activities	(b)					
Subscription of additional shares in subsidiaries		-	-	(650)	-	-
Proceeds from issuance of shares		-	-	-	1	-
Proceeds from term loans		2,442	-	600	-	-
Repayment of term loans		(386)	(552)	(724)	(548)	(537)
Net changes in finance lease liabilities		(48)	(285)	(217)	(55)	(186)
Net changes in bankers' acceptances		2,519	3,374	(5,448)	(826)	(5,402)
Net changes in trust receipts		-	-	10,549	(771)	8,707
Repayment of lease obligations		-	-	-	(149)	-
Net changes in amount owing to directors		(3,139)	(78)	(1,549)	(538)	(2,178)
Interest paid		(588)	(673)	(891)	(916)	(641)
Net cash flows from/(used in) financing activities		**800**	**1,786**	**1,670**	**(3,802)**	**(237)**
Net increase in cash and cash equivalents		1,636	1,974	2,720	147	93
Cash and cash equivalents at the beginning of the financial years		**1,412**	**3,048**	**5,022**	**7,742**	**5,022**
Cash and cash equivalents at the end of the financial years/periods	10	**3,048**	**5,022**	**7,742**	**7,889**	**5,115**

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

		← Audited	FYE 28 February	→	Audited	Unaudited
					FPE 30 November	
		2017	2018	2019	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Additions of property, plant and equipment	5	1,199	5,303	7,182	2,650	5,229
Operating leases recognised as right-of-use assets		-	-	-	(790)	-
Financed by way of advances from a director		-	(990)	-	-	-
Financed by way of finance lease arrangements		-	(462)	(273)	(408)	(3,273)
Financed by term loan arrangements		(240)	(2,480)	(3,272)	-	(73)
Cash payments on purchase of property, plant and equipment		959	1,371	3,637	1,452	1,883

(b) Changes in liabilities arising from financing activities comprise of net cash flows from/(used in) the repayment of term loans, finance lease liabilities, bankers' acceptances, trust receipts, lease obligations and amount owing to directors during the financial years/periods. There were no non-cash changes in liabilities arising from financing activities.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The combined financial statements of ACO Group Berhad for the financial years ended 28 February 2017, 28 February 2018, 28 February 2019 and financial period ended 30 November 2019 have been prepared pursuant to the listing of and quotation for the entire enlarged issued share capital of ACO Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

ACO Group Berhad was incorporated on 11 June 2019 under Companies Act 2016, as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 8 August 2019. 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 principal activity of the Company is investment holding. The details of the operating entities are as follows:

Operating entities	Principal place of business/ country of incorporation	Principal activities
ACO Holdings Sdn. Bhd.	Malaysia	Investment holding
Actgen Industry Sdn. Bhd.*	Malaysia	Distribution of electrical products and accessories
Maydenki Sdn. Bhd.*	Malaysia	Distribution of electrical products and accessories
Electric Master Sdn. Bhd.*	Malaysia	Distribution of electrical products and accessories
Voltage Master Sdn. Bhd.*	Malaysia	Distribution of electrical products and accessories
Maylec Sdn. Bhd.*	Malaysia	Distribution of electrical products and accessories

* Actgen Industry Sdn. Bhd., Maydenki Sdn. Bhd., Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd. are subsidiaries of ACO Holdings Sdn. Bhd. as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019. The non-controlling interests of the Group are disclosed in Note 1(c).

There have been no significant changes in the nature of these principal activities during the financial years/period under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 February 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(a) Increase in equity interests by ACO Holdings Sdn. Bhd.

(i) Movement of equity interests in Maydenki Sdn. Bhd.

Maydenki Sdn. Bhd. had on 5 June 2017 and 4 July 2017 issued 500,000 new ordinary shares and 1,000,000 bonus ordinary shares to ACO Holdings Sdn. Bhd. and non-controlling interest who are also the directors of Maydenki Sdn. Bhd. as at the dates of the respective allotment. Consequently, the Group's equity interest in Maydenki Sdn. Bhd. was diluted from 70.0% to 52.5%. However, pursuant to a trust deed dated 29 February 2016, one of the directors of ACO Holdings Sdn. Bhd. had transferred the beneficiary ownership and control of 17.5% to ACO Holdings Sdn. Bhd. which ultimately did not change the effective equity interest of the Group in Maydenki Sdn. Bhd.

On 27 August 2018, ACO Holdings Sdn. Bhd. purchased an additional 6% equity interest (representing 120,000 ordinary shares) in Maydenki Sdn. Bhd. at a price of RM4.167 per share. ACO Holdings Sdn. Bhd.'s effective ownership in Maydenki Sdn. Bhd. increased from 70% to 76% as a result of the additional shares purchased.

On 3 October 2018, ACO Holdings Sdn. Bhd. purchased an additional 24% (representing 480,000 ordinary shares) in Maydenki Sdn. Bhd. at a price of RM4.167 per share. ACO Holdings Sdn. Bhd's effective ownership in Maydenki Sdn. Bhd. increased from 76% to 100% as a result of the additional shares purchased.

Effect of the increase in ACO Holdings Sdn. Bhd.'s ownership interest is as follows:

	2019 RM'000
Fair value of consideration transferred	2,500
Increase in share of net assets	(2,825)
Charged directly to equity	(325)

(ii) Movement of equity interests in Voltage Master Sdn. Bhd.

On 29 August 2018, the Group's equity interest in Voltage Master Sdn. Bhd. increased from 70.0% to 85.0% following the allotment of 50,000 ordinary shares of Voltage Master Sdn. Bhd. to ACO Holdings Sdn. Bhd. at a price of RM1.00 for non-cash consideration.

On 11 December 2018, the Group's equity interest in Voltage Master Sdn. Bhd. increased from 85.0% to 92.5% following the allotment of 100,000 ordinary shares of Voltage Master Sdn. Bhd. to ACO Holdings Sdn. Bhd. at a price of RM1.00 for cash consideration.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(b) Non-controlling interests in operating entities

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

Equity interest held by non-controlling interests:

	Ownership interest			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
Name of Company	(%)	(%)	(%)	(%)
Maydenki Sdn. Bhd.	30.0	30.0	-	-
Electric Master Sdn. Bhd.	20.0	20.0	20.0	20.0
Voltage Master Sdn. Bhd.	30.0	30.0	7.5	7.5
Maylec Sdn. Bhd.	10.0	10.0	10.0	10.0

Carrying amount of non-controlling interests:

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
Name of Company	RM'000	RM'000	RM'000	RM'000
Maydenki Sdn. Bhd.	1,863	2,497	-	-
Electric Master Sdn. Bhd.	425	574	682	765
Voltage Master Sdn. Bhd.	290	365	130	153
Maylec Sdn. Bhd.	61	79	162	173

Profit or loss allocated to non-controlling interests:

	Audited			
	FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019
Name of Company	RM'000	RM'000	RM'000	RM'000
Maydenki Sdn. Bhd.	409	484	328	-
Electric Master Sdn. Bhd.	95	93	108	83
Voltage Master Sdn. Bhd.	83	74	76	23
Maylec Sdn. Bhd.	31	19	33	11

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(c) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows: (continued)

	Electric Master Sdn. Bhd. RM'000	Voltage Master Sdn. Bhd. RM'000	Maylec Sdn. Bhd. RM'000
Summarised statements of financial position			
As at 30 November 2019			
Current assets	7,533	4,555	3,732
Non-current assets	4,444	520	3,196
Current liabilities	(5,899)	(2,737)	(2,896)
Non-current liabilities	(2,253)	(299)	(2,297)
Net assets	3,825	2,039	1,735
Summarised statements of comprehensive income			
Financial period ended 30 November 2019			
Revenue	9,752	6,828	5,105
Profit for the financial period	413	307	113
Summarised cash flow information			
Financial period ended 30 November 2019			
Cash flows from operating activities	354	589	317
Cash flows used in investing activities	(1)	(39)	(13)
Cash flows from/(used in) financing activities	3	(568)	76
Net increase/(decrease) in cash and cash equivalents	356	(18)	380

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(c) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows: (continued)

	Electric Master Sdn. Bhd. RM'000	Voltage Master Sdn. Bhd. RM'000	Maylec Sdn. Bhd. RM'000
Summarised statements of financial position			
As at 28 February 2019			
Current assets	6,258	4,176	3,066
Non-current assets	4,629	127	3,247
Current liabilities	(4,943)	(2,560)	(2,380)
Non-current liabilities	(2,533)	(11)	(2,311)
Net assets	3,411	1,732	1,622
Summarised statements of comprehensive income			
Financial year ended 28 February 2019			
Revenue	11,872	9,675	6,736
Profit for the financial year	542	366	327
Summarised cash flow information			
Financial year ended 28 February 2019			
Cash flows from operating activities	19	17	840
Cash flows used in investing activities	(1,210)	(16)	(803)
Cash flows from financing activities	1,149	82	22
Net (decrease)/increase in cash and cash equivalents	(42)	83	59

	Maydenki Sdn. Bhd. RM'000	Electric Master Sdn. Bhd. RM'000	Voltage Master Sdn. Bhd. RM'000	Maylec Sdn. Bhd. RM'000
Summarised statements of financial position				
As at 28 February 2018				
Current assets	17,599	4,803	3,202	3,013
Non-current assets	2,815	3,514	169	69
Current liabilities	(11,864)	(3,188)	(2,077)	(1,617)
Non-current liabilities	(226)	(2,260)	(78)	(171)
Net assets	8,324	2,869	1,216	1,294

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(c) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows: (continued)

	Maydenki Sdn. Bhd. RM'000	Electric Master Sdn. Bhd. RM'000	Voltage Master Sdn. Bhd. RM'000	Maylec Sdn. Bhd. RM'000
Summarised statements of comprehensive income				
Financial year ended 28 February 2018				
Revenue	33,430	11,728	8,791	6,598
Profit for the financial year	1,613	464	248	188
Summarised cash flow information				
Financial year ended 28 February 2018				
Cash flows from/(used in) operating activities	1,333	792	210	(135)
Cash flows used in investing activities	(790)	-	(126)	(3)
Cash flows from/(used in) financing activities	13	(949)	20	(125)
Net increase/(decrease) in cash and cash equivalents	556	(157)	104	(263)
Summarised statements of financial position				
As at 28 February 2017				
Current assets	16,737	5,345	3,256	2,998
Non-current assets	2,557	190	97	90
Current liabilities	(12,432)	(3,305)	(2,335)	(2,191)
Non-current liabilities	(650)	(105)	(51)	(290)
Net assets	6,212	2,125	967	607
Summarised statements of comprehensive income				
Financial year ended 28 February 2017				
Revenue	32,368	11,448	8,753	7,962
Profit for the financial year	1,365	474	277	306
Summarised cash flow information				
Financial year ended 28 February 2017				
Cash flows from/(used in) operating activities	6	(40)	266	59
Cash flows from/(used in) investing activities	1,287	(123)	(46)	(18)
Cash flows (used in)/from financing activities	(527)	-	47	(172)
Net increase/(decrease) in cash and cash equivalents	766	(163)	267	(131)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The combined financial statements of ACO Group Berhad consist of the financial statements of the following entities under common control which is accounted for using the merger method of accounting (collectively hereinafter referred to as the "Group") for each of the financial years/periods:

	FYE 28 February			FPE 30 November	
Entities Under Common Control	**2017**	**2018**	**2019**	**2018**	**2019**
ACO Group Berhad	*	*	*	#	√,^
ACO Holdings Sdn. Bhd.	√,@	√, @	√,^	#	√,^
Actgen Industry Sdn. Bhd.	√, @	√, @	√,^	#	√,^
Electric Master Sdn. Bhd.	√, @	√, @	√,^	#	√,^
Maydenki Sdn. Bhd.	√, @	√, @	√,^	#	√,^
Maylec Sdn. Bhd.	√, @	√, @	√,^	#	√,^
Voltage Master Sdn. Bhd.	√, @	√, @	√,^	#	√,^

√ *The combined financial statements of the Company include the financial statements of these combining entities prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") for the respective financial years.*

* *No financial statements were available for ACO Group Berhad as the Company was incorporated on 11 June 2019.*

^ *The combined financial statements of the Group for the respective financial years/period have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

@ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which was lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

\# *The combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and notes to the combined financial statements of the Company include the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of these combining entities prepared in accordance with the MFRSs and IFRSs for the respective financial period.*

The audited financial statements of all the operating entities within the Group for the relevant years/period reported above were not subject to any modifications.

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years/period.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years/period presented in these combined financial statements.

2.1 Statement of Compliance

The combined financial statements of the Group have been prepared in accordance with the MFRSs and IFRSs.

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

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

New MFRS

MFRS 16	Leases

Amendments/Improvements to MFRSs

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

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

MFRS 16 Leases

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto combined statement 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.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of MFRS 16, being 1 March 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease obligations adjusted for any prepaid or accrued lease payments that existed at the date of transition.

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

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

	Carrying amount at 28 February 2019	Remeasurement	MFRS 16 carrying amount at 1 March 2019
	RM'000	RM'000	RM'000
Property, plant and equipment	22,107	246	22,353
Lease obligations	-	(246)	(246)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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.

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

The Group has not adopted the following new MFRS, amendments/improvements to MFRSs and amendments of IC Int 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 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021#
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRSs*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group plans to adopt the above applicable new MFRS, amendments/improvements to MFRSs and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and amendments to IC Int are summarised below.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at:

(i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus
(ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability/(asset).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

Amendments to References to the Conceptual Framework in MFRSs

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the MFRSs Framework on 30 April 2018.

The revised *Conceptual Framework* comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised *Conceptual Framework* include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the sixteen Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 3, MFRS 5, MFRS 7, MFRS 9, MFRS 15, MFRS 101, MFRS 107, MFRS 116, MFRS 119, MFRS 128, MFRS 132, MFRS 136, MFRS 137, MFRS 138 and MFRS 140.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRS, amendments/improvements to MFRSs, and amendments to IC Int.

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

2.5 Basis of measurement

The combined financial statements of the Group 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 combined 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 combined 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 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 combined financial statements are disclosed in Note 4.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/periods presented in the combined financial statements of the Group.

3.1 Basis of combination

(a) Merger accounting for common control transactions

The combined financial statements of the Group comprise the financial statements of ACO Group Berhad, ACO Holdings Sdn. Bhd., Actgen Industry Sdn. Bhd., Maydenki Sdn. Bhd., Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd. The financial statements used in the preparation of the combined financial statement are prepared for the same reporting date as ACO Group Berhad consistent accounting policies are applied to, like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined 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 Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

(b) 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 combined financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) 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 income ("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.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) Subsidiaries and business combination (continued)

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 combined 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.

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiary not attributable, directly or indirectly, to owners of ACO Group Berhad and are presented separately in the combined 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.

(d) Transactions eliminated on combination

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

3.2 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions (continued)

Translation of foreign currency transactions (continued)

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).

3.3 Financial instruments

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

Accounting policies applied from 1 March 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group has 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 has applied the practical expedient are measured at the transaction price determined under MFRS 15.

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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(a) Subsequent measurement

The Group categorises 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 reclassifies financial assets when and only when its business models for managing those assets change.

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

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through other comprehensive income (FVOCI)**
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 FVOC. For debt instruments at FVOCI, 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. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- **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 FVOCI, 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 combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Equity instruments (continued)
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 benefits 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 FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL
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 has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost
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 liablities are derecognised and through the amortisation process.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(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.

(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 Group 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:
(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group has transferred its 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 has transferred substantially all the risks and rewards of the asset; or
 (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 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 combined 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018

Financial instruments are recognised initially at fair value, except for financial instruments not measured at FVPL, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

Financial assets at FVPL
Financial assets are classified as financial assets at FVPL when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost.

Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Held-to-maturity investments
Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets comprise investments in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Unquoted equity instruments carried at cost
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a).

(ii) Financial liabilities

Same accounting policies applied until 28 February 2018 and from 1 March 2018.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018 (continued)

(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 best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 28 February 2018 and from 1 March 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income 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 expires. 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

Same accounting policies applied until 28 February 2018 and from 1 March 2018.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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 3.10(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.

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 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 land has 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 - 20

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(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.

3.5 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 assesses 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 allocates 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 is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 March 2019 (continued)

Recognition and initial measurement (continued)

(a) As a lessee (continued)

The lease obligation 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 obligation 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 is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 March 2019 (continued)

Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts 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 makes 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 applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses 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 applies the exemption described above, then it classifies the sublease as an operating lease.

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 estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation 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 estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 March 2019 (continued)

Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease obligation 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 recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied until 28 February 2019 (continued)

(a) Lessee accounting (continued)

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

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 combined 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.

3.6 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (continued)

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 3.15.

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.

3.7 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 for as follows:

- trading goods: purchase costs on a first-in first-out basis.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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 accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

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 costs 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 combined statements of financial position.

3.9 Cash and cash equivalents

For the purpose of the combined 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 March 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI 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 measures 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 applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

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

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group has 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 March 2018 (continued)

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 is 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.

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the combined statement 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 determines 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 procedure for recovery of amounts due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 28 February 2018

At each reporting date, all financial assets (except for financial assets categorised at FVPL) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable date indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 28 February 2018 (continued)

Loans and receivables and held-to-maturity investments (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are (except for inventories) reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes 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 asset's 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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 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.

3.12 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.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.13 Provisions

Provisions are recognised when the Group has 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions (continued)

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.

3.14 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects 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 estimates 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.

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 has 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 has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (continued)

(a) Sale of goods – trading (continued)

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) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

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

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs 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 begins capitalising borrowing costs when the Group has 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.

3.16 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 other comprehensive income.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(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.

(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 combined 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax (continued)

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.6, 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.

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.

3.17 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 Group 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.

3.18 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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 uses 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 Group 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.20 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.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

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 years/periods 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 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) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4(c), the Group reviews 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 property, plant and equipment are disclosed in Note 5.

(c) Impairment of financial assets

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

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

The provision matrix is initially based on the Group's historical observed default rates. The group 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

(c) Impairment of financial assets (continued)

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 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 expected credit losses on the Group's financial assets are disclosed in Note 24(b).

(d) Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. 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 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 are disclosed in Note 22.

(e) Impairment of non-financial assets

The Group assesses 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 uses 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

(f) 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 values are 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 24(c).

(g) Fair value of investment properties

The Group carries 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 6.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Cost												
At 1 March 2016		6,736	-	5,088	-	1,651	346	1,583	427	934	-	16,765
Additions		-	-	165	-	39	88	400	197	310	-	1,199
Reclassification		-	-	-	-	(4)	2	-	64	(62)	-	-
At 28 February 2017		6,736	-	5,253	-	1,686	436	1,983	688	1,182	-	17,964
Additions		-	1,270	-	2,200	451	104	425	269	584	-	5,303
Disposals		-	-	-	-	-	-	(163)	-	-	-	(163)
At 28 February 2018		6,736	1,270	5,253	2,200	2,137	540	2,245	957	1,766	-	23,104
Additions		2,020	-	1,993	-	112	99	426	442	2,090	-	7,182
Disposals		-	-	-	-	-	-	(347)	-	-	-	(347)
Transfer to asset held for sale	11	(1,200)	-	(737)	-	-	-	-	-	-	-	(1,937)
At 28 February 2019		7,556	1,270	6,509	2,200	2,249	639	2,324	1,399	3,856	-	28,002
Adjustment on initial application of MFRS 16		-	-	-	-	(88)	-	(1,024)	(44)	-	1,402	246
Additions		-	-	-	-	71	331	10	220	692	1,326	2,650
Disposals		-	-	-	-	(3)	(1)	(110)	(38)	(22)	-	(174)
Written off		-	-	-	-	(9)	(4)	-	(27)	(8)	-	(48)
Reclassification			-	-	-	-	-	64	(212)	-	148	-
At 30 November 2019		7,556	1,270	6,509	2,200	2,220	965	1,264	1,298	4,518	2,876	30,676

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation												
At 1 March 2016		-	-	433	-	866	148	1,246	188	387	-	3,268
Depreciation charge for the financial year	20	-	-	120	-	334	32	222	60	111	-	879
Reclassification		-	-	-	-	(3)	2	-	21	(20)	-	-
At 28 February 2017		-	-	553	-	1,197	182	1,468	269	478	-	4,147
Depreciation charge for the financial year	20	-	14	139	66	372	40	225	94	170	-	1,120
Disposals		-	-	-	-	-	-	(74)	-	-	-	(74)
At 28 February 2018		-	14	692	66	1,569	222	1,619	363	648	-	5,193
Depreciation charge for the financial year	20	-	14	213	66	347	50	238	107	233	-	1,268
Disposals		-	-	-	-	-	-	(340)	-	-	-	(340)
Transfer to asset held for sale	11	-	-	(226)	-	-	-	-	-	-	-	(226)
At 28 February 2019		-	28	679	132	1,916	272	1,517	470	881	-	5,895

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation												
At 1 March 2019		-	28	679	132	1,916	272	1,517	470	881	-	5,895
Adjustment on initial application of MFRS 16		-	-	-	-	(44)	-	(304)	(9)	-	357	-
Depreciation charge for the financial period	20	-	11	147	50	188	47	25	79	282	397	1,226
Disposals		-	-	-	-	(1)	-	(110)	(8)	(4)	-	(123)
Written off		-	-	-	-	(9)	(3)	-	(18)	(4)	-	(34)
Reclassification		-	-	-	-	-	-	48	(7)	-	(41)	-
At 30 November 2019		-	39	826	182	2,050	316	1,176	507	1,155	713	6,964
Net carrying amount												
At 28 February 2017		6,736	-	4,700	-	489	254	515	419	704	-	13,817
At 28 February 2018		6,736	1,256	4,561	2,134	568	318	626	594	1,118	-	17,911
At 28 February 2019		7,556	1,242	5,830	2,068	333	367	807	929	2,975	-	22,107
At 30 November 2019		7,556	1,231	5,683	2,018	170	649	88	791	3,363	2,163	23,712

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NOTES TO THE COMBINED 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:

	Audited as at		
	28.02.2017 RM'000	**28.02.2018 RM'000**	**28.02.2019 RM'000**
Motor vehicles	436	509	720
Office equipment	-	39	35
Computers and software	-	66	44
	436	614	799

(b) Assets pledged as security

Lands and buildings have been pledged as security to secure banking facilities of the Group as disclosed in Note 14.

(c) Right-of-use assets

The right-of-use assets represent operating lease agreements entered into by the Group for the use of the retail outlets and warehouses. The leases are mainly for an initial lease of one (1) to three (3) years with options to renew for another one (1) to two (2) years.

The Group also has leased motor vehicles, office equipment and computers and software with lease term of three (3) to five (5) years and have options to purchase the assets at the end of the contract term.

On 30 November 2019, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Net carrying amount RM'000	**Depreciation charge RM'000**
Motor vehicles	1,045	196
Office equipment	220	19
Computers and software	11	33
Buildings	887	149
	2,163	397

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES

	Freehold lands RM'000	Freehold buildings RM'000	Building under construction RM'000	Total RM'000
At fair value:				
At 1 March 2016	2,451	1,449	1,595	5,495
Changes in fair value	126	74	-	200
Classification	576	1,019	(1,595)	-
At 28 February 2017	3,153	2,542	-	5,695
Changes in fair value	146	109	-	255
At 28 February 2018	3,299	2,651	-	5,950
Changes in fair value	180	170	-	350
At 28 February 2019	3,479	2,821	-	6,300
Changes in fair value	-	-	-	-
At 30 November 2019	3,479	2,821	-	6,300

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

	Audited			
	FYE 28 February			FPE 30 November
	2017 RM'000	2018 RM'000	2019 RM'000	2019 RM'000
Rental income	202	199	198	169
Direct operating expenses:				
- income generating investment properties	38	27	13	49
- non-income generating investment property	-	58	63	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Investment properties pledged as security

Freehold lands and buildings with a carrying fair value of RM4,600,000 (28.2.2019: RM4,600,000; 28.2.2018: RM4,350,000 and 28.2.2017: RM4,195,000) have been pledged as security to secure bank facilities granted to the Group as disclosed in Note 14.

Fair value information

The fair value of investment properties approximately of RM6,300,000 (28.2.2019: RM6,300,000; 28.2.2018: RM5,950,000 and 28.2.2017: RM5,695,000) 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/period under review.

Level 2 fair value

Level 2 fair value 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 March 2016 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2017 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(520)	(56)	(576)
Revaluation surplus on investment properties	(149)	35	(114)
	(669)	(21)	(690)

	As at 1 March 2017 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2018 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(576)	11	(565)
Revaluation surplus on investment properties	(114)	(14)	(128)
	(690)	(3)	(693)
Deferred tax asset:			
Temporary differences between net carrying amounts and corresponding tax written down value	-	2	2
	(690)	(1)	(691)

	As at 1 March 2018 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2019 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(565)	(2)	(567)
Revaluation surplus on investment properties	(128)	-	(128)
	(693)	(2)	(695)
Deferred tax asset:			
Temporary differences between net carrying amounts and corresponding tax written down value	2	(2)	-
	(691)	(4)	(695)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax relates to the following: (continued)

	As at 1 March 2019 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 30 November 2019 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(567)	86	(481)
Revaluation surplus on investment properties	(128)	-	(128)
	(695)	86	(609)

Unrecognised deferred tax assets

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

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017 RM'000	2018 RM'000	2019 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	31	31	31	31	31
Unabsorbed capital allowances	*	*	*	*	*
Income tax expense	31	31	31	31	31
Potential deferred tax benefit at 24%	7	7	7	7	7

* Less than RM1,000

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 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. INVENTORIES

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
At the lower of cost and net realisable value:				
Trading goods	19,047	24,066	29,623	34,651

The cost of inventories of the Group recognised as an expense in cost of sales during the financial years/period was RM84,511,000 (28.2.2019: RM112,155,000; 28.2.2018: RM104,517,000 and 28.2.2017: RM97,095,000).

9. TRADE AND OTHER RECEIVABLES

		Audited as at			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables	(a)				
- Third parties		33,078	29,072	30,750	31,826
- Related parties		44	-	-	-
		33,122	29,072	30,750	31,826
Less: Impairment losses	(b)	(2,218)	(978)	(823)	(883)
		30,904	28,094	29,927	30,943
Non-trade					
Other receivables		240	151	284	249
Deposits		210	752	109	116
Prepayments		331	194	278	582
		781	1,097	671	947
Total trade and other receivables		31,685	29,191	30,598	31,890

(a) Trade receivables

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

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

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	15,327	15,882	17,390	19,030
Past due but not impaired	15,577	12,212	12,537	11,913
1 to 30 days past due but not impaired	5,771	4,307	6,391	5,834
31 to 60 days past due but not impaired	4,400	3,848	2,957	2,729
61 to 90 days past due but not impaired	2,853	1,593	1,248	967
More than 91 days past due not impaired	2,553	2,464	1,941	2,383
Impaired individually	2,218	978	823	883
	33,122	29,072	30,750	31,826

(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:

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	2,627	2,218	978	823
Charge for the financial year/period	503	318	342	209
Reversal of impairment losses	(265)	(412)	(289)	(132)
Written off previously provided for	(647)	(1,146)	(208)	(17)
At end of the financial year/period	2,218	978	823	883

The information about the credit exposures are disclosed in Note 24(b)(i).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. CASH AND SHORT-TERM DEPOSITS

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	4,843	5,923	8,740	8,379
Short-term deposits	-	600	971	1,063
	4,843	6,523	9,711	9,442

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	-	600	971	1,063
Less: Pledged deposits	-	(600)	(960)	(1,020)
	-	-	11	43
Cash and bank balances	4,843	5,923	8,740	8,379
Bank overdrafts	(1,795)	(901)	(1,009)	(533)
	3,048	5,022	7,742	7,889

Included in the deposits placed with licensed bank of the Group, RM1,020,000 (28.2.2019: RM960,000; 28.2.2018: RM600,000 and 28.2.2017: Nil) are pledged for credit facilities granted to the Group as disclosed in Note 14.

11. 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 RM1,711,000 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.

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

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 14.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The share capital of Actgen Industry Sdn. Bhd., Maydenki Sdn. Bhd., Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd. had been eliminated against the investment in subsidiaries of ACO Holdings Sdn. Bhd. As such, the invested equity constitutes the share capital of Aco Holdings Sdn. Bhd.

The new ordinary shares issued during the financial year/period rank equally in all respects with the existing ordinary shares of the ACO Group Berhad.

13. CAPITAL CONTRIBUTION

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Deemed capital contribution from shareholders	5,000	5,000	5,000	5,000

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.

14. LOANS AND BORROWINGS

		Audited as at			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
	Note	RM'000	RM'000	RM'000	RM'000
Non-current:					
Term loans	(a)	3,945	5,750	8,679	8,352
Finance lease liabilities	(b)	284	399	448	681
		4,229	6,149	9,127	9,033

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

		Audited as at			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
	Note	RM'000	RM'000	RM'000	RM'000
Current:					
Term loans	(a)	463	586	804	584
Finance lease liabilities	(b)	148	209	216	336
Bankers' acceptances	(c)	6,708	10,082	4,635	3,808
Trust receipts	(d)	-	-	10,549	9,778
Bank overdrafts	(e)	1,795	901	1,009	533
		9,114	11,778	17,213	15,039
Total loans and borrowings					
Term loans	(a)	4,408	6,336	9,483	8,936
Finance lease liabilities	(b)	432	608	664	1,017
Bankers' acceptances	(c)	6,708	10,082	4,635	3,808
Trust receipts	(d)	-	-	10,549	9,778
Bank overdrafts	(e)	1,795	901	1,009	533
		13,343	17,927	26,340	24,072

(a) Term loans

Term loan 1 of the Group of NIL (28.2.2019: RM78,000; 28.2.2018: RM257,000 and 28.2.2017: RM426,000) bears interest at NIL (28.2.2019: 5.72%; 28.2.2018: 5.72% and 28.2.2017: 5.97%) 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 properties as disclosed in Note 6; and
(ii) Personal guarantee by the Group's Director.

Term loan 2 of the Group of RM1,113,000 (28.2.2019: RM1,150,000; 28.2.2018: RM1,191,000 and 28.2.2017: RM1,232,000) bears interest at 4.65% (28.2.2019: 4.52%; 28.2.2018: 4.52% and 28.2.2017: 4.77%) 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 6; and
(ii) Personal guarantee by the Group's Director.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 3 of the Group of RM410,000 (28.2.2019: RM424,000; 28.2.2018: RM443,000 and 28.2.2017: RM458,000) bears interest at 4.75% (28.2.2019:4.62%; 28.2.2018: 4.62% and 28.2.2017: 4.87%) 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 Group's Director.

Term loan 4 of the Group of RM1,762,000 (28.2.2019: RM1,813,000; 28.2.2018: RM1,878,000 and 28.2.2017: RM1,943,000) bears interest at 8.93% (28.2.2019, 28.2.2018 and 28.2.2017: 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 Group's Director and key management personnel.

Term loan 5 of the Group of NIL (28.2.2019: NIL; 28.2.2018: RM44,000 and 28.2.2017: RM178,000) bears interest at NIL (28.2.2019: NIL; 28.2.2018 and 28.2.2017: 6%) per annum and is repayable by monthly instalments of RM13,111 over three years commencing from the day of first drawdown and is secured and supported as follows:
(i) Joint and several guarantee by the Group's Directors.

Term loan 6 of the Group of RM778,000 (28.2.2019: RM752,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 5.29% (28.2.2019: 5.29%; 28.2.2018 and 28.2.2017: NIL) 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 operating entity; and
(iii) Joint and several guarantee by the Group's Director and key management personnel.

Term loan 7 of the Group of RM1,051,000 (28.2.2019:RM1,128,000; 28.2.2018: RM1,232,000 and 28.2.2017: NIL) bears interest at 5.64% (28.2.2019: 5.39%; 28.2.2018: 5.64% and 28.2.2017: NIL) 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 5;
(ii) Joint and several corporate guarantee by the operating entities; and
(iii) Joint and several guarantee by the Group's Directors.

Term loan 8 of the Group of RM985,000 (28.2.2019: RM1,057,000; 28.2.2018: RM1,155,000 and 28.2.2017: NIL) bears interest at 5.64% (28.2.2019: 5.39%; 28.2.2018: 5.64% and 28.2.2017: NIL) 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 5;
(ii) Joint and several corporate guarantee by the operating entities; and
(iii) Joint and several guarantee by the Group's Directors.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 9 of the Group of RM490,000 (28.2.2019; RM577,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 6.40% (28.2.2019: 6.40%; 28.2.2018 and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM10,000 over five years commencing from the day of first drawdown during the year 2018 and is secured and supported as follows:
(i) Corporate guarantee by the operating entity; and
(ii) Joint and several guarantee by the Group's Director.

Term loan 10 of the Group of NIL (28.2.2019: RM99,000; 28.2.2018: RM136,000 and 28.2.2017: RM171,000) bears interest at 8.42% (28.2.2019: 8.42%; 28.2.2018: 8.42% and 28.2.2017: 8.17%) 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 land and building as disclosed in Note 5; and
(ii) Personal guarantee by the Group's Director and key management personnel.

Term loan 11 of the Group of RM 2,347,000 (28.2.2019: RM2,405,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 5.00% (28.2.2019: 4.94%; 28.2.2018 and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM16,186 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 operating entity; and
(iii) Personal guarantee by the Group's Director and key management personnel.

(b) Finance lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 5 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 effective interest rate implicit in the leases is 4.88% to 6.40% (28.2.2019: 2.41% to 5.09%; 28.2.2018: 2.41% to 5.09% and 28.2.2017: 2.41% to 3.50%).

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

	Audited as at			
	28.02.2017	**28.02.2018**	**28.02.2019**	**30.11.2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments				
- Not later than one year	169	235	251	384
- Later than one year and not later than five years	311	461	490	743
	480	696	741	1,127
Less: Future finance charges	(48)	(88)	(77)	(110)
Present value of minimum lease payments	432	608	664	1,017

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. 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: (continued)

	Audited as at			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Present value of minimum lease payments payable:				
- Not later than one year	148	209	216	336
- Later than one year and not later than five years	284	399	448	681
	432	608	664	1,017
Less: Amount due within twelve months	(148)	(209)	(216)	(336)
Amount due after twelve months	284	399	448	681

(c) Bankers' acceptances

Bankers' acceptances bear effective interests at rates ranging from 3.51% to 4.70% (28.2.2019: 3.17% to 4.93%; 28.2.2018: 3.29% to 4.03% and 28.2.2017: 3.83% to 5.08%) 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) Corporate guarantee by operating entity;
(iii) Joint and several guarantee by the Group's Directors; and
(iv) Legal charge over the freehold lands and buildings of related party.

(d) Trust receipts

Trust receipts bear effective interests at rates ranging from 4.50% to 4.94% (28.2.2019: 3.17% to 5.12%; 28.2.2018 and 28.2.2017: NIL) per annum and is secured and supported as follows:
(i) Legal charge over the freehold lands and buildings as disclosed in Note 5;
(ii) Joint and several guarantee by the Group's Directors and key management personnel;
(iii) Legal charge over the fixed deposit as disclosed in Note 10; and
(iv) Corporate guarantee by operating entity.

(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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(e) Bank overdrafts (continued)

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 6; and
(iii) Joint and several guarantee by the Group's Directors and key management personnel.

15. LEASE OBLIGATIONS

	Audited as at 30.11.2019 RM'000
Lease obligations	
Current	238
Non-current	648
	886

16. TRADE AND OTHER PAYABLES

	Note	Audited as at 28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Non-current:					
Non-trade					
Other payable		-	-	600	-
Amount owing to directors	(a)	1,294	1,901	-	-
		1,294	1,901	600	-
Current:					
Trade					
Trade payables					
- Third parties	(b)	32,035	29,667	29,329	34,217
- Related parties		24	-	-	-
		32,059	29,667	29,329	34,217
Non-trade					
Other payables		458	340	3,558	1,726
Amount owing to directors	(a)	-	351	688	150
Accruals		692	819	572	951
Deposits received		32	32	1,369	170
		33,241	31,209	35,516	37,214
Total trade and other payables (non-current and current)		34,535	33,110	36,116	37,214

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Amount owing to directors

Amount owing to directors are unsecure, non-trade in nature, non-interest bearing and repayment upon demand.

(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.

For explanations on the Group's liquidity risk management processes, refer to Note 24(b)(ii).

17. REVENUE

	Audited			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
At a point in time:					
Sales of goods	114,509	124,193	134,373	104,084	95,670

18. OTHER INCOME

	Audited			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised gain on foreign exchange	2	14	-	45	-
Unrealised gain on foreign exchange	19	-	-	-	-
Bad debts recoverable	-	-	17	29	12
Changes in fair value of investment properties	200	255	350	-	-
Gain on disposal of property, plant and equipment	-	17	97	31	-
Gain on disposal of asset classfied as held for sales	-	-	-	439	-
Interest income	-	*	15	37	14
Reversal of impairment losses on trade receivables	265	412	289	132	87
Rental income	202	199	198	169	148
Waiver of amount owing to a director	-	-	348	-	-
Insurance cash surrender value	-	-	-	82	-
Insurance claim	-	-	386	80	189
Other income	29	59	11	46	-
	717	956	1,711	1,090	450

*Less than RM1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCE COSTS

	Audited			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense on:					
- Term loans	221	271	421	338	295
- Finance lease liabilities	16	28	29	38	19
- Lease obligations	-	-	-	18	-
- Bankers' acceptances	351	374	345	194	257
- Trust receipts	-	-	96	328	70
- Bank overdrafts	93	67	134	89	106
- Bank guarantees	1	*	3	*	2
	682	740	1,028	1,005	749

* Less than RM1,000

20. PROFIT BEFORE TAX

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

		Audited			Audited	Unaudited
		FYE 28 February			FPE 30 November	
		2017	2018	2019	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:						
- current year		77	80	96	62	-
- prior year		-	3	-	(3)	-
Depreciation of property, plant and equipment	5	879	1,120	1,268	829	738
Depreciation of right-of-use assets	5	-	-	-	397	-
Property, plant and and equipment written off		-	-	-	14	-
Employee benefits expense	21	7,232	8,115	8,277	6,225	5,571
Impairment losses on trade receivables	9	503	318	342	209	1
Rental expenses						
- equipment		-	43	79	73	55
- premises		555	474	407	34	321
Realised foreign exchange loss		39	-	-	-	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS EXPENSE

	← Audited	FYE 28 February	→	Audited	Unaudited
				FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	5,568	6,001	6,350	4,699	4,322
Defined contribution plans	636	707	700	522	517
Other staff related expenses	1,028	1,407	1,227	1,004	732
	7,232	8,115	8,277	6,225	5,571
Included in employee benefits expense are:					
- Directors' fees	168	168	168	86	126
- Directors' remuneration	484	496	409	230	325
- Directors' defined contribution plans	51	52	43	22	34
- Directors' other emolument	27	14	16	44	3
	730	730	636	382	488

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial periods ended 30 November 2019 and 30 November 2018 are as follows:

	← Audited	FYE 28 February	→	Audited	Unaudited
				FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Combined statements of comprehensive income					
Current income tax:					
- Current income tax charge	1,271	1,481	1,719	1,891	1,068
- Adjustment in respect of prior years	25	127	28	119	(6)
	1,296	1,608	1,747	2,010	1,062

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

	Audited FYE 28 February			Audited FPE 30 November	Unaudited
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax: (Note 7)					
- (Reversal)/origination of temporary differences	(58)	20	28	(73)	-
- Adjustment in respect of prior years	79	(19)	(24)	(13)	-
	21	1	4	(86)	-
Income tax expense recognised in profit or loss	1,317	1,609	1,751	1,924	1,062

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 (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: NIL) is subject to the statutory tax rate of 17% (FYE 28.2.2019: 17%, FYE 28.2.2018: 18% and FYE 28.2.2017: 19%) on chargeable income up to RM600,000 (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: RM500,000). For chargeable income in excess of RM600,000 (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: RM500,000) and annual sales less than RM50 million (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: NIL), statutory tax rate of 24% is still applicable.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

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

	← Audited	FYE 28 February	→	Audited	Unaudited
				FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	5,771	6,612	9,167	7,968	5,398
Tax at Malaysian statutory income tax rate of 24%	1,385	1,587	2,200	1,912	1,296
SME tax savings	(114)	(132)	(177)	(130)	(135)
Adjustments:					
- Income not subject to tax	(137)	(179)	(379)	(269)	(192)
- Non-deductible expenses	79	225	156	305	99
- Investment tax allowance incentives *	-	-	(53)	-	-
- Adjustment in respect of current income tax of prior years	25	127	28	119	(6)
- Adjustment in respect of deferred tax of prior years	79	(19)	(24)	(13)	-
Income tax expense	1,317	1,609	1,751	1,924	1,062

* 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. 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/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year/period.

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

	← Audited		→	Audited	Unaudited
		FYE 28 February		FPE 30 November	
	28.02.2017	28.02.2018	28.02.2019	30.11.2019	30.11.2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Group	3,836	4,333	6,871	5,927	3,849
Weighted average number of ordinary shares for basic and diluted earnings per share	2,500	2,500	2,500	2,501	2,500
Basic and diluted earnings per ordinary share	1.53	1.73	2.75	2.37	1.54

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

<u>From 1 March 2018</u>:
(i) Amortised cost

<u>On or before 28 February 2018</u>:
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R/(FL) RM'000
At 28 February 2017			
Financial assets			
Trade and other receivables less prepayments	9	31,354	31,354
Cash and short-term deposits	10	4,843	4,843
		36,197	36,197
Financial liabilities			
Loans and borrowings	14	(13,343)	(13,343)
Trade and other payables	16	(34,535)	(34,535)
		(47,878)	(47,878)
At 28 February 2018			
Financial assets			
Trade and other receivables less prepayments	9	28,997	28,997
Cash and short-term deposits	10	6,523	6,523
		35,520	35,520
Financial liabilities			
Loans and borrowings	14	(17,927)	(17,927)
Trade and other payables	16	(33,110)	(33,110)
		(51,037)	(51,037)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	Amortised Cost RM'000
At 28 February 2019			
Financial assets			
Trade and other receivables less prepayments	9	30,320	30,320
Cash and short-term deposits	10	9,711	9,711
		40,031	40,031
Financial liabilities			
Loans and borrowings	14	(26,340)	(26,340)
Trade and other payables	16	(36,116)	(36,116)
		(62,456)	(62,456)
At 30 November 2019			
Financial assets			
Trade and other receivables less prepayments	9	31,308	31,308
Cash and short-term deposits	10	9,442	9,442
		40,750	40,750
Financial liabilities			
Loans and borrowings	14	(24,072)	(24,072)
Lease obligations	15	(886)	(886)
Trade and other payables	16	(37,214)	(37,214)
		(62,172)	(62,172)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its 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 overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors review and agree to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has 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 the carrying amounts in the combined 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 considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has 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 does not have any significant exposure to any individual customers.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

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

	Trade receivables					
	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	> 90 days past due RM'000	Total RM'000
At 28 February 2019						
Expected credit loss rate	0%	0%	0%	0%	30%	3%
Gross carrying amount at default	17,390	6,391	2,957	1,248	2,764	30,750
Impairment losses	-	-	-	-	(823)	(823)
At 30 November 2019						
Expected credit loss rate	0%	0%	0%	0%	27%	3%
Gross carrying amount at default	19,030	5,834	2,729	967	3,266	31,826
Impairment losses	-	-	-	-	(883)	(883)

Other receivables and other financial assets

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

The Group considers 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 compares 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.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit 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 will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(a) for the Group's other accounting policies for impairment of financial assets.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Financial guarantee contracts

The Group is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to a related party. The Group monitors the result of the related party and their repayment on an on-going basis. The maximum exposure to credit risks amounts to NIL (28.2.2019, 28.2.2018 and 28.2.2017: RM500,000) representing the maximum amount the Group could pay if the guarantee is called on as disclosed in Note 24(b)(ii). As at the reporting date, there was no indication that the related party would default on repayment.

The financial guarantees have not been recognized since the fair value on initial recognition was not material.

(ii) Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses 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 finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date is based on contractual undiscounted repayment obligations are as follows:

		← Contractual cash flows →			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 28 February 2017					
Trade and other payables	34,535	33,241	1,294	-	34,535
Term loans	4,408	691	1,590	5,418	7,699
Finance lease liabilities	432	169	311	-	480
Bankers' acceptances	6,708	6,708	-	-	6,708
Bank overdrafts	1,795	1,795	-	-	1,795
Financial guarantee contracts	-	500	-	-	500
	47,878	**43,104**	**3,195**	**5,418**	**51,717**
At 28 February 2018					
Trade and other payables	33,110	31,209	1,901	-	33,110
Term loans	6,336	816	2,446	4,196	7,458
Finance lease liabilities	608	235	461	-	696
Bankers' acceptances	10,082	10,082	-	-	10,082
Bank overdrafts	901	901	-	-	901
Financial guarantee contracts	-	500	-	-	500
	51,037	**43,743**	**4,808**	**4,196**	**52,747**
At 28 February 2019					
Trade and other payables	36,116	35,516	600	-	36,116
Term loans	9,483	1,070	3,956	7,288	12,314
Finance lease liabilities	664	251	490	-	741
Bankers' acceptances	4,635	4,635	-	-	4,635
Trust receipts	10,549	10,549	-	-	10,549
Bank overdrafts	1,009	1,009	-	-	1,009
Financial guarantee contracts	-	500	-	-	500
	62,456	**53,530**	**5,046**	**7,288**	**65,864**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

	Carrying amount RM'000	← Contractual cash flows On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000 →	Total RM'000
At 30 November 2019					
Trade and other payables	37,214	37,214	-	-	37,214
Term loans	8,936	836	5,754	4,119	10,709
Finance lease liabilities	1,017	384	743	-	1,127
Bankers' acceptances	3,808	3,808	-	-	3,808
Trust receipts	9,778	9,778	-	-	9,778
Bank overdrafts	533	533	-	-	533
Lease obligations	886	238	648	-	886
	62,172	**52,791**	**7,145**	**4,119**	**64,055**

(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 United States Dollar ("USD"), Japanese Yen ("JPY") and Singapore Dollar ("SGD").

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

	← Audited as at 28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000 →
Financial assets and liabilities not held in functional currencies:				
Cash and short-term deposits				
USD	25	9	12	12
SGD	-	30	30	30
	25	39	42	42

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	Audited as at			
	28.02.2017	**28.02.2018**	**28.02.2019**	**30.11.2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivable				
SGD	38	-	-	-
Trade payables				
SGD	(14)	(123)	(214)	-
JPY	(189)	(16)	-	-
USD	-	-	-	(9)
	(203)	(139)	(214)	(9)

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure relates mainly to USD, JPY 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.

(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 its long-term loans and borrowings with floating interest rates.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	Carrying amount RM'000	Movement in basis points	Effect on profit and equity for the financial year RM'000
Group			
28 February 2017			
Term loans	4,408	+ 50	(17)
		- 50	17
Bankers' acceptances	6,708	+ 50	(25)
		- 50	25
Bank overdrafts	1,795	+ 50	(7)
		- 50	7
28 February 2018			
Term loans	6,336	+ 50	(24)
		- 50	24
Bankers' acceptances	10,082	+ 50	(38)
		- 50	38
Bank overdrafts	901	+ 50	(3)
		- 50	3
28 February 2019			
Term loans	9,483	+ 50	(36)
		- 50	36
Bankers' acceptances	4,635	+ 50	(18)
		- 50	18
Trust receipts	10,549	+ 50	(40)
		- 50	40
Bank overdrafts	1,009	+ 50	(4)
		- 50	4

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	Carrying amount RM'000	Movement in basis points	Effect on profit and equity for the financial period RM'000
Group			
30 November 2019			
Term loans	8,936	+ 50	(34)
		- 50	34
Bankers' acceptances	3,808	+ 50	(14)
		- 50	14
Trust receipts	9,778	+ 50	(37)
		- 50	37
Bank overdrafts	533	+ 50	(2)
		- 50	2

(v) Fair value measurement

The carrying amounts of cash and short-term deposits, receivables and payables and short-term borrowings 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 years/period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(vi) Fair value measurement (continued)

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 amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
28 February 2017					
Financial liabilities					
Non-current					
Term loans	3,945	-	-	3,903	3,903
Finance lease liabilities	284	-	-	272	272
28 February 2018					
Financial liabilities					
Non-current					
Term loans	5,750	-	-	4,157	4,157
Finance lease liabilities	399	-	-	419	419
28 February 2019					
Financial liabilities					
Non-current					
Term loans	8,679	-	-	6,723	6,723
Finance lease liabilities	448	-	-	447	447
30 November 2019					
Financial liabilities					
Non-current					
Term loans	8,352	-	-	6,657	6,657
Finance lease liabilities	681	-	-	683	683
Lease obligations	648	-	-	648	648

Level 3 fair value

Fair value of financial instruments carried at fair value

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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. COMMITMENTS

The Group has made commitments for the following capital expenditure:

	Audited as at			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Approved and contracted for:				
- Property, plant and equipment	3,236	3,415	-	-
Approved but not contracted for:				
- Property, plant and equipment	-	-	17,961	17,961

Operating lease commitments – as lessee

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

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

	Audited as at		
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000
- Not later than one year	419	244	279
- More than one year and not later than five years	36	222	346
	455	466	625

Operating lease commitments – as lessor

The Group leases several of its investment properties which have remaining lease term less than one (1) year. Rental charges are revised every two (2) years to reflect current market conditions.

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

	Audited as at		
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000
- Not later than one year	39	156	65
- More than one year and not later than five years	-	65	-
	39	221	65

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has 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 party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group 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.

(b) Significant related parties transactions

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

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of goods					
- Entity owned by persons connected to a director	54	73	61	13	53
Purchases of motor vehicles					
- Entity in which certain directors have interest	-	(39)	-	-	-
Rental of office					
- Entity in which certain directors have interest	(26)	(26)	(26)	-	-
Disposal of asset classified as held for sale					
- Entity in which certain directors have interests	-	-	-	2,150	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

	← Audited	FYE 28 February	→	Audited FPE 30 November	Unaudited FPE 30 November
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	1,421	1,730	1,607	933	770
Defined contribution plans	145	158	158	90	88
Other staff related expenses	61	29	63	68	7
	1,627	1,917	1,828	1,091	865

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial period ended 30 November 2019.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity of the Group. The gearing ratio as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019 are as follows:

		← Audited as at →			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
	Note	RM'000	RM'000	RM'000	RM'000
Loans and borrowings/total debts	14	13,343	17,927	26,340	24,072
Total equity		26,118	31,327	36,293	42,338
Gearing ratio (times)		0.51	0.57	0.73	0.57

There were no changes in the Group's approach to capital management during the financial years/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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) Acquisition of ACO Holdings Sdn. Bhd.

The Company had on 2 August 2019, entered into a conditional share sale agreement with the shareholders 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. is to be wholly satisfied by the issuance of 235,469,000 new shares of the Company at an issue price of RM0.15 per share.

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

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Gan Bee Hong to acquire 20% equity interest in Electric Master Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM684,750. The acquisition of Electric Master Sdn. Bhd. is to be wholly satisfied by the issuance of 4,565,000 new shares of the Company at an issue price of RM0.15 per share.

(c) Acquisition of non-controlling interest in Maylec Sdn. Bhd.

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Woo Yoong Eng to acquire 10% equity interest in Maylec Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM163,500. The acquisition of Maylec Sdn. Bhd. is to be wholly satisfied by the issuance of 1,090,000 new shares of the Company at an issue price of RM0.15 per share.

(d) Acquisition of non-controlling interest in Voltage Master Sdn. Bhd.

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Goh Bee Tin to acquire 7.5% equity interest in Voltage Master Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM131,250. The acquisition of Voltage Master Sdn. Bhd. is to be wholly satisfied by the issuance of 875,000 new shares of the Company at an issue price of RM0.15 per share.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

The acquisition of Aco Holdings Sdn. Bhd., acquisition of non-controlling interest in Electric Master Sdn.Bhd., acquisition of non-controlling interest in Maylec Sdn. Bhd. and acquisition of non-controlling interest in Voltage Master Sdn. Bhd. were completed on 22 January 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. 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 assessment.

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

Inter-segment pricing is determined on negotiated basis.

	Industrial users RM'000	**Resellers RM'000**	**Dividend income RM'000**	**Adjustment and eliminations RM'000**	**Total RM'000**
28 February 2017					
Revenue:					
Revenue from external customers	83,785	30,724	-	-	114,509
Inter-segment revenue	11,625	-	-	(11,625)	-
	95,410	30,724	-	(11,625)	114,509
Segment profit	14,452	2,962	-	-	17,414
Other income					717
Unallocated expenses					(11,678)
Finance costs					(682)
Income tax expense					(1,317)
Profit for the financial year					4,454
Results:					
Included in the measure of segments profit are:					
Employee benefits expense					7,232
Depreciation					879

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
28 February 2018					
Revenue:					
Revenue from external customers	83,002	41,191	-	-	124,193
Inter-segment revenue	11,382	-	416	(11,798)	-
	94,384	41,191	416	(11,798)	124,193
Segment profit	15,724	3,952	-	-	19,676
Other income					956
Unallocated expenses					(13,280)
Finance costs					(740)
Income tax expense					(1,609)
Profit for the financial year					5,003
Results:					
Included in the measure of segments profit are:					
Employee benefits expense					8,115
Depreciation					1,120

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
28 February 2019					
Revenue:					
Revenue from external customers	95,559	38,814	-	-	134,373
Inter-segment revenue	9,134	-	600	(9,734)	-
	104,693	38,814	600	(9,734)	134,373
Segment profit	18,351	3,867	-	-	22,218
Other income					1,711
Unallocated expenses					(13,734)
Finance costs					(1,028)
Income tax expense					(1,751)
Profit for the financial year					7,416
Results:					
Included in the measure of segments profit are:					
Employee benefits expense					8,277
Depreciation					1,268

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Management Fees RM'000	Adjustment and eliminations RM'000	Total RM'000
30 November 2019					
Revenue:					
Revenue from external customers	77,501	26,583	-	-	104,084
Inter-segment revenue	7,627	-	1,100	(8,727)	-
	85,128	26,583	1,100	(8,727)	104,084
Segment profit	16,651	2,922	-	-	19,573
Other income					1,090
Unallocated expenses					(11,690)
Finance costs					(1,005)
Income tax expense					(1,924)
Profit for the financial period					6,044
Results:					
Included in the measure of segments profit are:					
Employee benefits expense					6,225
Depreciation					1,226

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
30 November 2018					
Revenue:					
Revenue from					
external customers	67,151	28,519	-	-	95,670
Inter-segment revenue	7,173	-	600	(7,773)	-
	74,324	28,519	600	(7,773)	95,670
Segment profit	12,557	2,547	-	-	15,104
Other income					450
Unallocated expenses					(9,407)
Finance costs					(749)
Income tax expense					(1,062)
Profit for the financial period					4,336
Results:					
Included in the measure of segments profit are:					
Employee benefits expense					5,571
Depreciation					738

13. ADDITIONAL INFORMATION

13.1 EXTRACT OF OUR CONSTITUTION

The following provisions are reproduced from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution or the context otherwise require:-

13.1.1 Remuneration, voting and borrowing powers of Directors

(a) Directors' remuneration

"Clause 93(1) to (3) Remuneration of Directors

(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 84 Remuneration of Managing Director or Executive Director

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine."

(b) Voting and borrowing powers of Directors

"Clause 94(1) and (2) Managing business and affairs of the Company

(1) The business and affairs of the Company shall be managed by or under the direction and supervision of the Directors who may pay all expenses incurred in promoting and registering the Company.

(2) The Directors may exercise all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company except any power that the Act or by this Constitution requires the Company to exercise in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

Clause 95 Borrowing Powers

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money;

(2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 96 Operation of cheques, promissory notes etc.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for money paid to the Company, must be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by any two (2) Directors or in such other manner as the Directors may from time to time determine.

Clause 97 Power of attorney

(1) The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for the purposes and with the powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for a period and subject to any conditions as the Directors may think fit.

(2) Any powers of attorney granted under Clause 97(1) may contain provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate all or any of the powers, authorities, and discretions vested in the attorney.

Clause 99 Delegation of powers

Subject to the applicable laws and/or the Listing Requirements:

(1) the Directors may delegate any of their powers to a committee or committees consisting of such their number as they think fit;

(2) any committee formed under Clause 99(1) shall exercise the powers delegated in accordance with any directions of the Directors and a power so exercised shall be deemed to have been exercised by the Directors; and

(3) the Board shall, subject to the Listing Requirements and upon the committee's recommendation (where applicable), appoint a chairperson of the committee and determine the period for which he is to hold office.

Clause 118 Voting at Board Meetings

(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119 Casting Vote

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

Clause 105 Directors' Interest in Contracts

(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

(b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

13.1.2 Changes to share capital

Clause 8 Variation of Rights

(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

(2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:

(a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;

(b) if that class of shares only has one (1) holder, a quorum is constituted by one (1) person present holding shares of such class; and

(c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.

(3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12 Issue of Securities

(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company.

(2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

(a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

(b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and

(c) for such consideration as the Directors may determine.

(3) (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

(b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.

(c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.

Clause 46 Alteration of Capital

(1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) The Company may from time to time by special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

13.1.3 Transfer of securities

Clause 14 Transfer of Securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

13.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

As at the date of this Prospectus, we only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to Section 4.1 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

13.2 SHARE CAPITAL

(i) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option.

(ii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

(iii) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.

(iv) Save as disclosed in Sections 4.1.1, 6.1.3 and 6.2 of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.

(v) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

13. ADDITIONAL INFORMATION (Cont'd)

13.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:-

(i) public take-over offers by third parties in respect of our Group's shares; and

(ii) public take-over offers by our Group in respect of other companies' shares.

13.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:-

(i) Sale and Purchase Agreement dated 28 November 2016 between Electric Master and Villy Trading (M) Sdn Bhd for the acquisition of a piece of land held under PN 48301, Lot 16700, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka containing an area measuring approximately 937 sq. m. and includes a building known as a corner 1½-storey Semi-Detached Factory (Extended and Renovated) bearing postal address No. 1, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka, for the purchase price of RM1,700,000 which was fully satisfied in cash. This transaction was completed on 2 August 2017;

(ii) Sale and Purchase Agreement dated 28 November 2016 between Electric Master and Villy Trading (M) Sdn Bhd for the acquisition of a piece of land held under PN 48303, Lot 16701, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka containing an area measuring approximately 876 sq. m. and includes a building known as a corner 1½-storey Semi-Detached Factory (Extended and Renovated) bearing postal address No. 3, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka, for the purchase price of RM1,600,000 which was fully satisfied in cash. This transaction was completed on 2 August 2017;

(iii) Sale and Purchase Agreement dated 8 December 2017 between Maylec and Impression Unlimited Corporation Sdn Bhd for the acquisition of a piece of land held under GRN 456393, Lot 143286, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor containing an area measuring approximately 1,772 sq. m., together with a unit of single storey semi-detached light industrial factory with mezzanine floor erected thereon and known as No. 10, Jalan Kempas Utama 3/5, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim, for the purchase price of RM2,900,000 which was fully satisfied in cash. This transaction was completed on 11 April 2018;

(iv) Sale and Purchase Agreement dated 29 March 2018 between Actgen and Soh Tian Yew for the acquisition of a piece of land held under GM 10124, Lot 12636, Mukim Bandar, Daerah Johor, Negeri Johor containing an area measuring approximately 145 sq. m., together with a 3-storey shop known as No. 10, Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim, for the purchase price of RM950,000 which was fully satisfied in cash. This transaction was completed on 9 July 2018;

(v) Share Sale Agreement dated 8 November 2018 between ACO Holdings and Lim May Hoon for the acquisition of 480,000 ordinary shares, representing 24.00% of Maydenki's issued share capital, for the purchase price of RM2,000,000 which is to be fully satisfied by 20 monthly cash instalments of RM100,000 commencing on 25 January 2019 and ending on 25 August 2020;

13. ADDITIONAL INFORMATION (Cont'd)

(vi) Sale and Purchase Agreement dated 18 December 2018 between Actgen and Kompas for the disposal of a piece of land held under GRN 242295, Lot 51459, Mukim Plentong, Daerah Johor Bahru, Negeri Johor containing an area measuring approximately 670 sq. m. together with a unit of semi-detached workshop known as No. 133, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim, for the selling price of RM2,150,000 which was fully satisfied in cash. This transaction was completed on 26 March 2019;

(vii) Conditional Share Sale Agreement dated 2 August 2019 entered into between ACO Holdings and ACO for the Acquisition of ACO Holdings for a purchase consideration of RM35,320,350 (excluding the Acquisitions of the Non-Controlling Interests) which was fully satisfied by way of issuance of 235,469,000 ACO Shares to the Vendors in proportion to their respective shareholdings in ACO Holdings (**"ACO Holdings SSA"**). This transaction was completed on 22 January 2020. Please refer to Section 4.1.1(a) of this Prospectus for further details;

(viii) Conditional Share Sale Agreement dated 2 August 2019 entered into between Gan Bee Hong (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 20.00% shareholdings in Electric Master not already owned by ACO Holdings, for a purchase consideration of RM684,750 which was fully satisfied by way of issuance of 4,565,000 ACO Shares to Gan Bee Hong (**"Electric Master SSA"**). Upon completion of the Electric Master SSA on 22 January 2020, Electric Master became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition;

(ix) Conditional Share Sale Agreement dated 2 August 2019 entered into between Goh Bee Tin (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 7.50% shareholdings in Voltage Master not already owned by ACO Holdings, for a purchase consideration of RM131,250 which was fully satisfied by way of issuance of 875,000 ACO Shares to Goh Bee Tin (**"Voltage Master SSA"**). Upon completion of the Voltage Master SSA on 22 January 2020, Voltage Master became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition; and

(x) Conditional Share Sale Agreement dated 2 August 2019 entered into between Woo Yoong Eng (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 10.00% shareholdings in Maylec not already owned by ACO Holdings, for a purchase consideration of RM163,500 which was fully satisfied by way of issuance of 1,090,000 ACO Shares to Woo Yoong Eng (**"Maylec SSA"**). Upon completion of the Maylec SSA on 22 January 2020, Maylec became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition; and

(xi) Underwriting Agreement dated 3 February 2020 entered into between ACO and the Sole Underwriter for the underwriting of 24,000,000 Issue Shares under the Public Issue, for the underwriting commission at the rate set out in Section 4.5.2 of this Prospectus.

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13.6 CONSENTS

(i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors for the Listing, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn;

(ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn; and

(iii) The written consent of the IMR for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

13.7 RESPONSIBILITY STATEMENTS

(i) AIBB acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to the IPO.

(ii) This Prospectus has been seen and approved by our Directors, Promoters and Offerors, and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

13.8 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six (6) months from the date of this Prospectus:-

(i) Our Constitution;

(ii) The Industry Overview referred to in Section 7 of this Prospectus;

(iii) The Reporting Accountants' Report relating to the Pro Forma Consolidated Statements of Financial Position of our Group as at 30 November 2019 referred to in Section 11.9 of this Prospectus;

(iv) The Accountants' Report as included in Section 12 of this Prospectus;

(v) The Actgen-SE Distribution Agreement and the Maydenki-SE Distribution Agreement which are set out in Section 6.4.13 of this Prospectus;

(vi) The material contracts referred to in Section 13.5 of this Prospectus;

(vii) The letters of consent referred to in Section 13.6 of this Prospectus; and

13. ADDITIONAL INFORMATION (Cont'd)

(viii) The audited financial statements of:-

(a) ACO for the financial period ended 30 November 2019;

(b) ACO Holdings for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;

(c) Actgen for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;

(d) Maydenki for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;

(e) Electric Master for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;

(f) Voltage Master for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019; and

(g) Maylec for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019.

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14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 FEBRUARY 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 6 MARCH 2020

Applications for the Issue Shares will open and close at the dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for our Issue Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

Types of Application and category of investors	Application method
Applications by eligible Directors and employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

14.2.2 Application by selected investors via placement

Types of Application	Application method
Applications by:-	
Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent's instructions.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

(i) You must be one of the following:-

  (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

  (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

  (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:-

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Applicants provided with Pink Form Allocation Forms may also apply for our Issue Shares offered to the Malaysian Public.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, AIBB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.28 for each Issue Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 692"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 6 March 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(i) reject Applications which:-

   (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (b) are illegible, incomplete or inaccurate; or

   (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one (1) business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b)(i) of the Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

14.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

(i) Our Issue Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Issue Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of Application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one (1) Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five (5) Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.