



ACO GROUP BERHAD

Company No. 201901020410 (1329739-A)

(Incorporated in Malaysia)

Interim Financial Report

For the Quarter and Financial Year Ended

28 February 2021

ACO GROUP BERHAD

(Company No: 201901020410 (1329739-A))
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 28.02.2021 Unaudited RM'000	PRECEDING CORRESPONDING QUARTER 29.02.2020 Unaudited RM'000	CURRENT YEAR-TO- DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR-TO- DATE 29.02.2020 Audited RM'000
Revenue	35,129	30,447	110,590	134,288
Cost of sales	(30,171)	(24,054)	(91,839)	(108,322)
Gross profit	4,958	6,393	18,751	25,966
Other income	322	230	1,165	1,401
Administrative expenses	(3,438)	(4,273)	(14,371)	(16,081)
Profit from operations	1,842	2,350	5,545	11,286
Finance costs	(200)	(370)	(1,013)	(1,339)
Share of results of an associate	600	-	600	-
Profit before tax	2,242	1,980	5,132	9,947
Income tax expense	(1,189)	(188)	(2,286)	(2,112)
Profit for the financial period/year, representing total comprehensive income for the financial period/year	1,053	1,792	2,846	7,835
Profit attributable to:				
Owner of the company	1,053	1,741	2,846	7,667
Non-controlling interests	-	51	-	168
	1,053	1,792	2,846	7,835
Basic and diluted earnings per share (sen) ^{(2) (3)}	0.34	0.72	0.93	3.17

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(Company No: 201901020410 (1329739-A))

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D) QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021⁽¹⁾

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to this interim financial report.
- (2) Computation on basic earnings per share is based on the Company's weighted average number of ordinary shares during the period/year under review.
- (3) The diluted earnings per share of the Group for the current quarter and year-to-date are equivalent to the basic earnings per share as the Group does not have any convertible options as at the end of the reporting period/year.

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ACO GROUP BERHAD

(Company No: 201901020410 (1329739-A))

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021⁽¹⁾

	UNAUDITED 28.02.2021 RM'000	AUDITED 29.02.2020 RM'000
Non-Current Assets		
Property, plant, and equipment	17,554	18,127
Right-of-use assets	4,573	5,310
Investment properties	4,600	6,450
Investment in an associate	7,285	-
	34,012	29,887
Current Assets		
Inventories	38,869	35,381
Trade and other receivables	36,051	32,877
Prepayments	415	921
Current tax assets	142	22
Cash and short-term deposits	25,708	5,855
	101,185	75,056
Current Liabilities		
Trade and other payables	36,418	31,063
Lease liabilities	224	240
Current tax liabilities	1,098	956
Loans and borrowings	16,892	18,812
	54,632	51,071
Net current assets	46,553	23,985
	80,565	53,872
Financed by:		
Share capital	62,909	36,301
Reserves	9,732	7,828
	72,641	44,129
Non-current liabilities		
Deferred tax liabilities	362	362
Lease liabilities	257	520
Loans and borrowings	7,304	8,861
	7,923	9,743
	80,565	53,872
Number of issued shares ('000)	330,793	242,000
Net assets per share (RM)	0.22	0.18

Note:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021⁽¹⁾

< -- ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY -->

< --- NON-DISTRIBUTABLE ----> DISTRIBUTABLE

	SHARE CAPITAL	CAPITAL CONTRIBUTION	REORGANISATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 March 2019	2,500	5,000	-	27,819	35,319	974	36,293
Total comprehensive profit for the period/year	-	-	-	7,667	7,667	168	7,835
Transactions with owners:							
Issue of ordinary shares of the Company	1	-	-	-	1	-	1
Issuance of shares for acquisition of a subsidiary	35,320	-	(35,361)	41	-	-	-
Issuance of shares for acquisition of non-controlling interests	980	-	-	162	1,142	(1,142)	-
Reorganisation reserve	(2,500)	(5,000)	7,500	-	-	-	-
Balance as at 29 February 2020 (Audited)	36,301	-	(27,861)	35,689	44,129	-	44,129

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021⁽¹⁾

< -- ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY -->
< --- NON-DISTRIBUTABLE ---- > DISTRIBUTABLE

	SHARE CAPITAL RM'000	REORGANISA- TION RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as at 1 March 2020	36,301	(27,861)	35,689	44,129
Total comprehensive profit for the period/year	-	-	2,846	2,846
Transactions with owners:				
Issue of ordinary shares of the Company	17,710	-	-	17,710
Share issuance expenses	(858)	-	-	(858)
Private Placement	9,756	-	-	9,756
Interim Dividend	-	-	(942)	(942)
Balance as at 28 February 2021 (Unaudited)	62,909	(27,861)	37,593	72,641

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021⁽¹⁾

	CURRENT YEAR- TO-DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR- TO-DATE 29.02.2020 Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	5,132	9,947
Adjustments for:		
Discount on lease liabilities payments	(15)	-
Depreciation on property, plant and equipment	1,011	1,072
Depreciation on right-of-use assets	672	635
Gain on disposal of property, plant & equipment	-	(32)
Gain on disposal of asset classified as held for sale	-	(438)
Loss on disposal of investment property	350	-
Property, plant and equipment written off	1	14
Changes in fair value of investment properties	-	(150)
Reversal of impairment losses on trade receivables	(88)	(180)
Impairment losses on trade receivables	591	257
Bad debts recoverable	(18)	(33)
Finance costs	1,013	1,339
Interest income	(235)	(43)
Share of results of an associate	(600)	-
Operating profit/(loss) before changes in working capital	<u>7,814</u>	<u>12,388</u>
Changes in working capital:		
Inventories	(3,488)	(5,759)
Trade and other receivables	(3,658)	(2,602)
Prepayments	506	(643)
Trade and other payables	5,334	(4,375)
Net cash generated from/(used in) operations	<u>6,508</u>	<u>(991)</u>
Income tax paid	(2,363)	(2,136)
Income tax refund	99	19
Interest received	235	43
Interest paid	(60)	(125)
Net cash flows from/(used in) operating activities	<u>4,419</u>	<u>(3,190)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(410)	(1,459)
Purchase of right-of-use assets	-	(161)
Proceeds from disposal of property, plant and equipment	-	82
Proceeds from disposal of assets classified as held for sales	-	2,150
Proceeds from disposal of investment property	381	-
Acquisition of an associate	(5,215)	-
Change in pledge deposits	-	(60)
Net cash flows (used in)/from investing activity	<u>(5,244)</u>	<u>552</u>

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D) QUARTERLY REPORT ON THE RESULTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 28 FEBRUARY 2021 ⁽¹⁾

	CURRENT YEAR- TO-DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR- TO-DATE 29.02.2020 Audited RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	25,138	1
Repayment of term loans	(173)	(692)
Proceeds from finance lease liabilities	-	169
Repayment of finance lease liabilities	(328)	(313)
Proceeds from banker's acceptances	7,814	14,923
Repayment of banker's acceptances	(7,296)	(15,821)
Proceeds from trust receipts	25,976	32,430
Repayment of trust receipts	(27,213)	(30,899)
Payment of lease liabilities	(228)	(212)
Repayment of amount due to director	-	(688)
Advances from a director	-	10
Dividend paid	(942)	-
Interest paid	(923)	(1,213)
Net cash flows from/(used in) financing activities	21,825	(2,305)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,001	(4,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,799	7,742
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR/PERIOD	23,800	2,799
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD:-		
Cash and bank balances	24,608	4,786
Fixed deposits with licensed banks	1,100	1,069
Bank overdraft	(888)	(2,036)
	24,820	3,819
Less: Deposits pledged	(1,020)	(1,020)
	23,800	2,799

Note:-

- (1) The basis of preparation of Unaudited Condensed Consolidated Cash Flow Statement are disclosed in Note A1 and should be read in conjunction with the Company's Audited Financial Statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to this interim financial report.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“Listing Requirements”).

The interim financial report should be read in conjunction with the Company’s Audited Financial Statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to this interim financial report.

A2 Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those as disclosed in the Audited Financial Statements of the Company for the financial year ended 29 February 2020, save for the early adoption of the following amendment which is applicable to the Group: -

Effective for financial periods beginning on or after 1 June 2020

Amendment to MFRS 16 Leases, Covid-19 Related Rent Concessions

The initial application of the amendment above does not have any material impact to this interim financial report of the Group.

Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective.

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9 Financial Instruments (2014), MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments; Disclosure, MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmark Reform Phase 2

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework
Annual Improvements to MFRS Standards 2018 - 2020
Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent liabilities and contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect on the financial statements of the Group upon their initial application.

A3 Auditors' report on preceding annual financial statements

The auditors' report for the financial year ended 29 February 2020 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Group's operations for the current financial quarter/year under review were not subject to any seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence for the financial quarter/year under review.

A6 Changes in estimates, significant accounting estimates and judgements

There were no changes in the nature and estimates of amounts reported which have a material effect on the results for the financial quarter/year under review.

A7 Debts and equity securities

There were no significant issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter/year under review save for the following:-

	AMOUNT	NO. OF SHARES
Issued and fully paid shares	RM'000	'000
At 1 March 2020	36,301	242,000
Issue of ordinary shares of the Company	17,710	61,500
Share issuance expenses	(858)	-
Private placement ⁽¹⁾	9,756	27,293
At 28 February 2021	<u>62,909</u>	<u>330,793</u>

Note:-

(1) The issue prices for the private placement were disclosed in Note B6(i) of this report.

A8 Dividends paid

There was no dividend paid during the current financial quarter under review.

A first interim single tier dividend of 0.30 sen per ordinary share amounting to RM942,180 in respect of the financial year ending 28 February 2021 has been paid by the Company on 30 November 2020 to shareholders whose names appeared in the Register of Depositors at the close of business on 16 November 2020.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A9 Segment information

Segmental reporting of the Group's result are as follows: -

Current year to date ended 28 February 2021 (Unaudited)	INDUSTRIAL USERS RM'000	RESELLERS RM'000	ADJUSTMENT AND ELIMINATIONS RM'000	TOTAL RM'000
BUSINESS SEGMENT				
Revenue				
Revenue from external customers	91,602	18,988	-	110,590
Internal-segment revenue	10,577	-	(10,577)	-
External revenue	<u>102,179</u>	<u>18,988</u>	<u>(10,577)</u>	<u>110,590</u>
Segment profit	16,360	2,391	-	18,751
Other income				1,165
Administrative expenses				(14,371)
Finance costs				(1,013)
Share of results of an associate				600
Income tax expense				(2,286)
Profit for the financial year-to-date				<u>2,846</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A9 Segment information (Cont'd)

Segmental reporting of the Group's result are as follows: -

Preceding year to date ended 29 February 2020 (Audited)	INDUSTRIAL USERS RM'000	RESELLERS RM'000	OTHERS RM'000	ADJUSTMENT AND ELIMINATIONS RM'000	TOTAL RM'000
BUSINESS SEGMENT					
Revenue					
Revenue from external customers	100,548	33,740	-	-	134,288
Internal-segment revenue	10,269	-	1,700	(11,969)	-
External revenue	<u>110,817</u>	<u>33,740</u>	<u>1,700</u>	<u>(11,969)</u>	<u>134,288</u>
Segment profit	22,152	3,814	-	-	25,966
Other income					1,401
Administrative expenses					(16,081)
Finance costs					(1,339)
Income tax expense					(2,112)
Profit for the financial year-to-date					<u>7,835</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A10 Significant events subsequent to the end of the interim financial period/year

There were no other material events subsequent to the end of the current financial quarter/year that have not been reflected in this interim financial report, save for the following: -

On 22 October 2020, the Company announced that its wholly-owned subsidiary Actgen Industry Sdn Bhd, had on 22 October 2020 secured a term loan facility amounting to RM9,052,500.00 from HSBC Amanah Malaysia Berhad (the "Bank") which the terms and conditions are as stipulated in the Letter of Offer dated 1 October 2020 ("Term Loan Facility"). The Bank had on 12th March 2021 released the disbursement in full of the facility amount. The Term Loan Facility has a twenty (20) years tenure. The purpose of the Term Loan Facility is to finance the purchase of the remaining unexpired lease term for a period of approximately 40 years, expiring on 31 January 2060 of a parcel of freehold industrial land held under H. S. (D) 493851, PTD 76050, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor together with a single-storey detached factory with three-storey office building, one and half-storey detached factory, a single-storey detached warehouse, a Tenaga Nasional Berhad sub-station, a guardhouse and a water tank erected thereon for a cash consideration of RM10,650,000 ("Purchase Consideration"). The remaining amount of the Purchase Consideration shall be financed via the Group's internally generated funds.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial current quarter under review.

A12 Fair value of financial instruments

There were no gain or loss arising from fair value changes for all financial assets and liabilities for the current financial quarter under review.

A13 Capital commitments

As at 28 February 2021, the Group has no other capital commitments, save as disclosed below: -

	AS AT 28.02.2021 RM'000
Approved but not contracted for: -	
Property, plant, and equipment	<u>10,650</u>

A14 Contingent assets and contingent liabilities

There were no other contingent assets or contingent liabilities as at the date of this interim financial report.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A15 Significant related party transactions

The related party transactions of the Group have been entered into in the normal course of business. Listed below are the significant transactions with related parties of the Group during the current financial period under review.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 28.02.2021 Unaudited RM'000	PRECEDING CORRESPON- DING QUARTER 29.02.2020 Unaudited RM'000	CURRENT YEAR-TO-DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR-TO-DATE 29.02.2020 Audited RM'000
Entity owned by persons connected to a Director Sales of goods	-	6	3	21
Entity in which certain directors have interests Disposal of asset classified as held for sale	-	-	-	2,150

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of performance

The Group's revenue of RM35.129 million for the current financial quarter was 15.38% or RM4.682 million higher than that of the preceding corresponding quarter. The increase was primarily attributed to higher revenue during the current financial quarter ended 28 February 2021.

The Group recorded a lower gross profit ("GP") of RM4.958 million as compared to RM6.393 million in the preceding corresponding quarter. The decrease was mainly due to the increase in global commodity prices while maintaining selling prices to customers, an effort to help our customers to fulfil their contractual agreements. This resulted in a reduced gross profit towards the last quarter of the financial year ended 2021.

The Group's profit before tax ("PBT") for the current financial quarter was RM2.242 million, an increase of RM0.262 million or 13.23% as compared to the prior year's corresponding quarter. The increase in profit before tax in the current quarter is mainly due to the share of results of an associate company amounted to RM0.6 million and offset by a one-off listing expenses of RM0.498 million in the preceding corresponding quarter.

The Group's cumulative revenue for the financial year ended 28 February 2021 has decreased by RM 23.698 million or 17.65% to RM110.590 million as compared to RM134.288 in the cumulative financial year ended 29 February 2020. This was mainly due to the suspension of the Group's business from 18 March 2020 to 3 May 2020 as a result of the implementation of the Movement Control Order ("MCO") to contain the spread of COVID-19. Sales to customers from industrial users contributed 82.83% to the Group's revenue, followed by 17.17% from resellers for the financial year ended 28 February 2021. For the preceding financial year ended 29 February 2020, the percentage of revenue attributable to industrial users and resellers were 74.87% and 25.13% respectively.

The Group's profit before tax has decreased by RM4.815 million or 48.41% to RM5.132 million as compared to RM9.947 million in the financial year ended 29 February 2020. This was due to lower revenue and gross profit recognized as compared to the prior year due to the implementation of MCO by the Government as stated above.

B2 Variation of results against preceding quarter

	INDIVIDUAL QUARTER		Variance	
	CURRENT QUARTER	PRECEDING QUARTER	RM'000	%
	28.02.2021	30.11.2020		
	RM'000	RM'000		
Revenue	35,129	36,849	1,720	4.7%
Profit before tax	<u>2,242</u>	<u>2,341</u>	99	4.2%

The Group's revenue for the current financial quarter ended 28 February 2021 is marginally lower by RM1.720 million or 4.7% at RM35.129 million as compared to RM36.849 million in the preceding financial quarter ended 30 November 2020. Meanwhile, a profit before tax of RM2.242 million for the current financial quarter was attained, while RM2.341 million profit before tax was achieved in the preceding financial quarter.

During the current financial quarter, contribution to the Group's revenue from the industrial users and resellers were 82.83% and 17.17%, respectively as compared to 79.83% from industrial users and 20.17% from resellers in the preceding financial quarter ended 30 November 2020.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3 Prospects

The Malaysian economy recorded negative growth of 3.4% in the fourth quarter, largely attributable to the resurgence in COVID-19 cases and restrictive measures taken to contain the spread of the virus. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in global demand and the announced rollout of the COVID-19 vaccines provided support for an eventual resumption of economic activity. The vaccine rollout is expected to lift economic sentiments.

Notwithstanding this, downside risk to growth remains, with the pace and strength of recovery subject to the developments surrounding the COVID-19 pandemic globally and domestically. The MCO 2.0 was implemented on 13 January 2021 and subsequently lifted on 5 March 2021. Johor and Selangor, two of the states in which the Group business operates are currently in Conditional MCO (“CMCO”), while Melaka is in the stage of Recovery MCO (“RMCO”). The extension of these various constraints continues to pose challenges to the business operation. Nonetheless the Company remains committed to pursue its expansion goals, supported by our IPO proceeds as disclosed in Note B7.

The Company had purchased a property which will eventually serve as the Company’s new headquarter. A new sales outlet and a new distribution centre will be established within its vicinity. Both the setting-up and renovation works have already commenced as at to date and is expected to complete in the third quarter of the financial year ending 28 February 2022. The Group will be able to advance its business capacity while extending its operational efficiency with the completion of these set-ups.

The Group is also expanding its product range to include electrical supplies for the growing solar photovoltaic (“PV”) industry after receiving its first order for solar panels and inverters. The demand for related electrical equipment will grow in tandem with the expected rise in the installations of solar PV systems in the foreseeable future. The Group has the potential of being a one-stop center for prospective clients to have access to its selections of solar related products and electrical equipment offered, including various associated electrical products and accessories. This would encourage bulk purchases and potentially grow the size of our sale orders.

In relation to the acquisition of Focus Electrical Malaysia Sdn Bhd (“Focus Electrical”), the Group believes that the acquisition will enhance ACO Group’s future profitability and returns on shareholders’ funds. The Group will stand to benefit from the prospects and earnings potential of Focus Electrical in its plans to increase sales outlets and to further expands its market share and position in the East Coast region.

The Board is encouraged by the consistency of the Group’s performance given what remains as a challenging operating environment. As the economy shows sign of recovery from the COVID-19 pandemic with the rolling out of vaccines, a continuous improvement in domestic spending is anticipated. The present challenges and lingering impacts of the pandemic should not be overlooked. The Board believes that by remaining vigilant and being committed in sustaining operational efficiency, the Group will continue to be on track in improving its financial performance.

B4 Profit forecast

The Group did not issue any profit forecast or guarantee during the current financial quarter/year under review.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B5 Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 28.02.2021 Unaudited RM'000	PRECEDING CORRESPON- DING QUARTER 29.02.2020 Unaudited RM'000	CURRENT YEAR TO-DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR-TO-DATE 29.02.2020 Audited RM'000
In respect of the current period:				
Income tax expenses	<u>1,189</u>	<u>188</u>	<u>2,286</u>	<u>2,112</u>
Effective tax rate (%)	<u>53%</u>	<u>9%</u>	<u>45%</u>	<u>21%</u>

For the current financial quarter and current financial year ended 28 February 2021, the effective rate is 53% and 45% respectively, which is higher than the statutory tax rate of 24% due to an under-provision of tax of RM 0.459 million on non-deductible listing expenses. Meanwhile, a comparatively lower statutory tax rate of 9% and 21% during the preceding corresponding quarter and the financial year ended 29 February 2020 was mainly due to the reversal of deferred tax liabilities, following the disposal of property, plant and equipment.

Income tax expense is recognised based on management's best estimate.

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ACO GROUP BERHAD

(Company No: 201901020410 (1329739-A))

(Incorporated in Malaysia)

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B6 Status of corporate proposals

Save for the following, there are no other corporate proposals announced but not yet completed as at the date of this report.

- (i) On 17 September 2020, the Company had announced a proposed private placement of up to 56.5 million new ordinary shares in ACO (“ACO Share(s)” or “Share(s)”) (“Placement Share(s)”), representing approximately 18.83% of the existing total number of issued shares of ACO (“Private Placement”); and a proposed acquisition of 49% equity interest in Focus Electrical, comprising 1.225 million ordinary shares in Focus Electrical at RM6.00 per Sale Share, by ACO Holdings Sdn Bhd, a wholly-owned subsidiary of ACO, from Wong Kim Lian, Ong Teik Leong and Tan How Ching, for a purchase consideration of RM7.350 million to be satisfied via a combination of cash consideration of RM5.880 million and issuance of 3.50 million new ACO Shares at an issue price of RM0.42 per ACO Share (“Consideration Shares”) (“Acquisition”).

As at the date of this report, a total of 28.953 million Placement Shares had been issued pursuant to the Private Placement, at issue prices ranging from RM0.300 to RM0.365 per Placement Share. As at to-date, a total of six (6) tranches had been completed and the total amount raised from the placement of 28.953 million Placement Shares was RM10.254 million constituted by approximately 51% of the total Placement Shares.

Given the current market conditions, the Group had on 31 March 2021, applied for an extension of time to implement and complete the Private Placement. The application for extension of time was approved by Bursa Securities on 15 April 2021.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B7 Utilisation of proceeds raised from public issue

In conjunction with the Company's listing on the ACE Market of Bursa Securities on 18 March 2020, the gross proceeds raised from the public issue amounting to RM16.240 million and status of utilisation as at 28 February 2021 is disclosed in the following manner:-

Purposes	REVISED UTILISATION RM'000	ACTUAL UTILISATION RM'000	BALANCE UNUTILISED RM'000	ESTIMATED TIME FRAME FOR USE OF PROCEEDS FROM THE LISTING DATE
Setting up new sales outlets and lighting concept store	4,200	-	4,200	Within 24 months
Setting up works for the new property	2,500	350	2,150	Within 30 months
Purchasing of new trucks and upgrading of IT systems	2,000	322	1,678	Within 12 months
Working capital	4,240	4,240	-	Within 12 months
Estimated listing expenses	3,300	3,300	-	Within 3 months
	<u>16,240</u>	<u>8,212</u>	<u>8,028</u>	

The utilisation of proceeds as disclosed above should be read together with the Prospectus of the Company dated 27 February 2020, as well as the Company's announcement dated 28 October 2020 pertaining to the variation for the use of proceeds raised from the Company's initial public offering.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B7 Utilisation of proceeds raised from the Private Placement

On 17 September 2020, the Company proposed to undertake a private placement of up to 56.500 million new ordinary shares, representing approximately 18.83% of its existing total number of issued shares. As at the date of this report, a total of six tranches comprising 28.953 million Placement Shares had been issued pursuant to the Private Placement. The total fund raised to-date is approximately RM10.254 million.

The status of utilisation of proceeds based on funds raised from the Private Placement to-date is as follows:-

PURPOSES	PROPOSED	ACTUAL	ESTIMATED TIME FRAME FOR UTILISATION (FROM THE DATE OF LISTING OF THE PLACEMENTS SHARES)
	UTILISATION RM'000	UTILISATION RM'000	
Acquisition of Focus Electrical	5,145	1,470	Within 30 months
Capital injection in Focus Electrical	6,370	3,663	Within 12 months
Repayment of bank borrowings	2,435	-	Within 6 months
Investment in new business	5,000	-	Within 24 months
Working capital	3,000	1,000	Within 12 months
Estimated expenses in relation to the Proposals	650	330	Upon completion of the Proposal
	<u>22,600</u>	<u>6,463</u>	

The utilisation of the proceeds as disclosed above should be read together with the announcement made by the Company dated 17 September 2020 in relation to the Proposals.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B8 Group's borrowings and debt securities

The Group's borrowings are as follow: -

	PAYABLE WITHIN 12 MONTHS RM'000	PAYABLE AFTER 12 MONTHS RM'000	TOTAL OUTSTANDING RM'000
<u>Secured borrowings</u>			
Banker's acceptances	3,563	-	3,563
Trust receipts	11,534	-	11,534
Hire purchases	329	372	701
Overdraft	888	-	888
Term loans	578	6,932	7,510
	<u>16,892</u>	<u>7,304</u>	<u>24,196</u>

The secured bank borrowings and other facilities are secured by way of:-

- Legal charges over freehold land and buildings of subsidiaries;
- Legal charges over freehold land and buildings of a related party;
- Corporate guarantee by the subsidiaries;
- Joint and several guarantees by the Company's director and key management personnel;
- Legal charges over fixed deposits of a subsidiary; and
- Legal charges over investment properties.

The bank borrowings and other facilities are denoted in local currency.

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EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B9 Material litigations

As at the date of this report, the Group is not engaged in any material litigation.

B10 Proposed dividends

No dividends have been declared or recommended for payment by the Company during the current financial quarter under review.

B11 Basic and diluted earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 28.02.2021	PRECEDING CORRESPON -DING QUARTER 29.02.2020	CURRENT YEAR TO-DATE 28.02.2021	PRECEDING YEAR-TO-DATE 29.02.2020
Net profit for the period attributable to ordinary equity holders of the company (RM'000)	<u>1,053</u>	<u>1,741</u>	<u>2,846</u>	<u>7,667</u>
Weighted average number of shares in issue ('000)	<u>305,460</u>	<u>242,000</u>	<u>305,460</u>	<u>242,000</u>
Basic and diluted earnings per share (sen) ^{(1) (2)}	<u>0.34</u>	<u>0.72</u>	<u>0.93</u>	<u>3.17</u>

Notes: -

- 1) The basic earnings per share is computed based on profit after tax attributable to the owners of the Company and divided by the weighted average number of ordinary shares in issue during the period/year under review.
- 2) The diluted earnings per share of the Group is equivalent to the basic earnings per share as the Group does not have any convertible options as at the end of the reporting period/year.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B12 Notes to the statement of comprehensive income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 28.02.2021 Unaudited RM'000	PRECEDING CORRESPON- DING QUARTER 29.02.2020 Unaudited RM'000	CURRENT YEAR-TO-DATE 28.02.2021 Unaudited RM'000	PRECEDING YEAR-TO-DATE 29.02.2020 Audited RM'000
The following amounts have been included in arriving at profit before tax:-				
Finance costs	200	370	1,013	1,339
Depreciation on property, plant and equipment	253	336	1,011	1,072
Depreciation on right-of-use assets	166	146	672	635
Equipment rental expenses	7	3	59	88
	<u>7</u>	<u>3</u>	<u>59</u>	<u>88</u>
and after crediting:				
Interest income	67	7	241	43
Trade credit insurance compensation	69	-	546	13
Rental income	51	62	204	231
Bad debts recoverable	1	-	18	33
	<u>1</u>	<u>-</u>	<u>18</u>	<u>33</u>

By Order of the Board

Date: 27 April 2021