12. FINANCIAL INFORMATION *(CONT'D)*

12.3.2.2 Segmental analysis of cost of sales, GP and GP margin

Our Group's cost of sales mainly comprises staff cost. The analysis of our cost of sales by cost items, by business activities, by subsidiaries and by geographical location for the Financial Years Under Review are explained below.

(i) Cost of sales by cost item

The components of our cost of sales are as follows:

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Cost of sales by cost item	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Staff cost	2,840	79.66	4,172	52.01	4,950	63.79	6,362	63.68
Software licences	725	20.34	3,803	47.41	2,332	30.05	2,663	26.65
Subcontractor fees	-	-	46	0.58	477	6.16	966	9.67
Total	**3,565**	**100.00**	**8,021**	**100.00**	**7,759**	**100.00**	**9,991**	**100.00**

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12. FINANCIAL INFORMATION *(CONT'D)*

Staff cost are the largest component in the cost of sales, consistently constituting more than 50% of our total cost of sales. The second largest component is software licences which constitutes approximately between 20.34% to 47.41% of our total cost of sales.

(a) Staff cost

Staff cost accounted for approximately 79.66%, 52.01%, 63.79% and 63.68% of our Group's total cost of sales for the Financial Years Under Review.

Staff cost mainly consist of salaries, bonuses, employees' provident fund contributions and other staff-related benefits. These staff cost are attributable to our employees from the creative, development and operation department.

(b) Software licences

Software licences cost accounted for approximately 20.34%, 47.41%, 30.05% and 26.65% of our Group's total cost of sales for the Financial Years Under Review.

We purchase software licences from software vendors on wholesale basis and resell them to our customers (i.e. organisations and educational institutions, who are the end-users of our HCM and student management solutions respectively) based on number of software licences, as and when required based on projects awarded, with a percentage mark-up. Each user would require an individual software licence codes and therefore when we receive a request for purchase of software licence, we purchase on wholesale basis as it would usually be in hundreds of licence codes per purchase.

After the purchases of software licences are made upon request based on projects awarded or from our existing customers for licence renewal, these software licences are sold almost immediately to our customers. Therefore, we do not hold any software licences as inventories. However, in the event whereby the software licences are not sold almost immediately, these software licences will be recognised as inventories if they are still not sold as at 31 December. Our customers have the options to purchase the software licences from us or from software vendors. In view of this, not all of our projects for HCM and student management solutions will require the need to purchase software licences in advance of the installation stage for the softwares.

The timing for cost of software licences pertaining to the implementation of HCM solutions projects is not matched to the revenue generated from the respective projects. The cost of software licences is usually incurred before commencement of the implementation of HCM solutions projects. The revenue from the resale of software licences which was purchased pertaining to the implementation of HCM solutions projects will only be recognised after meeting the project's milestones, as the billings for resale of these licences is bundled together with the revenue from implementation of HCM solutions projects. Hence, we only recognise the revenue upon completing each milestone set out, whilst the cost of such licences will be incurred upfront.

(c) Subcontractor fees

Subcontractor cost accounted for approximately 0.58%, 6.16% and 9.67% of our Group's total cost of sales for FYE 2018, FYE 2019 and FYE 2020. We did not incur any subcontractor fees in FYE 2017.

As our customers may require specialised expertise on an immediate basis as well as taking into account of their cost and operational efficiencies, we will outsource some specialised implementation works, such as penetration test during system testing stage, to other third party IT companies depending on the requirements of our projects.

We also outsource some implementation works for HCM solutions that use Oracle Corp's HCM software, to third party IT companies in the event of resource constraints.

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12. FINANCIAL INFORMATION *(CONT'D)*

(ii) Cost of sales by business activities

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Cost of sales by business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of HCM and student management solutions	3,032	85.05	6,897	85.98	6,852	88.31	8,613	86.21
Provision of IT staff augmentation	533	14.95	1,124	14.02	588	7.58	480	4.80
Provision of HCM technology applications	-	-	-	-	319	4.11	830	8.31
Provision of IT-related training	-	-	-	-	-	-	68	0.68
Total	**3,565**	**100.00**	**8,021**	**100.00**	**7,759**	**100.00**	**9,991**	**100.00**

The majority of our Group's cost of sales is attributable to the provision of HCM and student management solutions comprising mainly staff cost and software licence. Staff cost is the only cost item for the provision of IT staff augmentation, provision of HCM technology applications and provision of IT-related training.

(iii) Cost of sales by subsidiaries

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Cost of sales by subsidiaries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Rams Malaysia	573	16.07	1,860	23.19	1,830	23.59	1,988	19.90
Rams Singapore	2,432	68.22	1,998	24.91	1,682	21.67	2,097	20.99
Rams Thailand	432	12.12	4,023	50.16	3,894	50.19	4,119	41.23
Rams Vietnam	128	3.59	140	1.74	34	0.44	-	-
Rams Indonesia	-	-	-	-	-	-	1,279	12.80
Feets Malaysia	-	-	-	-	319	4.11	508	5.08
Total	**3,565**	**100.00**	**8,021**	**100.00**	**7,759**	**100.00**	**9,991**	**100.00**

The table above sets out our cost of sales by subsidiaries (after inter-company transaction eliminations) for the Financial Years Under Review.

Our Group's cost of sales is mainly from Rams Singapore representing approximately 68.22% in FYE 2017 while Rams Thailand incurred the most cost of sales in FYE 2018, FYE 2019 and FYE 2020.

12. FINANCIAL INFORMATION *(CONT'D)*

(iv) Cost of sales by geographical location

	Audited							
Cost of sales by geographical location	**FYE 2017**		**FYE 2018**		**FYE 2019**		**FYE 2020**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	573	16.07	1,860	23.19	2,150	27.70	2,414	24.16
Overseas markets								
- Singapore	2,432	68.22	1,936	24.13	1,525	19.66	2,097	20.99
- Thailand	432	12.12	4,023	50.16	3,894	50.18	4,119	41.23
- Vietnam	128	3.59	140	1.75	34	0.44	-	-
- Indonesia	-	-	-	-	-	-	1,361	13.62
- The Netherlands	-	-	62	0.77	156	2.02	-	-
Subtotal	**2,992**	**83.93**	**6,161**	**76.81**	**5,609**	**72.30**	**7,577**	**75.84**
Total	**3,565**	**100.00**	**8,021**	**100.00**	**7,759**	**100.00**	**9,991**	**100.00**

Our Group's cost of sales is mainly incurred in Malaysia, Singapore and Thailand during the Financial Years Under Review.

(v) Analysis of GP and GP margin by business activities

Our GP and GP margin for the Financial Years Under Review is set out below:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	6,808	12,523	15,439	25,331
Cost of sales	(3,565)	(8,021)	(7,759)	(9,991)
GP	3,243	4,502	7,680	15,340
GP margin (%)	**47.64**	**35.95**	**49.74**	**60.56**

12. FINANCIAL INFORMATION *(CONT'D)*

Our GP and GP margin by business activities for the Financial Years Under Review is set out below:

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP		GP		GP/(GL)		GP	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Provision of HCM and student management solutions	2,578	79.49	3,289	73.05	7,219	94.00	6,736	43.91
Provision of IT staff augmentation	665	20.51	1,213	26.95	702	9.14	396	2.58
Provision of HCM technology applications	-	-	-	-	(241)	(3.14)	7,851	51.18
Provision of IT-related training	-	-	-	-	-	-	357	2.33
Total GP	**3,243**	**100.00**	**4,502**	**100.00**	**7,680**	**100.00**	**15,340**	**100.00**

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	GP margin (%)	GP margin (%)	GP margin (%)	GP margin (%)
Provision of HCM and student management solutions	45.95	32.29	51.30	43.89
Provision of IT staff augmentation	55.56	51.90	54.42	45.21
Provision of HCM technology applications	-	-	*	90.44
Provision of IT-related training	-	-	-	84.00
Group GP margin	**47.64**	**35.95**	**49.74**	**60.56**

Note:

* *Not applicable due to gross loss recorded.*

The provision of HCM and student management solutions is our Group's main GP contributor, representing more than 70% during the Financial Years Under Review save for FYE 2020 whereby provision of HCM technology applications is our Group's main GP contributor at 51.18%.

In view of the nature of our HCM and student management solutions business, our cost of sales such as purchase of software licences may not correspond to our overall revenue or profitability for a given year as the cost of sales and revenue recognised in any given year varies from one to another depending on the implementation timeframe for each project which ranges between 3 months and 24 months, which can often spread over 2 financial years. In this regard, cost of sales from each HCM project will generally peak during the initial year of implementation and taper off in the following year as software licences needs to be purchased before installation of the softwares for the projects starts whereas our billings for work done will only be raised based on the project's milestones. This timing difference of cost of sales and revenue recognition might affect our yearly GP margin as shown above.

12. FINANCIAL INFORMATION *(CONT'D)*

(vi) Analysis of GP and GP margin by subsidiaries

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP / (GL)		GP		GP/(GL)		GP/(GL)	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rams Malaysia	1,319	40.64	1,462	32.47	4,539	59.10	10,571	68.91
Rams Singapore	1,973	60.84	1,984	44.07	1,787	23.27	738	4.81
Rams Thailand	50	1.54	1,040	23.10	1,539	20.04	3,435	22.39
Rams Vietnam	(98)	(3.02)	16	0.36	56	0.73	-	-
Rams Indonesia	-	-	-	-	-	-	1,035	6.75
Feets Malaysia	-	-	-	-	(241)	(3.14)	(439)	(2.86)
Total	**3,243**	**100.00**	**4,502**	**100.00**	**7,680**	**100.00**	**15,340**	**100.00**

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	GP margin (%)	GP margin (%)	GP margin (%)	GP margin (%)
Rams Malaysia	69.70	44.01	71.27	84.17
Rams Singapore	44.79	49.82	51.51	26.03
Rams Thailand	10.37	20.54	28.33	45.47
Rams Vietnam	*	10.26	62.22	-
Rams Indonesia	-	-	-	44.73
Feets Malaysia	-	-	*	*
Group GP margin	**47.64**	**35.95**	**49.74**	**60.56**

Note:

* *Not applicable due to gross loss recorded.*

Rams Malaysia and Rams Singapore are our Group's main GP contributors for the FYE 2017 to FYE 2019. In FYE 2020, Rams Malaysia and Rams Thailand are our Group's main GP contributors.

12. FINANCIAL INFORMATION *(CONT'D)*

(vii) Analysis of GP and GP margin by geographical location

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP / (GL)		GP		GP/(GL)		GP	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	1,125	34.69	1,016	22.57	2,735	35.61	9,120	59.45
Overseas markets								
Singapore	1,745	53.81	2,046	45.45	2,052	26.72	782	5.10
Thailand	50	1.54	1,040	23.09	1,539	20.04	3,435	22.39
Vietnam	(98)	(3.02)	16	0.36	56	0.73	-	-
Indonesia	-	-	-	-	1,362	17.73	1,949	12.71
The Netherlands	193	5.95	384	8.53	(64)	(0.83)	54	0.35
Taiwan	228	7.03	-	-	-	-	-	-
Subtotal	**2,118**	**65.31**	**3,486**	**77.43**	**4,945**	**64.39**	**6,220**	**40.55**
Total	**3,243**	**100.00**	**4,502**	**100.00**	**7,680**	**100.00**	**15,340**	**100.00**

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	GP margin (%)	GP margin (%)	GP margin (%)	GP margin (%)
Malaysia	66.25	35.33	55.99	79.07
Overseas markets				
Singapore	41.78	51.38	57.37	27.16
Thailand	10.37	20.54	28.33	45.47
Vietnam	*	10.26	62.22	-
Indonesia	-	-	100.00	58.88
The Netherlands	100.00	86.10	*	100.00
Taiwan	100.00	-	-	-
Subtotal	**41.45**	**36.14**	**46.85**	**45.08**
Group GP margin (%)	**47.64**	**35.95**	**49.74**	**60.56**

Note:

* *Not applicable due to gross loss recorded.*

Malaysia and Singapore are our Group's main GP contributor for FYE 2017 to FYE 2019. In FYE 2020, Malaysia and Thailand are our Group's main GP contributor.

GP margin for the Netherlands in FYE 2017 and FYE 2020 and Taiwan in FYE 2017 is 100% as the staff costs were incurred by Rams Singapore and Rams Malaysia respectively, whereas the GP margin for Indonesia in FYE 2019 is 100% as costs were incurred by Rams Malaysia.

(viii) Commentary on cost of sales, GP and GP margin

FYE 2018 as compared to FYE 2017

Our total cost of sales increased by approximately RM4.46 million or 125.28% from RM3.56 million in FYE 2017 to RM8.02 million in FYE 2018. The increase is mainly due to the increase in cost of sales for the provision of HCM and student management solutions of approximately RM3.87 million or 127.72% from RM3.03 million in FYE 2017 to RM6.90 million in FYE 2018, which is in tandem with the increase in our total revenue for HCM and student management solutions.

Corresponding to the increase in revenue from the provision of HCM and student management solutions, we recorded higher staff cost of approximately RM1.33 million or 46.83% from RM2.84 million in FYE 2017 to RM4.17 million in FYE 2018 as we increased our number of employees from 42 personnel as at 31 December 2017 to 66 personnel as at 31 December 2018 due to increase in projects undertaken for HCM and student management solutions. Of the 66 personnel, 9 personnel were employed for the provision of IT staff augmentation. We also recorded an increase in software licences cost in FYE 2018 by approximately RM3.08 million in line with the increase in our HCM and student management solutions projects.

In FYE 2018, our GP increased by approximately RM1.26 million or 38.89% from RM3.24 million in FYE 2017 to approximately RM4.50 million in FYE 2018 which is mainly contributed from the increase in revenue from provision of HCM and student management solutions of approximately RM4.58 million or 81.64%.

However, we recorded a decrease in GP margin from 47.64% in FYE 2017 to 35.95% in FYE 2018. The overall decrease in GP margin is because the GP margin for the provision of HCM and student management solutions decreased from 45.95% in FYE 2017 to 32.29% in FYE 2018, mainly due to the increase in staff costs by RM1.30 million and software licences by RM3.08 million which has to be incurred for our new customers and projects undertaken.

The GP margin of Rams Malaysia has also decreased from 69.70% in FYE 2017 to 44.01% in FYE 2018 mainly due to the increased in number of employees in Rams Malaysia from 13 personnel as at 31 December 2017 to 28 personnel as at 31 December 2018.

FYE 2019 as compared to FYE 2018

Our total cost of sales decreased by approximately RM0.26 million or 3.24% from RM8.02 million in FYE 2018 to RM7.76 million in FYE 2019 although our total revenue has increased in FYE 2019 by RM2.92 million or 23.32%.

The cost of sales for the provision of HCM and student management solutions was consistent with the previous year with a slight decrease of approximately RM0.05 million or 0.72% from RM6.90 million in FYE 2018 to RM6.85 million in FYE 2019. Even though staff cost has increased by approximately RM0.78 million or 18.70% in FYE 2019 together with the increase in subcontractor fees of approximately RM0.43 million as a result of new HCM projects which required engagement of subcontractors to undertake certain scopes of work such as customisation of software and data migration and support services, software licences decreased by approximately

RM1.47 million or 38.68% in FYE 2019 as the cost for purchasing software licences pertaining to implementation of HCM solutions projects have already been incurred in FYE 2018 and lower licence fees charged by software vendors for renewal in the second year for P.R Recruitment and Business Management Co. Ltd of approximately RM0.61 million.

The cost of sales for provision of IT staff augmentation decreased by approximately RM0.53 million or 47.32% from RM1.12 million in FYE 2018 to RM0.59 million in FYE 2019 which is in line with the decrease in revenue from the same by approximately RM1.05 million or 44.87%. Despite the decrease in total cost of sales, we have started incurring staff cost in relations to the provision of HCM technology applications in FYE 2019, amounting to approximately RM0.32 million which is in line with the commencement in revenue generated from our in-house employee engagement mobile application Feet's.

In FYE 2019, our overall GP increased by approximately RM3.18 million or 70.67% from the preceding financial year from approximately RM4.50 million in FYE 2018 to approximately RM7.68 million in FYE 2019. This was mainly due to increase in revenue contribution from the provision of HCM and student management solutions of approximately RM3.89 million or 38.19% from FYE 2018 and lower software licence cost in FYE 2019 as some of the licence cost has been captured at the early stage of the project in FYE 2018. Notwithstanding the above, in FYE 2019 the Group recorded an increase in staff cost due to increase in headcount of 84 personnel compared to 66 personnel in FYE 2018. Further, the overall increase in GP was offset with a gross loss position of our HCM technology applications segment of RM0.24 million. This is a new business segment which has only generated revenue of approximately RM0.08 million in FYE 2019, whilst the cost incurred since the beginning of FYE 2019 of approximately RM0.32 million.

In view of the increase in our revenue and GP, our overall GP margin had also increased from 35.95% in FYE 2018 to 49.74% in FYE 2019 due to improved GP margin for the provision of HCM and student management solutions which increased from 32.29% in FYE 2018 to 51.30% in FYE 2019.

The GP margin of Rams Malaysia has also increased from 44.01% in FYE 2018 to 71.27% in FYE 2019 due to Rams Malaysia having incurred a similar amount of cost of sales in FYE 2018 to generate additional RM3.05 million or 91.87% more revenue in FYE 2019.

FYE 2020 as compared to FYE 2019

Our total cost of sales increased by approximately RM2.23 million or 28.77% from RM7.76 million in FYE 2019 to RM9.99 million in FYE 2020. The increase is mainly due to the increase in cost of sales for the provision of HCM and student management solutions of approximately RM1.76 million or 25.70% from RM6.85 million in FYE 2019 to RM8.61 million in FYE 2020, which is in tandem with the increase in our total revenue for HCM and student management solutions.

Corresponding to the increase in revenue from the provision of HCM and student management solutions, we recorded higher staff cost of approximately RM1.41 million or 28.53% from RM4.95 million in FYE 2019 to RM6.36 million in FYE 2020 mainly due to a net increase of 18 staff in FYE 2020 which consist of increase in 12 new staff for provision for HCM and student management solution, and increase in 9 new staffs for R&D of Feet's which was offset with decrease of 3 staff for provision of IT staff augmentation. We also recorded an increase in software licences cost in FYE 2020 by approximately RM0.33 million which is in line with the increase in higher value projects undertaken for our HCM and student management solutions. Subcontractor fees increased by approximately RM0.49 million from RM0.48 million in FYE 2019 to

RM0.97 million in FYE 2020 mainly due to new project with PT Sigma Solusi Integrasi which amounted to RM0.34 million and project with Export-Import Bank of Thailand which amounted to RM0.12 million. The subcontractor was engaged because the Group does not have the expertise to perform the specific services. These services are mainly for HCM base cloud service to conduct process playback, build integration, data migration, configuration and others.

The cost of sales for provision of IT staff augmentation decreased by approximately RM0.11 million or 18.37% from RM0.59 million in FYE 2019 to RM0.48 million in FYE 2020 which is in line with the decrease in revenue from the same by approximately RM0.41 million or 32.09% from RM1.29 million in FYE 2019 to RM0.88 million in FYE 2020.

The cost of sales for provision of HCM technology applications increased by RM0.51 million or 160.19% from RM0.32 million in FYE 2019 to RM0.83 million in FYE 2020 due to staff costs incurred for project with Megatech amounted to RM0.32 million and cost related to the development of Feet's and Lark which cannot be capitalised amounted to RM0.19 million.

In FYE 2020, our overall GP increased by approximately RM7.66 million or 99.74% from RM7.68 million in FYE 2019 to RM15.34 million in FYE 2020. This was mainly due to increase in revenue contribution from the provision of HCM technology applications of approximately RM8.60 million from RM0.08 million in FYE 2019 to RM8.68 million in FYE 2020.

The overall increase in GP was offset with decrease of GP from the provision of HCM and student management solutions and provision of IT staff augmentation by RM0.48 million and RM0.31 million respectively in FYE 2020. The GP decreased from the provision of HCM and student management solutions despite the increase in revenue is mainly due to the increase of 12 new personnel from 52 personnel in FYE 2019 to 64 personnel, resulting in an increase in staff cost by RM0.94 million in FYE 2020. In view of this, the GP margin for the provision of HCM and student management solutions decreased from 51.30% in FYE 2019 to 43.89% in FYE 2020.

The GP decreased from the provision of IT staff augmentation due to no new project from a local financial institution in FYE 2020 upon completion of the existing project. Our revenue from the provision of IT staff augmentation decreased by approximately RM0.41 million or 32.09% from RM1.29 million in FYE 2019 to RM0.88 million in FYE 2020. In addition, the decrease in GP margin from provision of IT staff augmentation is due to lower GP margin for Epicenter Amsterdam project with Rams Singapore due to staff in Singapore being more expensive as there was limited resource available in Singapore at that time.

Our overall GP margin increased from 49.74% in FYE 2019 to 60.56% in FYE 2020 due to higher GP margin for the provision of HCM technology applications and provision of IT-related training of 90.44% and 84.00% respectively. The increase in GP margin was mainly due to the project with Megatech which contributed RM9.03 million in revenue whilst the cost incurred is only RM0.39 million. The low cost is mainly attributable to the utilisation of existing staff in relation to the implementation of the Lark platform and online-training services. Besides the staff cost, the project with Megatech does not bear the cost of the Lark licence or Lark platform as these are separately provided by third party. In view of this, the GP margin of Rams Malaysia has also increased from 71.27% in FYE 2019 to 84.17% in FYE 2020 due to Rams Malaysia having incurred an almost similar amount of cost of sales in FYE 2019 to generate an additional RM6.19 million or 97.19% more revenue in FYE 2020.

12. FINANCIAL INFORMATION *(CONT'D)*

The GP margin of Rams Thailand increased from 28.33% in FYE 2019 to 45.47% in FYE 2020 which is in line with the increase of its revenue by 39.04%, mainly due to revenue from Exim-Import Bank of Thailand and Bank Of Ayudhya Public Co., Ltd while the cost of sales recorded slight increase of 5.78%.

Notwithstanding the increase of our overall GP margin, Rams Singapore reported a decrease of GP margin from 51.51% in FYE 2019 to 26.03% in FYE 2020 due to no revenue recorded from Ascendas Land (Singapore) Pte Ltd upon completion of project and increase of cost of sales due to additional one operational staff.

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12. FINANCIAL INFORMATION *(CONT'D)*

12.3.2.3 Other income

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Other income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Bank rebates	-	-	-	-	9	7.03	2	0.39
Gain on disposal of equipment	-	-	-	-	*	*	48	9.47
Realised gain on foreign exchange	*	*	6	100.00	80	62.50	-	-
Unrealised gain on foreign exchange	-	-	-	-	27	21.09	24	4.73
Interest income	2	1.48	*		5	3.91	6	1.18
Refund of rental deposit	-	-	-	-	-	-	19	3.35
Government subsidy/incentive	124	91.85	-	-	-	-	263	51.87
Miscellaneous	9	6.67	-	-	7	5.47	2	0.39
Rental income	-	-	-	-	-	-	36	7.10
Rent concessions	-	-	-	-	-	-	107	21.10
Total	**135**	**100.00**	**6**	**100.00**	**128**	**100.00**	**507**	**100.00**

Note:

* *Amount less than RM1,000*

Commentary:

<u>FYE 2018 as compared to FYE 2017</u>

Our Group's other income decreased by approximately RM0.13 million or 92.86% from RM0.14 million in FYE 2017 to RM0.01 million in FYE 2018. This is mainly due to a subsidy given by the Government of Singapore, namely, Productivity and Innovation Credit Scheme in FYE 2017 for the amount of RM0.12 million. The Productivity and Innovation Credit Scheme encourages businesses to claim up to 400% tax deductions/allowances and / or 60% cash payout for year of assessment 2011 to 2018 for investments in research and development, innovation, automation and training.

FYE 2019 as compared to FYE 2018

Our Group's other income increased by approximately RM0.12 million from RM0.01 million in FYE 2018 to RM0.13 million in FYE 2019. The increase was mainly attributable to the increase in realised and unrealised gain on foreign exchange by approximately RM0.08 million and RM0.03 million respectively as a consequence of higher appreciation of both SGD and THB against RM in FYE 2019 as compared to FYE 2018. For illustration purposes, the average rate in FYE 2018 was RM1: SGD2.99 and RM1: THB0.12 as compared to average rate in FYE 2019 of RM1: SGD3.04 and RM1: THB0.13.

FYE 2020 as compared to FYE 2019

Our Group's other income increased by approximately RM0.38 million from RM0.13 million for FYE 2019 to RM0.51 million for FYE 2020. The increase was mainly attributable to wage subsidy of RM0.13 million given by the Government and the Government of Singapore respectively in FYE 2020 due to the COVID-19 pandemic. Due to the COVID-19 pandemic, we were also given a rent concession of RM0.11 million in FYE 2020 for our office in Tamarind Square from 1 March 2020 to September 2020.

12.3.2.4 Administrative expenses

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Administrative expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Advertisement and marketing	433	16.34	119	5.07	203	5.98	469	8.17
Commission expenses	-	-	31	1.32	34	1.00	20	0.35
Consultant and freelance	-	-	-	-	115	3.39	-	-
Directors' fees and remuneration	960	36.23	963	41.00	674	19.86	1,001	17.44
Insurance	107	4.04	86	3.66	118	3.48	212	3.69
Office expense	70	2.64	41	1.75	72	2.12	62	1.08
Professional fees [(1)]	184	6.94	145	6.17	277	8.16	342	5.96
Rental	126	4.75	148	6.32	151	4.45	135	2.35
Staff cost	327	12.34	483	20.56	947	27.90	2,712	47.25
Subscription fees	111	4.19	86	3.66	119	3.51	131	2.28
Training	7	0.26	4	0.17	26	0.77	12	0.21
Travelling and accommodation	115	4.35	80	3.41	108	3.18	222	3.87
Utilities	72	2.72	69	2.94	72	2.12	80	1.39
Withholding tax	-	-	-	-	257	7.57	-	-
Others [(2)]	138	5.20	94	3.99	221	6.51	342	5.96
Total	**2,650**	**100.00**	**2,349**	**100.00**	**3,394**	**100.00**	**5,740**	**100.00**

Notes:

(1) Includes fees paid for accounting services, auditors and lawyers.

(2) Includes tax expenses (unclaimed VAT and withholding tax) and other miscellaneous expenses such as upkeep of motor vehicles, medical expenses, and delivery charges.

Our Group's administrative expenses mainly comprise of staff cost, directors' remuneration, advertisement and marketing expenses and rental.

Staff cost mainly consist of salaries, bonuses, incentives, employees' provident fund contributions, allowances and other staff-related expenses.

Rental expenses are rental for our offices in Singapore, Thailand, Vietnam and Indonesia (rental for Indonesia only started in FYE 2019). Our office in Malaysia did not incur any rental expenses as the offices are owned by Rams Malaysia until it relocated its operation to Tamarind Square in January 2020 with a monthly rental of RM0.02 million. We have been granted a free-rental-period of 6 months effective from 1 September 2019 as per the tenancy agreement, details of which are set out in Section 6.22.2 of this Prospectus. Upon expiry of the free-rental-period, we were given a further 6 months until 30 September 2020 of free rental due to the COVID-19 pandemic. Thereafter, we have continued to pay a monthly rental of RM0.02 million.

Commission expenses are commission paid to our sales and marketing staff in Rams Thailand who have met the revenue target set by our Group.

Subscription fees are fees paid to use IT software licences.

Commentary:

FYE 2018 as compared to FYE 2017

For FYE 2018, administrative expenses decreased by approximately RM0.30 million or 11.32% to RM2.35 million as compared to the previous financial year. The decrease was mainly attributable to the following:

(i) decrease of advertisement and marketing cost by approximately RM0.31 million or 72.09% due to higher marketing cost incurred in FYE 2017 as we were expanding our business in Thailand. We recorded an increase of revenue in Thailand by approximately RM4.58 million or 954.16% in FYE 2018; and

(ii) decrease of professional fees by approximately RM0.04 million or 22.22% due to more professional services required in FYE 2017 for our GST submission purposes.

The decrease in administrative expenses was offset with an increase in staff cost by approximately RM0.15 million or 45.45% due to 4 additional staff in our HR, finance and administration department in FYE 2018.

FYE 2019 as compared to FYE 2018

For FYE 2019, administrative expenses increased by approximately RM1.05 million or 44.49% to RM3.39 million as compared to the previous financial year. The increase was mainly attributable to the following:

(i) increase of advertisement and marketing cost by approximately RM0.08 million or 70.59% due to our effort in expanding our business in Indonesia, where we first recorded a revenue of RM1.36 million in Indonesia in FYE 2019;

(ii) consultant and freelance cost of RM0.12 million was incurred in FYE 2019, out of which RM0.05 million was engagement of ad-hoc IT consultants for Rams Thailand and part-time administrative staff for Rams Indonesia;

(iii) increase of professional fees by approximately RM0.13 million or 91.03% mainly due to an increase of RM0.05 million for accounting services engaged for our new subsidiary, Rams Indonesia;

(iv) increase of staff cost by approximately RM0.46 million or 95.83% due to 15 additional staff, out of which 11 staff was employed for our sales and marketing department for Feets Malaysia and Feets Indonesia, collectively; and

(v) withholding tax amounting of RM0.26 million in FYE 2019, out of which RM0.07 million was withheld by our client in Taiwan in relation to the provision of HCM and student management solutions in FYE 2017. The said tax was paid to the Government of Taiwan. The balance of the withholding tax of RM0.19 million was VAT incurred for certain expenses pertaining to our projects in Thailand in 2018. We were unable to claim VAT refund on such expenses, and therefore were expensed off in FYE 2019.

The increase in administrative expenses in FYE 2019 was offset with the decrease of directors' fees and remuneration by approximately RM0.29 million or 30.21% to RM0.68 million. Our directors decided to draw lower fees and remuneration in view of the appointment of 2 new managers employed in FYE 2019, i.e. 1 for Rams Malaysia and 1 for Rams Indonesia.

FYE 2020 as compared to FYE 2019

For FYE 2020, administrative expenses increased by approximately RM2.35 million or 69.12% to RM5.74 million as compared to the previous financial year. The increase was mainly attributable to the following:

(i) increase of staff cost by approximately RM1.77 million or 186.38% due to 23 additional staff employed, out of which 5 staff were employed in management level. The 5 management level staff were 3 managing directors, a financial controller and a manager. The 3 managing directors (for Rams Malaysia, Rams Thailand and Rams Indonesia) together with the manager (for Rams Singapore) were newly hired in 2020 to fill up newly created positions in the respective subsidiaries which is in line with the business expansion of the Group. The roles of these 3 managing directors were previously undertaken by both Tan Chee Seng and Lee Miew Lan. They are reporting to Tan Chee Seng. The managing directors are responsible for business expansion in their respective countries. The new financial controller ("**FC**") was appointed in April 2020 to replace Soh Meng Siit, the former FC who was promoted as the Chief Financial Officer ("**CFO**") in February 2020. The FC is presently reporting to the CFO.

In addition, in Rams Malaysia, 8 new staff were hired in sales and marketing department to promote the Group's product and services, 6 new staff were hired in administrative and human resource department and 1 new finance staff was hired for business expansion. In Rams Thailand, 1 new staff was hired in administrative and human resource department to assist the new managing director in Rams Thailand. In Rams Indonesia, 2 new finance staff were hired for business expansion as well. The total additional staff costs for the staff that was hired for business expansion amounted to RM1.49 million, out of which RM0.15 million are for 6 staffs hired in sales and marketing department of Rams Malaysia which are part of the Group's future plans;

(ii) increase in travelling and accommodation cost by approximately RM0.11 million or 105.56% which is in line with the increase in revenue from overseas markets by 30.73%, and additional accommodation cost for one of our Indian staff who was in Thailand for a project and was unable to return to India due to travel restriction for 6 months. Upon returning to India, we have incurred accommodation cost for the Indian staff to undertake self-quarantine;

(iii) increase in advertisement and marketing cost by approximately RM0.27 million or 131.03% mainly due to entertainment and marketing expenses such as food and beverages and advertisement slots in Facebook for Megatech which we subsequently successfully obtained;

(iv) increase in directors' fees and remuneration by approximately RM0.33 million or 48.52%, out of which, RM0.21 million was due to the appointment of Liew Yu Hoe as our Director on 17 September 2019;

(v) increase in insurance expenses by approximately RM0.09 million or 79.66% mainly due to UOB Bank's loan guaranteed insurance of RM0.07 million and insurance for our Directors, Tan Chee Seng and Lee Miew Lan of RM0.02 million;

(vi) increase in professional fees by approximately RM0.07 million or 23.47% mainly due to legal fees of RM0.02 million to prepare the agreement for Megatech in relation to provision of HCM technology applications and IT-related training and increase in auditors' fees by RM0.05 million; and

(vii) increase in other expenses by approximately RM0.12 million or 54.75% mainly due to higher tax expenses of RM0.08 million in regard to withholding tax of RM0.06 million on dividend declared and paid by Rams Thailand to Rams Malaysia.

The increase in administrative expenses in FYE 2020 was offset with no expenses incurred for consultants and freelance which were ad-hoc IT consultants for Rams Thailand and part-time administrative staff for Rams Indonesia previously engaged in FYE 2019 and no longer required in FYE 2020.

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12. FINANCIAL INFORMATION *(CONT'D)*

12.3.2.5 Other expenses

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Other expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation	358	87.10	345	19.67	443	98.66	463	22.94
Loss on disposal of equipment	36	8.76	-	-	-	-	-	-
Realised loss on foreign exchange	9	2.19	-	-	-	-	9	0.45
Unrealised loss on foreign exchange	8	1.95	12	0.68	2	0.45	71	3.52
Preliminary expenses	-	-	-	-	4	0.89	-	-
Impairment on goodwill	-	-	1,397	79.65	-	-	-	-
Listing expenses	-	-	-	-	-	-	1,475	73.09
Total	**411**	**100.00**	**1,754**	**100.00**	**449**	**100.00**	**2,018**	**100.00**

Commentary:

FYE 2018 as compared to FYE 2017

For FYE 2018, other expenses increased by approximately RM1.34 million or 326.76% to RM1.75 million as compared to FYE 2017. The increase was mainly attributable to a one-off impairment of goodwill in relation to the acquisition of 50.97% equity interest in Feets Malaysia amounting to approximately RM1.40 million in FYE 2018. The goodwill arising from the acquisition was impaired off as Feets Malaysia had negative retained earnings at the point of acquisition. Our Group valued Feets Malaysia based on its intrinsic value of its mobile application Feet's, but adopted a prudent approach by impairing the goodwill in FYE 2018 in view of the negative retained earnings.

FYE 2019 as compared to FYE 2018

For FYE 2019, other expenses decreased by approximately RM1.31 million or 74.40% to RM0.45 million as compared to the previous financial year mainly due to no impairment of goodwill in FYE 2019 as compared to FYE 2018.

FYE 2020 as compared to FYE 2019

For FYE 2020, other expenses increased by approximately RM1.57 million or 349.44% as compared to the previous financial year mainly due to payment of professional fees of RM1.48 million in relations to our IPO which cannot be capitalised.

12.3.2.6 Impairment losses on financial assets

In FYE 2017, we recorded an impairment loss on trade receivables of RM0.02 million arising from the amount outstanding from 2 Vietnamese clients which we were unable to collect after numerous attempts.

In FYE 2020, we recorded an impairment loss on trade receivables of RM0.21 million which was determined based on the expected credit losses to be derived from the respective aging bracket of the trade receivables as at 31 December 2020 which is in accordance with MFRS 9.

In FYE 2020, we also recorded an impairment loss on other receivables of RM0.02 million recognised specifically on an amount long outstanding which exceeded 1 year. This amount is related to advance to supplier for IT related procurement for Rams Vietnam. The supplier, has been dissolved and the management has attempted to contact the supplier to recover the amount, but was unable to reach them. Thus, the management is of the opinion that the outstanding balances are unable to be collected and be impaired accordingly.

12.3.2.7 Finance costs

Our finance costs consist of interest expenses incurred on our bank overdraft, term loan, flexi loan and hire purchase / lease.

The breakdown of our finance costs is as follows:

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
Finance costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Lease liabilities interest	-	-	-	-	36	26.28	32	7.22
Hire purchase interest	22	11.58	27	15.08	-	-	-	-
Overdraft interest	35	18.42	39	21.79	17	12.41	49	11.06
Flexi loan interest	31	16.32	31	17.32	30	21.90	23	5.19
Term loan interest	95	50.00	68	37.99	38	27.73	95	21.45
RCPS interest	-	-	-	-	-	-	244	55.08
Others	7	3.68	14	7.82	16	11.68	-	-
Total	**190**	**100.00**	**179**	**100.00**	**137**	**100.00**	**443**	**100.00**

We utilise bank overdraft and term loan to finance our working capital; while flexi loan is utilised for financing our purchase of an office at Central Business District Perdana 2 and a SOHO at Cybersquare, details of which are set out in Section 6.22.1 of this Prospectus. Hire purchase / Lease is utilised to finance our purchase of motor vehicles for our Group.

Comparison between FYE 2018 and FYE 2017

For FYE 2018, finance costs decreased by approximately RM0.01 million as compared to the previous financial year mainly due to decrease in term loan interest by RM0.03 million as one of our term loan in Singapore have been fully settled in FYE 2018.

Comparison between FYE 2019 and FYE 2018

For FYE 2019, finance costs decreased by approximately RM0.04 million as compared to the previous financial year mainly due to decrease in term loan by RM0.03 million in FYE 2019.

Comparison between FYE 2020 and FYE 2019

For FYE 2020, finance costs increased by approximately RM0.31 million as compared to the previous financial year mainly due to the interest for the RCPS of RM0.24 million. Further details of the RCPS is in Section 5.5.1 of this Prospectus. Further, term loan interest increased by RM0.06 million due to additional term loans undertaken by the Group amounting to RM1.97 million for working capital purposes.

12.3.2.8 Profits, margins and tax rates

Our Group's profit and effective tax rates are as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
PBT (RM'000)	112	226	3,828	7,415
Tax at the applicable statutory tax rate 24% (RM'000)	27	54	919	1,780
Tax effects of: -				
Non-deductible expenses (RM'000)	283	418	579	456
Non-taxable income (RM'000)	(360)	(356)	(1,188)	(1,906)
Deferred tax assets not recognised for the financial year (RM'000)	17	66	243	236
Utilisation of deferred tax asset previously not recognised (RM'000)	(51)	-	(350)	(64)
Effects of differential in tax rates (1) (RM'000)	(13)	(85)	(116)	(87)
Under/(over) provision in the previous financial year (RM'000)	121	(48)	(59)	-
Taxation (RM'000)	(24)	(49)	(28)	(415)
PAT (RM'000)	88	177	3,800	7,000
Non-controlling interest (RM'000)	-	-	694	533
PATAMI (2) (RM'000)	88	177	4,494	7,533
PBT margin (%)	1.65	1.80	24.79	29.27
PAT margin (%)	1.29	1.41	24.61	27.63
PATAMI margin (%)	1.29	1.41	29.11	29.74
Group effective tax rate (3) (%)	21.43	21.68	0.73	5.60
Statutory tax rate (%)				
- Rams Malaysia	24	24	24	24
- Rams Singapore	17	17	17	17
- Rams Thailand	15	20	20	20
- Rams Vietnam	20	20	20	20
- Rams Indonesia	25	25	25	25
- Feets Malaysia	24	24	24	24
- Feets Indonesia	25	25	25	25

Notes:

(1) Effects of differential in tax rates is computed based on the tax effects of the difference between the Group tax rate of 24% against the statutory tax rate of each subsidiary.

(2) Profit attributable to the owners of the Company.

(3) Group effective tax rate is computed based on Group's total taxation over PBT. As the respective companies within the Group are subjected to the statutory tax rate of the respective jurisdictions, thus the effective tax rate of the Group will be affected by the statutory tax rates of the respective jurisdictions.

Commentary:

FYE 2018 as compared to FYE 2017

For FYE 2018, as a result of increase in revenue and GP, our PBT improved from RM0.11 million for FYE 2017 to RM0.23 million for FYE 2018. Our PBT margin improved slightly from 1.65% for FYE 2017 to 1.80% for FYE 2018 as lesser administrative expenses was incurred in FYE 2018, despite our GP margin decreased from 47.64% in FYE 2017 to 35.95% in FYE 2018 as mentioned in Section 12.3.2.2(v) of this Prospectus.

In line with the improvement of our PBT and PBT margin in FYE 2018, our PAT and PAT margin for FYE 2018 have also improved. Our PAT improved from RM0.09 million for FYE 2017 to RM0.18 million for FYE 2018. Our PAT margin improved from 1.29% in FYE 2017 to 1.41% in FYE 2018.

The effective tax rate of our Group for FYE 2017 and FYE 2018 remained consistent at 21.43% and 21.68% respectively. The slight increase in effective tax rate of 0.25% is due to increase in non-deductible expenses of RM0.42 million in FYE 2018 as compared to RM0.28 million in FYE 2017 and increase in deferred tax asset not recognised in the financial year of RM0.07 million in FYE 2018 as compared to RM0.02 million in FYE 2017; despite the off-setting effects of differential in tax rates of foreign subsidiaries of RM0.09 million and over provision of taxation in the previous financial year of RM0.05 million, respectively in FYE 2018.

In FYE 2017, the Group tax expenses was entirely contributed by Rams Malaysia whilst Rams Thailand and Rams Vietnam recorded a loss before tax, resulting in no income tax from both companies. Rams Singapore did not contribute any tax expenses despite recording a PBT, due to utilisation of deferred tax asset previously not recognised. In FYE 2018, the Group tax expenses was mainly contributed from Rams Thailand whilst Rams Singapore recorded a negative tax expense due to overprovision of tax in previous financial year and loss before tax in FYE 2018.

Rams Malaysia has been granted Pioneer Status for 100% tax exemption for a period of 5 years, which expired on 20 November 2019 and was subsequently renewed for a further period of 5 years until 20 November 2024. In view of the Pioneer Status, the non-taxable income of our Group in FYE 2017 amounted to RM0.36 million.

FYE 2019 as compared to FYE 2018

For FYE 2019, as a result of increase in revenue and GP from the provision of our HCM and student management solutions, our PBT improved from RM0.23 million for FYE 2018 to RM3.83 million for FYE 2019. Our PBT margin have improved from 1.80% in FYE 2018 to 24.79% in FYE 2019 due to increase in our GP margin from 35.95% in FYE 2018 to 49.74% in FYE 2019 due to the timing differences in recognising cost of sales and revenue as explained in Section 12.3.2.2(v) of this Prospectus. Further, higher PBT margin in FYE 2019 is due to a one-off impairment on goodwill in relation to the acquisition of Feets Malaysia of RM1.40 million in FYE 2018. For illustrative purposes, assuming that the one-off impairment on goodwill is excluded, the PBT margin would be 12.98% in FYE 2018 instead of 1.80%.

In line with our increase in PBT, our PAT increased by RM3.62 million from RM0.18 million in FYE 2018 to RM3.80 million in FYE 2019. PAT margin has also increased from 1.41% in FYE 2018 to 24.61% in FYE 2019 for the similar reasons as explained above. The effective tax rate decreased to 0.73% due to tax effects of non-taxable income of RM1.19 million in FYE 2019 as compared to RM0.36 million in FYE 2018. RM1.09 million of the tax effects of non-taxable income is referring to the income generated by Rams Malaysia which is exempted from income tax due to the Pioneer Status granted to Rams Malaysia which is effective up to 20 November 2019 while the balance of RM0.10 million was from Rams Singapore for gain on disposal of Rams Vietnam. In addition, the decrease in effective tax rate is due to utilisation of deferred tax asset previously not recognised of RM0.35 million and effects of differential in tax rates of foreign subsidiaries of RM0.12 million. In view of the Pioneer Status, all income generated by Rams Malaysia (except for non-pioneer income such as training-related services under consulting for HCM and student management solutions) that was earned between 1 January 2019 to 20 November 2019 are tax exempted. Non-pioneer income only amounted to approximately RM0.02 million during this period.

Despite Rams Malaysia's Pioneer Status, the Group tax expenses in FYE 2019 was mainly contributed from Rams Malaysia. Rams Singapore did not contribute any tax expenses despite recording a PBT, due to utilisation of deferred tax asset previously not recognised. The other companies within the Group recorded loss before tax, resulting in no tax expenses from them.

FYE 2020 as compared to FYE 2019

For FYE 2020, as a result of increase in revenue and GP, our PBT improved from RM3.83 million for FYE 2019 to RM7.42 million for FYE 2020. Our PBT margin increased from 24.79% in FYE 2019 to 29.27% in FYE 2020 which is in line with the increase in our GP margin from 49.74% in FYE 2019 to 60.56% in FYE 2020.

In line with our increase in PBT, our PAT increased by RM3.20 million from RM3.80 million in FYE 2019 to RM7.00 million in FYE 2020. PAT margin has also increased from 24.61% in FYE 2019 to 27.63% in FYE 2020 for the similar reasons as explained above. The effective tax rate increased to 5.60% in FYE 2020 mainly due to increase in revenue from Rams Malaysia and Rams Thailand. Although Rams Malaysia has been granted pioneer status for 100% tax exemption on specific business activities, the revenue from the IT-related training and sale of software licence is not entitled for the pioneer status tax exemption. In addition, the increase in effective tax rate is due to decrease in utilisation of deferred tax asset previously not recognised of RM0.35 million in FYE 2019 as compared to RM0.06 million in FYE 2020; despite the increase in non-taxable income of RM1.91 million in FYE 2020 as compared to RM1.19 million in FYE 2019. The non-taxable income is mainly due to the income generated by Rams Malaysia which is exempted from income tax due to the Pioneer Status granted to Rams Malaysia.

The Group tax expenses is mainly contributed by Rams Thailand. Despite Rams Malaysia being the largest contributor to the Group's profit after tax for FYE 2020, its contribution to tax expense of the Group is minimal due to its Pioneer Status. The remaining companies within the Group recorded a loss before tax, resulting in no income tax from them.

12.3.3 Liquidity and capital resources

12.3.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds mainly comprise term loans, flexi loans, bank overdrafts as well as hire purchase financing. As at 31 December 2020, we have:

(i) cash and bank balances of approximately RM2.84 million; and

(ii) bank borrowings (excluding lease liabilities recognised under MFRS 16) up to a limit of RM4.51 million, of which RM4.37 million has been utilised.

The interest rate of our borrowings is based on prevailing market rates. Currently, the principal use of our borrowings is for our Group's business growth and operations, for the acquisition of property, as well as for working capital purposes.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Our Board is confident that, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, after taking into account the following:

(i) our gearing and cash flow position;

(ii) banking facilities currently available to our Group;

(iii) our proceeds from the IPO exercise;

(iv) our future plans set out in Section 6.6 of this Prospectus; and

(v) net current asset position as at 31 December 2020.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work together closely with our sales and marketing staff for the collection of these outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

12.3.3.2 Cash flows

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years Under Review.

Our cash and cash equivalents are mostly held in RM and some amount in THB, USD, SGD, IDR and VND. Where cash is held in foreign currencies, there may be an exchange rate fluctuation effect on the cash held.

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

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash (for) / from operating activities	(369)	1,093	7,140	1,711
Net cash from / (for) investing activities	231	(385)	(1,771)	(903)
Net cash for financing activities	(519)	(651)	(2,015)	(1,788)
Net (decrease) / increase in cash and cash equivalents	**(657)**	**57**	**3,354**	**(980)**
Effects of foreign exchange translation	(21)	(7)	37	(59)
Cash and cash equivalent at beginning of the year	512	(166)	(116)	3,275
Cash and cash equivalent at end of the year	**(166)**	**(116)**	**3,275**	**2,236**

Commentary of cash flows:

FYE 2017

(i) Net cash for operating activities

For FYE 2017, our operating profit before working capital changes is approximately RM0.72 million. After adjusting for the following key items, we have a negative net operating cash flow of approximately RM0.37 million:

(a) the increase in our contract assets by approximately RM0.15 million due to revenue recognised for a project in last quarter of FYE 2017 but was only billed in the 1st quarter of FYE 2018;

(b) the increase in our trade and other receivables by approximately RM0.63 million due to payments made on behalf by our Group for R&D expenses incurred for the mobile application development of Feet's;

(c) the increase in amount owing by directors by RM0.36 million due to advances made from our Group; and

(d) the increase in our trade and other payables by approximately RM0.16 million due to purchase of software licences required for our projects.

The negative net operating cash flow of RM0.37 million is mainly due to payments made on behalf by the Group for R&D expenses incurred for the mobile application development of Feet's amounting to RM0.85 million which consists of mainly staff costs for R&D. Notwithstanding the negative net operating cash flow in FYE 2017, we remained profitable for FYE 2017 with a cash position and current ratio as follows:

	FYE 2017
	RM'000
PAT / PATAMI	88
Cash and bank balances	504
Current ratio (times)	1.59

(ii) Net cash from investing activities

We recorded a net cash of RM0.23 million in our investing activities in FYE 2017, mainly due to proceeds from insurance reimbursement of RM0.33 million for a stolen motor vehicle.

(iii) Net cash for financing activities

In FYE 2017, the cash for financing activities of RM0.52 million was mainly due to:

(a) repayment of borrowings of RM0.51 million;

(b) repayment of hire purchase of RM0.38 million;

(c) interest paid for our borrowings and hire purchase of RM0.15 million;

(d) a drawdown of term loan of RM0.36 million for working capital purposes; and

(e) proceeds of RM0.15 million arising from the issuance of ordinary shares in Rams Malaysia to its existing shareholders for capital injection purposes.

FYE 2018

(i) Net cash from operating activities

For FYE 2018, our operating profit before working capital changes is approximately RM2.16 million. After adjusting for the following key items, our operating cash flow is approximately RM1.09 million:

(a) the increase in amount owing by related parties by RM3.03 million out of which RM2.69 million was amount owing by Feets Malaysia for payments made on behalf by our Group for R&D expenses incurred for the mobile application development of Feet's amounting to RM2.13 million consisting of staff costs and third party consultants engaged for the R&D, management fees charged to Feets Malaysia amounting to RM0.06 million, advances to Feets Malaysia amounting to RM0.50 million and the balance of RM0.34 million was amount owing by Springbok Consulting Sdn Bhd for advances to Springbok Consulting Sdn Bhd for its operating expenses and have since been paid off in FYE 2019;

(b) the decrease in our contract assets by approximately RM0.15 million due to all revenue recognised in FYE 2018 has been billed accordingly. Hence, no contract assets recorded as at 31 December 2018;

(c) the decrease in our trade and other receivables by approximately RM1.33 million due to improvement in collection from our debtors;

(d) the increase in amount owing by directors by RM0.11 million due to net advances made from our Group which consist of RM0.42 million advance made from our Group and RM0.31 million repayment made to our Group; and

(e) the increase in our contract liabilities by approximately RM0.60 million due to advance payment received from CV Surya Mandiri of RM0.39 million, Chia Tai Co. Ltd of RM0.12 million, and DTGO Corporation Limited ("**DTGO**") of RM0.09 million.

(ii) Net cash for investing activities

We recorded a net cash of RM0.39 million for our investing activities in FYE 2018, mainly due to:

(a) payment to acquire 99.90% equity interest of Rams Thailand of RM0.13 million; and

(b) purchase of computer equipment and office equipment for RM0.08 million and payment of RM0.16 million for renovation of our office at Central Business District Perdana 2.

(iii) Net cash for financing activities

In FYE 2018, the cash for financing activities of RM0.65 million was mainly due to:

(a) repayment of borrowings of RM0.39 million;

(b) repayment of hire purchase of RM0.13 million; and

(c) interest paid for our borrowings and hire purchase of RM0.13 million.

FYE 2019

(i) Net cash from operating activities

For FYE 2019, our operating profit before working capital changes is approximately RM4.38 million. After adjusting for the following key items, our operating cash flow is approximately RM7.14 million:

(a) the increase in our contract assets by approximately RM0.89 million due to revenue recognised for a project in last quarter of FYE 2018 but was only billed in the 1st quarter of FYE 2019;

(b) the increase in our trade and other receivables by approximately RM0.67 million due to higher revenue generated in the last quarter of FYE 2019;

(c) the decrease in our contract liabilities by approximately RM0.48 million due to completion of milestone in the project; and

(d) the increase in our trade and other payables of approximately RM4.70 million mainly due to the share application monies received by our Company in respect of the RCPS from the Pre-IPO Investors amounting to RM4.27 million. As at 31 December 2019, the RCPS is still pending allotment and is treated as other payables under current liabilities.

(ii) Net cash for investing activities

We recorded a net cash of RM1.77 million for our investing activities in FYE 2019, mainly due to:

(a) partial payment to acquire the entire equity interest of Rams Singapore and Rams Vietnam for the amount of RM1.09 million; and

(b) purchase of computer equipment and office equipment for RM0.12 million and payment of RM0.56 million for renovation of our new office at Tamarind Square.

(iii) Net cash for financing activities

In FYE 2019, the cash for financing activities of RM2.02 million was mainly due to:

(a) dividend paid to the shareholders of RM2.87 million. Total dividend declared for FYE 2019 amounted to RM4.65 million. The balance dividend of RM1.78 million was paid via setting off against amount due from directors and therefore no cash outflow for the said balance;

(b) repayment of borrowings of RM0.25 million;

(c) repayment of hire purchase leases of RM0.16 million;

(d) interest paid for our borrowings and hire purchase leases of RM0.10 million; and

(e) proceeds received of RM0.53 million for the issuance of share capital to non-controlling interest pursuant to issuance of shares to Ivana S., shareholder of Rams Indonesia and Feets Indonesia.

We received a net advance from a director for the amount of RM0.83 million in FYE 2019 which consist of advances from a director amounting to RM2.09 million, repayment of approximately RM1.22 million for the advances which we received from the director and an advance to the director of approximately RM0.04 million. In relation to the advances from a director amounting to RM2.09 million, RM1.02 million was used for financing investment in subsidiaries while RM1.07 million was used for working capital purposes.

FYE 2020

(i) Net cash from operating activities

For FYE 2020, our operating profit before working capital changes is approximately RM9.91 million. After adjusting for the following key items, our operating cash flow is approximately RM1.71 million:

(a) the decrease in our contract assets by approximately RM0.89 million as all revenue recognised in FYE 2020 has been billed accordingly. Hence, no contract assets recorded as at 31 December 2020;

(b) the increase in our trade and other receivables by approximately RM10.25 million due to increase in revenue in FYE 2020 mainly due to balance owing from Megatech of RM6.70 million, CV Surya Mandiri of RM0.99 million, Bank Of Ayudhya Public Co., Ltd of RM1.74 million and PT Sigma Solusi Integrasi of RM1.09 million;

(c) the increase in our trade and other payables of approximately RM1.74 million mainly comprised of balance owing to Company B and Company E amounted to RM0.49 million for purchase of software licence and subcontractor cost, and professional fees payable for our IPO of RM1.33 million; and

(d) the increase in our inventories of RM0.24 million mainly comprised of software licences that were purchased for a HCM solutions project which was not used as the project with DTGO was terminated in September 2020 due to a change in DTGO's business decision to put their HCM solution project on hold.

(ii) Net cash for investing activities

We recorded a net cash of RM0.90 million for our investing activities in FYE 2020, mainly due to:

(a) purchase of computer equipment amounted to RM0.06 million for our office in Malaysia and Indonesia, and renovation and office equipment amounted to RM0.23 million for our headquarters in Malaysia; and

(b) increase in intangible assets by RM0.73 million for development cost paid for Lark and Feet's.

During FYE 2020, we received proceeds of RM0.12 million from disposal of a passenger car.

(iii) Net cash for financing activities

We recorded a net cash of RM1.79 million for our financing activities in FYE 2020, mainly due to:

(a) repayment of amount due to directors amounted to RM2.12 million;

(b) payment of RM0.95 million for professional fees in relations to our IPO exercise;

(c) repayment of borrowings of RM0.34 million;

(d) repayment of lease liabilities of RM0.21 million; and

(e) interest paid for our borrowings and hire purchase leases of RM0.14 million.

During FYE 2020, there was a drawdown of term loans of RM1.97 million for working capital purposes.

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12.3.4 Borrowings

We utilise credit facilities such as bank overdraft to partially finance our working capital and term and flexi loans to finance the acquisition of our office at Central Business District Perdana 2 and a SOHO at Cybersquare respectively. In addition, we also utilise hire purchase facilities to finance our purchases of motor vehicles for our Group.

Our total outstanding borrowings (including hire purchase and lease liabilities) as at 31 December 2020 stood at RM3.82 million, details of which are set out below. All our bank borrowings are interest-bearing and denominated in RM, SGD and THB.

	Purpose	Tenure	Interest rate	Audited as at 31 December 2020
			% per annum	RM'000
Interest bearing short-term borrowings, payable within 1 year:				
Bank overdraft (1)	Working capital	-	3.50	(2) 608
Term loan (1)	To part finance the purchase of a unit of office lot at Cyber Square	20 years	3.57	7
	Working capital	5 to 7 years	5.00 – 8.90	360
Flexi loan (1)	To part finance the purchase of one storey office lot at CBD Perdana 2	20 years	7.20	595
Hire purchase leases	Financing for the purchase of motor vehicles	5 years	4.71 – 9.00	(3) 105
Lease liability	Office rental	2 to 3 years	3.57 – 6.75	236
			Sub-total	**1,911**
Interest bearing long-term borrowings, payable after 1 year:				
Term loan	To part finance the purchase of a unit of office lot at Cyber Square	20 years	3.57	140
	Working capital	5 to 7 years	5.00 – 8.90	1,618
Hire purchase leases	Financing for the purchase of motor vehicles	5 years	4.71 – 9.00	(3) 119
Lease liability	Office rental	2 to 3 years	3.57 – 6.75	32
			Sub-total	**1,909**
			Total borrowings	**3,820**

Notes:

(1) Tan Chee Seng and Lee Miew Lan have provided personal guarantees for these financing facilities. Save for Tan Chee Seng and Lee Miew Lan, none of our Directors have provided any guarantees for any financing facilities of our Group. We had sought consent from our financiers for the change in the shareholdings of Rams Malaysia in conjunction with the Acquisition and our Listing. Our financiers had granted their consent with the condition that the personal guarantees provided by Tan Chee Seng and Lee Miew Lan are to be replaced with corporate guarantee(s) by Ramssol. We have executed the necessary documents with respect to the provision of corporate guarantee(s) and have provided the same to our financiers. As at the LPD, our financiers are in the process of replacing the personal guarantees with corporate guarantee(s), which is subject to the success of our Listing.

(2) RM0.15 million of the total bank overdraft is denominated in SGD.

(3) RM0.11 million of the total hire purchase is denominated in THB.

Our borrowings (excluding lease liabilities recognised under MFRS 16) carry the following effective interest rates for the Financial Years Under Review:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	% per annum	**% per annum**	**% per annum**	**% per annum**
Bank overdrafts	4.65	4.90 – 10.88	4.75 – 10.88	3.50
Term loans	4.70 – 10.88	4.70 – 10.88	4.82 – 10.15	3.57 – 8.90
Flexi loans	8.35	8.60	8.45	7.20
Hire purchase	4.62 – 4.71	4.62 – 9.00	4.62 – 9.00	4.71 – 9.00

The following table sets out the maturities of our borrowings and hire purchase and lease liabilities:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank borrowings				
Within the next 12 months	2,034	1,864	1,347	1,570
After the next 12 months	376	275	162	1,758
Hire purchase/Lease liabilities				
Within the next 12 months	102	146	384	341
After the next 12 months	281	314	420	151
Total	**2,793**	**2,599**	**2,313**	**3,820**

As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and / or interests in respect of any borrowings throughout the Financial Years Under Review as well as the subsequent financial period up to LPD.

As at the LPD, neither our Company nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2017 to FYE 2020, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

12.3.5 Types of financial instruments used, treasury policies and objectives

As at the LPD, save for our bank borrowings as disclosed in Section 12.3.4 of this Prospectus, we do not utilise any other financial instruments. We maintain foreign currency accounts to receive proceeds of our sales in SGD, VND, IDR, THB and USD.

Our treasury objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities, if any, by maintaining adequate liquidity and credit facilities. We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles.

Our liquidity and funding objectives are designed to meet our funding requirements, which include primarily payment of wages and salaries, interest and principal payments on outstanding borrowings, and general obligations such as administrative expenses and term deposits pledged for banking facilities. We have historically relied on cash generated from our operating activities, credit extended by our suppliers, credit lines such as flexi loans and term loans. Our funding objective is to obtain the most suitable types of financing and favourable cost of funding as our financing needs arise. Borrowings are negotiated with a view to secure the best possible terms and rates of interest.

Our cash and cash equivalents are held mostly in RM, SGD, THB and IDR. Our revenue is typically denominated in the local currencies of the respective countries where our subsidiaries are based. We do not use any hedging instruments in our daily operations. The cash in the local bank of the respective subsidiaries will be used for the operation of the respective subsidiaries to lessen foreign currency risk. Our Board reviews the foreign currency risks and strategies as needed to mitigate adverse impacts that may result from fluctuation in foreign currency exchange rates.

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM. Our exposure primarily consists of trade receivables and trade payables.

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12.3.6 Material capital commitments, material litigation and contingent liability

12.3.6.1 Material capital commitments

As at the LPD, we do not have any material capital commitment.

12.3.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there are no proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at the LPD.

12.3.7 Key financial ratios

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Trade receivables turnover period (days) (1)	72	38	33	93
Trade payable turnover period (days) (2)	91	17	19	35
Inventory turnover period (days) (3)	(6)-	(6)-	(6)-	16
Current ratio (times) (4)	1.59	0.88	0.74	2.61
Gearing ratio (times) (5)	0.93	2.37	*	0.56

Notes:

* *Not applicable as the total equity amount is a negative amount.*

(1) *Computed based on the average closing balance of trade receivables divided by the revenue for the respective financial year multiplied by the number of days in the respective financial year being 365 days for the Financial Years Under Review.*

(2) *Computed based on the average closing balance of trade payables divided by cost of sales (excluding staff costs) for the respective financial year multiplied by the number of days in the respective financial year being 365 days for the Financial Years Under Review.*

(3) *Computed based on the average closing balance of inventory divided by cost of software licences for the respective financial year multiplied by the number of days in the respective financial year being 365 days for the Financial Years Under Review.*

(4) *Computed based on total current assets over total current liabilities as at the respective financial year end.*

(5) *Computed based on bank borrowings over total equity as at the respective financial year end / period.*

(6) *Our inventory comprised of software licence and we usually do not hold any inventory save for FYE 2020 which is in relation to software licences that were purchased for DTGO's HCM solutions project which was not used as the project with DTGO was terminated in September 2020 due to a change in DTGO's business decision to put their HCM solution project on hold.*

12.3.7.1 Trade receivables turnover period

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	1,474	1,196	1,428	1,337
Closing trade receivables	1,196	1,428	1,337	11,579
Average trade receivables	1,335	1,312	1,382	6,458
Revenue	6,808	12,523	15,439	25,331
Average trade receivables turnover period (days)	72	38	33	93

The ageing analysis of our trade receivables as at 31 December 2020 is as follows:

	Within credit period	Exceeding credit period			
	Neither past due nor impaired	1 to 90 days past due but not impaired	91 to 180 days past due but not impaired	More than 181 days past due but not impaired	Total
Estimated total gross carrying amount (RM'000)	10,005	1,029	600	171	11,805
Allowance for impairment losses (RM'000)	(128)	(55)	(30)	(13)	(226)
Trade receivables (RM'000)	9,877	974	570	158	11,579
% of total trade receivables (%)	85.30	8.41	4.92	1.37	100.00
Subsequent collections up to the LPD (RM'000)	(6,542)	(1,029)	(600)	(158)	(8,329)
Gross trade receivables net of subsequent collections (RM'000)	3,463	-	-	13	3,476
% of gross trade receivables net of subsequent collections to total gross trade receivables net of subsequent collections (%)	99.63	-	-	0.37	100.00

As at the LPD, RM3.48 million of the outstanding gross trade receivables as at 31 December 2020 has yet to be collected.

Our average trade receivables turnover period for the Financial Years Under Review were 72 days, 38 days, 33 days and 93 days.

For FYE 2017, trade receivables turnover period was higher than FYE 2018 and FYE 2019 due to lower revenue recognised for FYE 2017 in comparison to FYE 2018 and FYE 2019. In addition, 64.72% of the trade receivables as at FYE 2017 was recognised in the final quarter of FYE 2017. This is mainly due to certain projects with milestones that are completed and billed in December 2017, such as the provision of IT staff augmentation for Epicenter Amsterdam, the provision of HCM solutions and IT staff augmentation for a local institution, and the sale of software licence to SP Setia Project Management Sdn Bhd, a wholly owned subsidiary of SP Setia Berhad. This leads to a higher outstanding trade receivables balance as at 31 December 2017, and hence higher trade receivables turnover period for FYE 2017. The billings in the final quarter have credit terms ranging from 30 to 60 days. The billings are not past due and customers makes payment accordingly within credit terms given.

Trade receivables turnover period decreased from approximately 72 days in FYE 2017 to approximately 38 days in FYE 2018 mainly because of higher revenue in FYE 2018 compared with FYE 2017 which increased by 83.93%. Further, there was improvement in collecting cash from its customers in FYE 2018 compared to FYE 2017 as we have put in place procedures such as regular monitoring, follow-up calls and issuance of Statement of Account to our customers on a monthly basis.

Trade receivables turnover period decreased from approximately 38 days in FYE 2018 to approximately 33 days in FYE 2019 as we have continued on with our procedure in place such as monitoring, regular follow-up calls and issuance of Statement of Account to our customers on monthly basis. The total outstanding trade receivables of approximately 49.72% and 55.28% as at FYE 2018 and FYE 2019 respectively are within our credit terms.

Trade receivables turnover period increased from approximately 33 days in FYE 2019 to approximately 93 days in FYE 2020 mainly due to our project with Megatech that allows a credit term of 120 days. This credit term is higher than our normal trade credit terms which range from 30 to 60 days. After negotiation with Megatech, we have given Megatech a longer credit term of 120 days on the basis that this is a project arising from the Penjana Kerjaya Program under the initiative of Government's Ministry of Human Resource. Our trade receivables (gross amount) as at 31 December 2020 amounted to RM11.80 million, out of which RM6.70 million or 56.73% comprised of amount owing by Megatech. The said amount was invoiced between August 2020 to December 2020 and RM6.30 million or 94.03% of the amount is within the credit period given to them.

Our normal trade terms are cash term and credit terms which range from 30 to 60 days. Currently, our cash terms are only attributable to our customers based in Malaysia who subscribed to Feet's, our in-house employee engagement mobile application. For FYE 2019 and FYE 2020, we billed our Malaysian-based customers who subscribed to Feet's on cash terms amounting to approximately RM0.02 million or 0.11% and RM0.07 million or 0.26% of our total revenue in FYE 2019 and FYE 2020 respectively. Our credit terms to customers are assessed and approved on a case-to-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, transaction volume, financial background, market reputation as well as the reason for the customers' inability to pay within the normal credit period. We use ageing analysis to monitor the credit quality of our trade receivables.

We recorded an allowance for impairment losses of RM0.01 million for each of the Financial Years Under Review arising from the amount outstanding from 2 Vietnamese clients which we believe have going concern issues. In addition, in FYE 2020, we recorded additional allowance for impairment losses of RM0.21 million which was determined based on the expected credit losses in accordance with MFRS 9. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers.

12. FINANCIAL INFORMATION *(CONT'D)*

12.3.7.2 Trade payables turnover period

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	199	164	192	101
Closing trade payables	164	192	101	593
Average trade payables	181	178	146	347
Cost of sales (excluding staff costs)	725	3,849	2,809	3,629
Average trade payable turnover period (days)	91	17	19	35

The ageing analysis of our trade payables as at 31 December 2020 is as follows:

		Exceeding credit period				
	Within credit term	1 to 30 days past due	31 to 60 days past due	61 - 90 days past due	More than 90 days past due	Total
Trade payables (RM'000)	361	-	-	227	5	593
% of total trade payables (%)	60.88	-	-	38.28	0.84	100.00
Subsequent payments up to the LPD (RM'000)	(361)	-	-	(227)	(5)	(593)
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-	-
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	-	-	-	-	-	-

The normal trade terms granted to our Group by our suppliers are cash term and credit terms ranging from 30 to 60 days.

Our average trade payables turnover period for the Financial Years Under Review were 91 days, 17 days, 19 days and 35 days respectively.

For FYE 2018 we recorded trade payables turnover period of approximately 17 days, which was shorter than the normal credit period granted by our suppliers as our Group promptly settles debt with our suppliers to maintain a good business relationship with our suppliers. The trade payables turnover period for FYE 2018 was 74 days lesser compared with FYE 2017. The trade payables turnover period for FYE 2017 was higher because of an outstanding amount due to Company A of approximately RM0.16 million since November 2016. This amount was subsequently settled in February 2017 because the Group was not able to process the payment in FYE 2016 as the authorised signatories were not in the country. Further, there were also purchases of software licences amounting to RM0.16 million made by Rams Malaysia from Company A in November 2017 pursuant to a project with SP Setia Berhad for the renewal of software licences, of which this payable amount to Company A was subsequently settled in January 2018 after collection of receivables from SP Setia Berhad in the same month.

For FYE 2019 we recorded trade payables turnover period of approximately 19 days, which was shorter than the normal credit period granted by our suppliers as our Group continues to promptly settle debt with our suppliers and maintain good business relationship. The trade payables turnover period for FYE 2019 was only 2 days more compared with FYE 2018.

Our average trade payables turnover period increased from 19 days in FYE 2019 to 35 days in FYE 2020. The total outstanding trade payables of approximately 60.88% as at FYE 2020 is within the normal trade credit terms granted to our Group by our suppliers ranging from 30 to 60 days. The increase in trade payables turnover period is mainly due to the increase in Company B and Company E billings for Rams Thailand and Rams Indonesia amounting to RM0.49 million. Rams Thailand purchased software licence from Company B for DTGO's HCM solutions project in December 2020 due to purchase commitment despite the termination of the project in September 2020. Rams Indonesia's increase in billing is due to the purchase of software licence for PT Nojorono Tobacco International in July 2020, and subcontracting works provided by Company E for PT Sigma Solusi Integrasi of which we have fully paid in February 2021.

As at the LPD, the outstanding trade payables as at 31 December 2020 that has not been paid is nil.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

12.3.7.3 Inventories turnover period

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening inventories	-	-	-	-
Closing inventories	-	-	-	240
Average inventories	-	-	-	120
Cost of sales (software licence)	725	3,803	2,332	2,663
Average inventory turnover period (days)	* -	* -	* -	16

* *Not applicable due to no closing inventories recorded as at financial year end.*

We recorded an inventory turnover period of 16 days in FYE 2020 as we have recorded a closing inventory of RM0.24 million. The inventories as at 31 December 2020 are in relation to software licences that were purchased for DTGO's HCM solutions project which was not used as the project with DTGO was terminated in September 2020 due to a change in DTGO's business decision to put their HCM solution project on hold.

Our Group plans to sell the software licences to our existing or potential new customers. Since the software licences offer cloud services, it can be offered to customers based in any countries which have access to the data center via cloud services. In the event that our Group is unable to sell the software licences to our existing or potential new customers, the software licences will be used internally for training and demonstrational purposes.

12.3.7.4 Current ratio

Our current ratio, current assets and current liabilities for the Financial Years Under Review are as follows:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Current assets	4,592	3,011	7,032	16,343
Current liabilities	2,885	3,419	9,520	6,260
Net current assets / (liabilities)	**1,707**	**(408)**	**(2,488)**	**10,083**
Current ratio (times)	1.59	0.88	0.74	2.61

Our current ratio ranged from 0.74 times to 2.61 times for the Financial Years Under Review.

The current ratio decreased from approximately 1.59 times as at 31 December 2017 to approximately 0.88 times as at 31 December 2018 due to the following:

(i) decrease in amount owing by related parties by RM1.51 million mainly due to the acquisition of Feets Malaysia whereby the amount owing by Feets Malaysia was eliminated in the combined results of our Group. The amount owing by Feets Malaysia was for payments made on behalf by our Group for research and development expenses incurred for the mobile application development of Feet's;

(ii) decrease in amount owing by a director by RM0.31 million due to payment by the director; and

(iii) increase in contract liabilities by RM0.61 million. Contract liabilities relates to advance consideration received from customers of which the revenue will be recognised over the remaining contract term.

Based on the above reasons, in FYE 2018, the Group recorded a net current liabilities position due to decrease in current assets stemming mainly from decrease in amounts owing by related parties and amounts owing by director. However, current liabilities increased following the increase in contract liabilities.

The current ratio decreased from approximately 0.88 times as at 31 December 2018 to approximately 0.74 times as at 31 December 2019 due to the following:

(i) increase of other payables and accruals by RM4.70 million mainly due to the share application monies received by the Company in respect of the RCPS from Pre-IPO Investors which is pending allotment; and

(ii) increase in amount owing to directors by RM2.09 million due to advance from directors to our Group. The advance from the director was used to finance investment in subsidiaries of approximately RM1.02 million and another RM1.07 million used for the Group's working capital.

Despite the decrease in current ratio in the FYE 2019, our Group recorded an increase in current asset due to the following:

(i) increase in cash and bank balances by RM3.01 million mainly due to share application monies received by the Company in respect of the RCPS from Pre-IPO Investors of RM4.27 million despite the decrease in cash and bank balances by RM2.87 million due to cash dividend paid; and

(ii) contract assets of RM0.91 million from 4 customers which we have rendered services but not billed as at 31 December 2019, and was subsequently billed in January 2020.

In FYE 2019, despite the large increase in current assets stemming from increase in cash and bank balances, other receivables, deposits and prepayments and contract assets, the Group recorded a net current liabilities position due to a correspondingly higher increase in other payables and accruals along with increase in amount owing to director. In the event that no dividend was declared and paid in FYE 2019, our cash and bank balances will increase by RM2.87 million and we will have a current asset of RM9.90 million and current ratio of approximately 1.04 times as at 31 December 2019.

The current ratio increased from approximately 0.74 times as at 31 December 2019 to approximately 2.61 times as at 31 December 2020 due to the following:

(i) increase in current assets as a result of increase in trade receivables by RM10.24 million mainly due amount owing by the following customers:

  (a) RM6.70 million by Megatech;

  (b) RM0.99 million by CV Surya Mandiri;

  (c) RM1.74 million by Bank Of Ayudhya Public Co., Ltd; and

  (d) RM0.34 million by Pacific International Lines (Pte) Ltd.

(ii) decrease in current liabilities as a result of decrease in other payables and accruals by RM1.91 million mainly due to allotment of RCPS on 30 June 2020 amounted to RM4.27 million. This was offset against an increase of other payables by RM0.95 million consisting of professional fees payable for our IPO of RM1.33 million and VAT and SST payable to tax authority of RM0.65 million. Accruals also increased by RM0.91 million which mainly consist of accrued salary in December 2020 which was subsequently paid in January 2021; and

(iii) decrease in amount owing to directors by RM2.12 million due to repayment for advances given by directors.

Our cash and bank balances decreased by RM0.85 million mainly due to repayment to directors for advances given.

12.3.7.5 Gearing ratio

Our gearing ratio throughout the Financial Years Under Review is as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
Total borrowings (including hire purchase lease and lease liability) (RM'000)	2,793	2,599	2,313	3,820
Total equity (RM'000)	2,988	1,095	(195)	6,767
Gearing ratio (times)	0.93	2.37	*	0.56

Note:

* *Not applicable as the total equity amount is a negative amount.*

Our Group's gearing ratio ranged from 0.93 times to 2.37 times for the Financial Years Under Review.

As at the LPD, we have total outstanding bank borrowings of approximately RM2.87 million which are drawn for the purchase of our office at Central Business District Perdana 2 and a SOHO at Cybersquare, purchase of motor vehicles for our Group and for working capital. Please refer to Section 12.3.4 of this Prospectus for further details on our borrowings.

The gearing ratio increased from approximately 0.93 times as at 31 December 2017 to approximately 2.37 times as at 31 December 2018 due to the following:

(i) decrease of share capital by RM0.24 million due to elimination of share capital of Rams Thailand arising from the effect of acquisition of the common control subsidiary, Rams Thailand when it was acquired by our Group in October 2018;

(ii) decrease of reserves by RM0.32 million mainly due to distribution of dividends to shareholders amounting to RM0.61 million. The decrease of reserves was offset with an increase in a merger reserve for the amount of RM0.11 million when Rams Thailand was acquired. The merger reserve amount was derived through the difference between the purchase consideration of the investment in Rams Thailand and the total share capital acquired. The PAT for FYE 2018 of RM0.18 million has also contributed to the increase of reserves; and

(iii) non-controlling interest of Feets Malaysia which has a negative amount of RM1.34 million as it is loss making.

Gearing ratio is not applicable in FYE 2019 due to total equity being a negative position for the following reasons:

(i) decrease of share capital by RM0.71 million due to the elimination of share capital of Rams Singapore and Rams Vietnam arising from the effect of acquisition of the common control subsidiaries, Rams Singapore and Rams Vietnam when they were acquired by our Group in April 2019 and October 2019 respectively;

(ii) decrease of reserves by RM0.41 million is mainly due to a merger deficit of RM0.37 million when Rams Singapore were acquired by Rams Malaysia in April 2019 due to the difference between the purchase consideration of the investment in Rams Singapore and the total share capital acquired. A merger deficit of RM0.17 million also arose when Rams Vietnam was 100% acquired by Rams Malaysia from Rams Singapore in October 2019; and

(iii) non-controlling interest of Feets Malaysia which has a negative amount of RM1.51 million as it is loss making.

The gearing ratio is not applicable in FYE 2019 due to total equity being a negative position, and the Group recorded a gearing ratio of approximately 0.56 times in FYE 2020 for the following reasons:

(i) increase in total equity by RM6.96 million from negative equity position of RM0.20 million in FYE 2019 to a positive equity position of RM6.77 million in FYE 2020 due to higher PAT of RM7.00 million and improved retained earnings recorded in FYE 2020; and

(ii) increase in total borrowings by RM1.51 million due to new term loans obtained in FYE 2020 with a combined limit of RM1.97 million for working capital purposes.

12.3.8 Impact of inflation

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance insofar as we are unable to pass on the higher costs to our customers through increase in selling prices.

12.3.9 Impact of foreign exchange rates and interest rates

12.3.9.1 Impact of foreign exchange rates

Our Group is involved in HCM solution and technology business in Malaysia, Singapore, Thailand, Vietnam and Indonesia. The revenue generated from each country is denominated in the respective local currencies.

On the other hand, our purchases, comprising HCM software licences from HCM software vendors and subcontracted implementation services from other IT companies, are mainly denominated in SGD, THB, RM and IDR.

The usage of different currencies for our revenue and purchases is in accordance to the country in which the transactions are performed. For example, revenue generated by Rams Thailand for HCM projects in Thailand and purchases of HCM software licences by Rams Thailand for projects in Thailand are denominated in THB. In view that both transactions are performed locally and in its respective local currency, our Group does not hedge our exposure to fluctuations in foreign currency exchange rates for such transactions.

Notwithstanding that, our Group does carry out transactions in USD, which is subject to fluctuations in foreign exchange rates. For example, Rams Malaysia generates revenue which is denominated in USD from Epicenter Amsterdam, and fees for subcontractors based in Singapore and India which are engaged by Rams Thailand are denominated in USD. However, the frequency of these USD-denominated transactions are minimal in the Financial Years Under Review. As such, our Group does not hedge our exposure to fluctuations in foreign currency exchange rates for USD-denominated transactions.

These foreign currency denominated transactions are then converted into RM for the purpose of consolidating our Group's financials as at the financial year end. The conversion of foreign currency into RM for the purpose of consolidating our financials does not require any hedging against fluctuation in foreign currency exchange rates.

Nevertheless, from the Group's perspective upon the consolidation of financials, we are subject to foreign exchange fluctuation risk for our revenue and purchases denominated in foreign currencies which we transact. A depreciation of the RM against the currencies which we transact will lead to higher revenue in RM after conversion, whereas it will also lead to higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to lower revenue and lower cost of purchases in RM after conversion.

There is potential impact of foreign exchange arising from the preparation of the consolidated financial statements of our Group as the financial statements of our foreign Subsidiaries are prepared in their respective local currencies. Thus, giving rise to foreign exchange translation reserve amount disclosed under 'other comprehensive income' as 'foreign currency translation differences'.

12.3.9.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its profit before interest and tax. The interest coverage ratio for the Financial Years Under Review is as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Borrowings	2,793	2,599	2,313	3,820
Profit before interest and tax	302	405	3,965	7,858
Finance costs	190	179	137	443
Interest coverage ratio (times) [(1)]	1.59	2.26	28.94	17.74

Note:

(1) Computed based on profit before interest and tax over finance costs.

Our interest coverage ratio of between 1.59 to 28.94 times for the Financial Years Under Review indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations.

Our Group's financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs for our working capital, which may have an adverse effect on the performance of our Group.

12.3.10 Order book

As at the LPD, our total secured orders of RM51.52 million includes orders secured in FYE 2021 of RM19.74 million whilst the remaining RM31.78 million was secured prior to 1 January 2021. Our outstanding secured orders (based on total value of orders secured less amount that has been recognised as revenue up to LPD) is approximately RM19.41 million, the details of which are as follows:

	Total secured orders as at LPD	Billed as at LPD	Unbilled amount as at LPD
	RM'000	RM'000	RM'000
Rams Malaysia	29,307	17,743	11,564
Rams Singapore	5,752	3,973	1,779
Rams Thailand	9,929	7,637	2,292
Rams Indonesia	6,396	2,635	3,761
Feets Malaysia	141	130	11
	51,525	(1) **32,118**	(2) **19,407**

Notes:

(1) The amount billed as at LPD includes a HCM solutions implementation project with DTGO. This project was subsequently terminated in September 2020 due to a change in DTGO's business decision to put their HCM solution project on hold.

(2) Type of projects for the unbilled amount as at LPD are as follows:

Type of projects	***Unbilled amount as at LPD***
	RM'000
Provision of HCM and student management solutions	
- Consultation and implementation	*4,444*
- Sale of third party software licences	*3,047*
- Technical support and maintenance	*1,757*
Provision of IT staff augmentation	*115*
Provision of HCM technology applications	*10,044*
	19,407

The unbilled amount as at LPD of approximately RM16.24 million is expected to be billed in FYE 2021 with the remaining balance of RM1.64 million is expected to be billed in FYE 2022 and RM0.76 million is expected to be billed each in FYE 2023 and FYE 2024 respectively.

As a result of the COVID-19 pandemic, the project delivery schedule for some of our ongoing secured projects were affected and delayed. Nevertheless, our Group managed to catch up with most of the timelines for the projects. As such, our billing schedules were not materially affected. Our Group's ability to secure orders during the COVID-19 pandemic may be affected as potential customers with projects of considerable value prefer physical interaction with our representatives.

12.3.11 Trend information

As at the LPD, our Board confirms that there are no:

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

(ii) material commitment for capital expenditure, as set out in Section 12.3.6.1 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations on our Group, save as disclosed in this Section and in Section 8 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and / or profits save for those that have been disclosed in this Section, business overview and IMR Report as set out in Sections 6 and 7 of this Prospectus, and business strategies and future plans as set out in Section 6.6 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, other than those disclosed in this Section and in Section 8 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Section 8 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths, business strategies and future plans as set out in Sections 6.5 and 6.6 of this Prospectus.

12.4 RECENT DEVELOPMENTS

Save as disclosed below, there are no significant events subsequent to our Group's audited financial statements for FYE 2020.

(i) On 18 August 2020, our Company had entered into a conditional share swap agreement with the shareholders of Rams Malaysia, being Tan Chee Seng, Lee Miew Lan, Liew Yu Hoe and Wong Kum Loong, to acquire the entire issued share capital of Rams Malaysia comprising 500,001 ordinary shares for a purchase consideration of RM1,313,070 satisfied wholly by the issuance of 3,450,000 new shares at an issue price of RM0.3806 per share. The purchase consideration of RM1,313,256 for the acquisition of Rams Malaysia was arrived at on a "willing-buyer willing-seller" basis, after taking in consideration the combined audited NTA of Rams Malaysia amounting to RM1,313,256 as at 31 December 2019.

Upon completion of the Acquisition on 17 May 2021, Rams Malaysia became a wholly-owned subsidiary of our Company and the issued shares of our Company increased from 10,000 Shares to 3,460,000 Shares.

(ii) On 21 May 2021, our Company has converted Class A RCPS into new ordinary shares at a conversion ratio of 100 Class A RCPS for 10 new ordinary shares and Class B RCPS into new ordinary shares at a conversion ratio of 100 Class B RCPS for 8 new ordinary shares. The issued shares of our Company has increased from 3,460,000 ordinary shares to 3,890,500 ordinary shares.

(iii) On 24 May 2021, our Company has completed its subdivision of issued shares for 1 existing ordinary share held by the registered shareholders into 43 new ordinary shares. The issued shares of our Company has increased from 3,890,500 ordinary shares to 167,291,500 ordinary shares.

12.5 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Generally, consent from the financier is required if any payment or declaration of such dividend exceeds or will exceed the PAT or a specific PAT threshold as prescribed in the respective facility agreement. Moving forward, the payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of Directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

In respect of the Financial Years Under Review, dividends declared by our subsidiary were as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends declared	-	(1) 610	(2) 4,650	-

Notes:

(1) Paid in FYE 2018 via setting against amount due from directors and therefore no cash outflow for the said balance.

(2) RM2.87 million was paid in cash and the remaining balance of RM1.78 million was paid via setting off against amount due from directors and therefore no cash outflow for the said balance.

Our Group does not have any intention to declare dividends for the FYE 2020.

12.6 CAPITALISATION AND INDEBTEDNESS

The following table summarises our capitalisation and indebtedness as at 30 April 2021 after taking into account the following:

(i) the Acquisition but before Conversion of RCPS, Public Issue and utilisation of proceeds from our Public Issue; and

(ii) the Acquisition, Conversion of RCPS, Subdivision of Shares, Public Issue and utilisation of proceeds from our Public Issue.

	Ramssol	Proforma I	Proforma II(a)	Proforma II(b)	Proforma III	Proforma IV
	As at 30 April 2021	After Acquisition	After Proforma I, but before Conversion of RCPS	After Proforma I, but after Conversion of RCPS and Subdivision of Shares	After Proforma II(b) and Public Issue	After Proforma III and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Indebtedness:						
CURRENT						
Secured						
Bank overdraft	-	61	61	61	61	61
Lease liabilities	-	45	45	45	45	45
Term loans	-	404	404	404	404	404
Unsecured						
Lease liabilities	-	224	224	224	224	224
	-	**734**	**734**	**734**	**734**	**734**

12. FINANCIAL INFORMATION *(CONT'D)*

	Ramssol	Proforma I	Proforma II(a)	Proforma II(b)	Proforma III	Proforma IV
	As at 30 April 2021	After Acquisition	After Proforma I, but before Conversion of RCPS	After Proforma I, but after Conversion of RCPS and Subdivision of Shares	After Proforma II(b) and Public Issue	After Proforma III and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT						
Secured						
Lease liabilities	-	48	48	48	48	48
Term loans	-	2,176	2,176	2,176	2,176	2,176
Unsecured						
Lease liabilities	-	30	30	30	30	30
RCPS	4,887	4,887	4,887	-	-	-
	4,887	7,141	7,141	2,254	2,254	2,254
Total Indebtedness	**4,887**	**7,875**	**7,875**	**2,988**	**2,988**	**2,988**
Equity attributable to the owners of the Company	(2,663)	11,903	9,240	14,127	39,219	24,344
Total capitalisation and indebtedness	**2,224**	**19,778**	**17,115**	**17,115**	**42,207**	**27,332**
Gearing ratio (times) [(1)]	(1.84)	0.66	0.85	0.21	0.08	0.12

Note:

(1) Computed based on total indebtedness over the equity attributable to the owners of the Company.

Crowe

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3 1 MAY 2021

The Board of Directors
Ramssol Group Berhad
B-04-05, Tamarind Square,
Persiaran Multimedia, Cyber 10,
63000 Cyberjaya, Selangor.

Dear Sirs

REPORTING ACCOUNTANT'S OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF RAMSSOL GROUP BERHAD ("THE COMPANY" OR "RAMSSOL")

OPINION

We have audited the combined financial statements of Ramssol Group Berhad, its combining entity, Rams Solutions Sdn. Bhd. and its subsidiaries ("collectively referred to as the Group") which comprise the combined statements of financial position as at 31 December 2017, 2018, 2019 and 2020, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2017, 2018, 2019 and 2020, and notes to the financial information, including a summary of significant accounting policies as set out on pages 4 to 107.

The historical financial information has been prepared for inclusion in the prospectus of Ramssol in connection with the listing of and quotation for the entire enlarged issued share capital of Ramssol on the ACE Market of Bursa Malaysia Securities Berhad ("the Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Guidelines") and is given for the purpose of complying with the Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2017, 2018, 2019 and 2020 and of their financial performance and their cash flows for each of the financial years ended 31 December 2017, 2018, 2019 and 2020 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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 financial information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The Directors of the Group are responsible for the preparation of the financial information of the Group that gives a true and fair view in accordance with MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information 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.

REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial information 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.

REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

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 (Cont'd):-

- 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 report to the related disclosures in the financial information 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 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 financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the combined financial statements 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.

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely for inclusion in the prospectus to be issued in relation to the proposed offering of the shares of Ramssol in connection with Ramssol's listing on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT	**Ho Yen Ling**
201906000005 (LLP0018817-LCA) & AF 1018	03378/06/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Financial Year Ended ("FYE") 31 December			
		2017	2018	2019	2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	4	2,034	2,177	1,985	1,296
Investment property	5	-	-	-	768
Rights-of-use assets	6	-	-	944	623
Development costs	7	-	-	-	725
Goodwill	8	-	-	-	-
		2,034	2,177	2,929	3,412
CURRENT ASSETS					
Inventories	9	-	-	-	240
Trade receivables	10	1,196	1,428	1,337	11,579
Other receivables, deposits and prepayments	11	136	303	1,091	1,666
Amount owing by related parties	12	2,060	546	-	-
Amount owing by a director	13	545	55	-	-
Contract assets	14	146	-	913	-
Current tax assets		5	-	-	14
Cash and bank balances		504	679	3,691	2,844
		4,592	3,011	7,032	16,343
TOTAL ASSETS		6,626	5,188	9,961	19,755

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
EQUITY					
Share capital	15	1,455	1,216	510	510
Reserves	16	1,533	1,218	804	8,312
Equity attributable to owners of the Company		2,988	2,434	1,314	8,822
Non-controlling interests	17	-	(1,339)	(1,509)	(2,055)
TOTAL EQUITY		2,988	1,095	(195)	6,767
NON-CURRENT LIABILITIES					
Redeemable convertible preference shares	18	-	-	-	4,737
Hire purchase payables	19	281	314	-	-
Lease liabilities	20	-	-	420	151
Term loans	21	376	275	162	1,758
Deferred tax liabilities	22	93	72	-	-
Provision for employee benefits obligations		3	13	54	82
TOTAL NON-CURRENT LIABILITIES		753	674	636	6,728

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		FYE 31 December			
	Note	**2017**	**2018**	**2019**	**2020**
		RM'000	**RM'000**	**RM'000**	**RM'000**
CURRENT LIABILITIES					
Trade payables	23	164	192	101	593
Other payables and accruals	24	560	580	5,329	3,424
Amount owing to directors	13	25	27	2,118	-
Hire purchase payables	19	102	146	-	-
Lease liabilities	20	-	-	384	341
Term loans	21	712	442	329	367
Short-term borrowings	25	1,322	1,422	1,018	1,203
Contract liabilities	14	-	608	145	136
Current tax liabilities		#	2	96	196
TOTAL CURRENT LIABILITIES		2,885	3,419	9,520	6,260
TOTAL LIABILITIES		3,638	4,093	10,156	12,988
TOTAL EQUITY AND LIABILITIES		6,626	5,188	9,961	19,755

- Amount less than RM1,000

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Revenue	26	6,808	12,523	15,439	25,331
Cost of sales		(3,565)	(8,021)	(7,759)	(9,991)
Gross profit		3,243	4,502	7,680	15,340
Other income	27	135	6	128	507
		3,378	4,508	7,808	15,847
Administrative expenses	28	(2,650)	(2,349)	(3,394)	(5,740)
Other expenses	29	(53)	(1,409)	(6)	(1,555)
Depreciation		(358)	(345)	(443)	(463)
Net impairment losses on financial assets	30	(15)	-	-	(231)
		(3,076)	(4,103)	(3,843)	(7,989)
Profit from operations		302	405	3,965	7,858
Finance costs	31	(190)	(179)	(137)	(443)
Profit before taxation		112	226	3,828	7,415
Income tax expense	32	(24)	(49)	(28)	(415)
Profit after taxation		88	177	3,800	7,000
Other comprehensive income	33				
Items that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		215	4	111	(37)
Total comprehensive income for the financial year		303	181	3,911	6,963

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Profit after taxation attributable to:-					
Owners of the Company		88	177	4,494	7,533
Non-controlling interests		-	-	(694)	(533)
		88	177	3,800	7,000
Total comprehensive income attributable to:-					
Owners of the Company		303	181	4,610	7,508
Non-controlling interests		-	-	(699)	(545)
		303	181	3,911	6,963
Earnings per share (RM)	34				
Basic		0.11	0.22	8.81	14.77
Diluted		0.11	0.22	8.81	14.77

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM'000	<-- Non-Distributable --> Merger Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance at 1 January 2017		1,305	-	(64)	1,294	2,535	-	2,535
Profit after taxation for the financial year		-	-	-	88	88	-	88
Other comprehensive income for the financial year:								
- Foreign currency translation differences		-	-	215	-	215	-	215
Total comprehensive income for the financial year		-	-	215	88	303	-	303
Contributions by and distribution to owners of the Company:								
- Issuance of shares	15	150	-	-	-	150	-	150
Balance at 31 December 2017/1 January 2018		1,455	-	151	1,382	2,988	-	2,988

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		<-- Non-Distributable	-->		Distributable			
	Note	Share Capital RM'000	Merger Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance at 31 December 2017/1 January 2018		1,455	-	151	1,382	2,988	-	2,988
Profit after taxation for the financial year		-	-	-	177	177	-	177
Other comprehensive income for the financial year:								
- Foreign currency translation differences		-	-	4	-	4	-	4
Total comprehensive income for the financial year		-	-	4	177	181	-	181
Contributions by and distribution to owners of the Company:								
- Acquisition of a subsidiary	36	-	-	-	-	-	(1,339)	(1,339)
- Effect of acquisition of a common control subsidiary	37	(239)	114	-	-	(125)	-	(125)
- Dividends	35	-	-	-	(610)	(610)	-	(610)
Total transactions with owners		(239)	114	-	(610)	(735)	(1,339)	(2,074)
Balance at 31 December 2018/1 January 2019		1,216	114	155	949	2,434	(1,339)	1,095

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	<-- Non-Distributable -->			Distributable			
		Share Capital RM'000	Merger Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance at 31 December 2018/1 January 2019		1,216	114	155	949	2,434	(1,339)	1,095
Profit after taxation for the financial year		-	-	-	4,494	4,494	(694)	3,800
Other comprehensive income for the financial year:								
- Foreign currency translation differences		-	-	116	-	116	(5)	111
Total comprehensive income for the financial year		-	-	116	4,494	4,610	(699)	3,911
Contributions by and distribution to owners of the Company:								
- Issuance of shares	15	10	-	-	-	10	529	539
- Effect of acquisition of common control subsidiaries	37	(716)	(374)	-	-	(1,090)	-	(1,090)
- Dividends	35	-	-	-	(4,650)	(4,650)	-	(4,650)
Total transactions with owners		(706)	(374)	-	(4,650)	(5,730)	529	(5,201)
Balance at 31 December 2019/1 January 2020		510	(260)	271	793	1,314	(1,509)	(195)

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	<-- Non-Distributable	-->		Distributable			
	Share Capital RM'000	Merger Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance at 31 December 2019/1 January 2020	510	(260)	271	793	1,314	(1,509)	(195)
Profit after taxation for the financial year	-	-	-	7,533	7,533	(533)	7,000
Other comprehensive income for the financial year:							
- Foreign currency translation differences	-	-	(25)	-	(25)	(12)	(37)
Total comprehensive income for the financial year	-	-	(25)	7,533	7,508	(545)	6,963
Distribution to owners of the Company:							
- Dividend by subsidiary to non-controlling interest	-	-	-	-	-	(1)	(1)
Total transactions with owners	-	-	-	-	-	(1)	(1)
Balance at 31 December 2020	510	(260)	246	8,326	8,822	(2,055)	6,767

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit before taxation		112	226	3,828	7,415
Adjustments for:					
Depreciation of property and equipment		358	345	260	200
Depreciation of investment property		-	-	-	17
Depreciation of right-of-use assets		-	-	183	246
Impairment losses:					
- goodwill		-	1,397	-	-
- trade receivables		15	-	-	213
- other receivables		-	-	-	18
Interest expense		190	179	101	411
Interest expense on lease liabilities		-	-	36	32
Listing expenses		-	-	-	1,475
COVID-19-related rent concessions		-	-	-	(107)
Loss/(Gain) on disposal of equipment		36	-	(1)	(48)
Unrealised loss/(gain) on foreign exchange		8	12	(25)	47
Interest income		(2)	-	(5)	(6)
Operating profit before working capital changes		717	2,159	4,377	9,913

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES (CONT'D)					
Operating profit before working capital changes		717	2,159	4,377	9,913
Increase in inventories		-	-	-	(240)
(Increase)/Decrease in contract assets		(146)	146	(894)	893
(Increase)/Decrease in trade and other receivables		(626)	1,332	(674)	(10,250)
(Increase)/Decrease in amount owing by related parties		(65)	(3,026)	18	-
(Increase)/Decrease in amount owing by director		(357)	(109)	89	-
Increase/(Decrease) in contract liabilities		-	604	(476)	(7)
Increase in provision for employee benefit obligations		3	10	39	30
Increase/(Decrease) in trade and other payables		156	(19)	4,699	1,744
CASH (FOR)/FROM OPERATIONS		(318)	1,097	7,178	2,083
Income tax (paid)/refunded		(9)	49	(5)	(329)
Interest paid		(42)	(53)	(33)	(49)
Interest received		-	-	-	6
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(369)	1,093	7,140	1,711

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Acquisition of a subsidiary	36	-	9	-	-
Development costs paid		-	-	-	(726)
Effect of acquisition of common control subsidiaries	37	-	(125)	(1,090)	-
Purchase of equipment	38(a)	(94)	(269)	(682)	(297)
Proceeds from disposal of equipment		325	-	1	120
NET CASH FROM/(FOR) INVESTING ACTIVITIES		231	(385)	(1,771)	(903)
CASH FLOWS FOR FINANCING ACTIVITIES					
Advances from/(Repayment to) a director		-	-	834	(2,115)
Issuance of share capital to non-controlling interest		-	-	529	-
Dividends paid		-	-	(2,869)	-
Drawdown of term loans	38(b)	360	-	-	1,965
Interest paid	38(b)	(148)	(126)	(104)	(141)
Repayment of hire purchase/lease liabilities	38(b)	(375)	(132)	(164)	(211)
Repayment of term loans	38(b)	(482)	(368)	(226)	(332)
Repayment of flexi loans	38(b)	(24)	(25)	(25)	(7)
Proceeds from issuance of ordinary shares		150	-	10	-
Payment of listing expenses		-	-	-	(947)
NET CASH FOR FINANCING ACTIVITIES		(519)	(651)	(2,015)	(1,788)

RAMSSOL GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		FYE 31 December			
	Note	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(657)	57	3,354	(980)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(21)	(7)	37	(59)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		512	(166)	(116)	3,275
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	38(d)	(166)	(116)	3,275	2,236

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Malaysia on 10 January 2019 as a private limited company and is principally engaged in the business of investment holding. The Company was incorporated with a total paid-up share capital of RM10,000 comprising 10,000 ordinary shares.

On 22 September 2020, the Company converted from a private company to a public company limited by shares and assumed its present name of Ramssol Group Berhad ("Ramssol").

The Company was incorporated for the purpose of acquiring the combining entity, Rams Solutions Sdn. Bhd. and its subsidiaries pursuant to the proposed listing exercise as disclosed in Note 45 to the Accountant's Report.

The information of entities within the combined financial statements is as follows:

(a) RAMS Solutions Sdn. Bhd. ("RAMS") was incorporated on 10 August 2010 in Malaysia as a private limited company and is principally engaged in the business of software development and advisory.

(b) Risorsa Umana Solutions Pte Ltd ("RUSPL") was incorporated on 23 September 2010 in Singapore as a private limited company and is principally engaged in the provision of human resource consultancy services to corporate clients. On 1 April 2019, RUSPL became a wholly-owned subsidiary of RAMS.

(c) Risorsa Umana Solutions Vietnam Company Limited ("RUSVCL") was incorporated on 30 March 2013 in Vietnam as a private limited company and is principally engaged in the business of provision of management consulting services for enterprises. On 18 October 2019, RUSVCL was disposed of by RUSPL and subsequently became a wholly-owned subsidiary of RAMS.

(d) RAMS Solutions Co. Ltd ("RSCL") was incorporated on 13 February 2015 in Thailand as a private limited company and is principally engaged in the business of providing information technology consulting. On 24 October 2018, RSCL became a subsidiary of RAMS with an effective equity interest of 99.90% (1).

(1) Pursuant to the laws of Thailand, it is a requirement that the majority shareholdings of a company incorporated in Thailand shall be held by a Thai shareholder and that it has at least 3 shareholders. As such, this requirement has been complied with by RSCL as 51% of the equity interest in the form of preference shares in RSCL is currently held by Narathip Phopikul, a Thai national, as set out below:-

Shareholders	Number of shares	%	Rights to dividend	Dividend entitlement (%)
Ordinary Shares				
Rams Malaysia	9,600	48.00	THB1 per 1 share	97.90
Tan Chee Seng	200	1.00	THB1 per 1 share	2.00
Preference Shares				
Narathip Phopikul	10,200	51.00	THB1 per 1,000 preference shares	0.10
Total	**20,000**	**100.00**		**100.00**

Based on the rights to dividend of the shareholders based on Articles 6 of the Articles of Association of RSCL, Narathip Phopikul is entitled to receive THB 1 for every 1,000 preference shares held, whereas RAMS and Tan Chee Seng are entitled to receive THB 1 for every 1 ordinary share held. In addition, Tan Chee Seng has also assigned his rights to dividend in RSCL to RAMS. Accordingly, Narathip Phopikul is only entitled to 0.10% of the dividends to be declared by RSCL, whilst RAMS (including Tan Chee Seng's assigned dividends) is entitled to 99.90% of the dividends to be declared by RSCL.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. GENERAL INFORMATION (CONT'D)

(e) Feets Sdn. Bhd. ("FEETS") was incorporated on 15 June 2017 in Malaysia as a private limited company and is principally engaged in the provision of internet related services in relation to the business of mobile application, electronic commerce, information systems integration and administration; provision of computer programming activities; and provision of research and development on ICT. On 28 December 2018, FEETS became a 51% owned subsidiary of RAMS.

(f) PT RAMS Solutions Nusantara was incorporated on 10 January 2019 in Indonesia as a 99% owned subsidiary of RAMS, a private limited company and is principally engaged in the provision of management consulting services for enterprises.

(g) PT Feets Tech Indo was incorporated on 10 January 2019 in Indonesia as a 51% owned subsidiary of FEETS and is involved in the provision of internet related services in relation to the business of mobile application, electronic commerce, information systems integration and administration; provision of computer programming activities; and provision of research and development on ICT.

Notes :-

RAMS Solutions Sdn. Bhd.	*- RAMS*
Risorsa Umana Solutions Pte Ltd	*- RUSPL*
Risorsa Umana Solutions Vietnam Company Limited	*- RUSVCL*
RAMS Solutions Co. Ltd.	*- RSCL*
Feets Sdn. Bhd.	*- FEETS*
PT RAMS Solutions Nusantara	*- PT RAMS*
PT Feets Tech Indo	*- PT FEETS*

(The Company and the above entities are collectively defined as 'the Group')

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION

For the purposes of the combined financial statements, the entities of the Group consist of Companies under common control for the FYE 31 December 2017, 2018, 2019 and 2020 as set out in Note 1 to the combined financial statements and continue to be under common control after 31 December 2020. The audited financial statements are not subjected to any audit qualification, modification and disclaimer.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. 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 combining 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 combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRS, IFRS and Prospectus Guidelines issued by the Securities Commission Malaysia.

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RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.1 As at 31 December 2020, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 16: COVID-19-Related Rent Concessions
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

2.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property and equipment as at the reporting date is disclosed in Note 4 to the combined financial statements.

(b) Amortisation of Development Costs

The estimates for the residual values, useful lives and related amortisation charges for the development costs are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised. The carrying amount of development costs measured at revaluation as at the reporting date is disclosed in Note 7 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Equipment and Right-of-use Assets

The Group determines whether its equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of equipment and right-of-use assets as at the reporting date are disclosed in Note 4 and Note 6 to the combined financial statements respectively.

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Note 10 and Note 14 to the combined financial statements respectively.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables as at the reporting date are disclosed in Notes 11 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets as at FYE 2020 is approximately RM14,220 (2019 and 2018 – Nil; 2017 – RM5,100) and the carrying amount of current tax liabilities as at FYE 2020 is approximately RM196,165 (2019 – RM96,000; 2018 – RM1,800; 2017 – #).

 # - Amount less than RM1,000

(g) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 8 to the combined financial statements.

(h) Revenue Recognition for Contracts with Customers

The Group recognises certain contract revenue by reference to the progress or milestones based on the work performed or services rendered by the Group. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to date. The carrying amount of contract assets and contract liabilities as at the reporting date are disclosed in Note 14 to the combined financial statements.

(i) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 9 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the group up to the effective date on which control ceases, as appropriate.

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

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Merger Accounting for Common Control Business Combinations

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 interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been affected throughout the current financial year.

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. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the combined statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations, if any, are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the combined financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Redeemable Convertible Preference Shares

The redeemable convertible preference shares are regarded as compound financial instruments, consisting of a liability component and an equity component.

The proceeds from the issuance of the redeemable convertible preference shares are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component is not remeasured subsequent to the initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

When the preference shares are not redeemed from proceeds of an issuance of new shares, a sum equal to the amount redeemed shall be transferred from retained profits to share capital.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

Accounting Policies Applied Until 31 December 2017

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening combined statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:-

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

3.6 PROPERTY AND EQUIPMENT

All items of property and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property and equipment, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 PROPERTY AND EQUIPMENT (CONT'D)

Depreciation on other property and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Office equipment	20% - 50%
Furniture and fittings	20% - 50%
Computer equipment	20% - 50%
Renovation	10% - 20%
Motor vehicles	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment. Any changes are accounted for as a change in estimate.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

3.7 INVESTMENT PROPERTIES

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 INVESTMENT PROPERTIES (CONT'D)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

3.8 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

(a) its ability to measure reliably the expenditure attributable to the asset under development;
(b) the product or process is technically and commercially feasible;
(c) its future economic benefits are probable;
(d) its intention to complete and the ability to use or sell the developed asset; and
(e) the availability of adequate technical, financial and other resources to complete the asset under development

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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 the right-of-use assets are determined on the same basis as those property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 LEASES (CONT'D)

Accounting Policies Applied Until 31 December 2018

(a) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and 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. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.10 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.12 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

Accounting Policy Applied Until 31 December 2017

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening combined statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as below:-

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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 asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro-rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.15 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 INCOME TAXES (CONT'D)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3.16 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.17 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

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

3.18 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 FAIR VALUE MEASUREMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Rendering of services

Revenue from providing services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

For services provided and charged by on a daily basis, revenue is recognised at a point in time when the services are delivered to the customer and upon its acceptance.

(b) Sales of business software solutions

The contracts include multiple deliverables, such as provisions of software solutions, implementation of software solutions, technical support and its related installation services. However, the installation is simple, does not include an integration service and could be performed by other providers in the market. It is therefore accounted for as a separate performance obligation. The transaction price is allocated to each performance obligation based on the stand-alone selling prices.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Sales of business software solutions (Cont'd)

Revenue from the installation and maintenance services of the business software solutions are recognised over time in which the services are rendered. This is determined based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises revenue based on the output method over the period of service. If the services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

The Group also assesses whether the sales of software license included in the contracts represent a single performance obligation that is distinct from the ongoing contractual obligations. If not distinct, the combined performance obligations is recognised over time. If the license is distinct, it is recognised separately from the other performance obligations at the time of the delivery of the licensed software.

(c) Sales of licenses

Revenue from sale of licenses are recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3.21 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

Rental income from investment properties is accounted for on a straight-line method over the lease term.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY AND EQUIPMENT

	Buildings RM'000	Computer Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Total RM'000
Net book value at 1 January 2017	1,062	518	32	538	39	187	2,376
Additions	-	16	2	349	7	-	374
Disposal	-	-	-	(361)	-	-	(361)
Depreciation charges	(24)	(231)	(9)	(61)	(11)	(22)	(358)
Translation differences	-	3	-	-	-	-	3
Net book value at 31 December 2017/ 1 January 2018	1,038	306	25	465	35	165	2,034
Acquisition of a subsidiary	-	11	-	-	-	-	11
Additions	-	37	-	241	40	156	474
Depreciation charges	(21)	(166)	(9)	(94)	(19)	(36)	(345)
Translation differences	-	(1)	-	4	-	-	3
Net book value at 31 December 2018/ 1 January 2019	1,017	187	16	616	56	285	2,177
Initial Application of MFRS16	-	-	-	(628)	-	-	(628)
As restated	1,017	187	16	(12)	56	285	1,549
Additions	-	83	-	-	38	561	682
Depreciation charges	(21)	(166)	(9)	-	(27)	(37)	(260)
Translation differences	-	1	-	12	1	-	14
Net book value at 31 December 2019/ 1 January 2020	996	105	7	-	68	809	1,985
Transferred to investment property (Note 5)	(785)	-	-	-	-	-	(785)
Additions	-	59	7	-	61	170	297
Depreciation charges	-	(53)	(10)	-	(38)	(99)	(200)
Translation differences	-	(1)	#	-	#	-	(1)
Net book value at 31 December 2020	211	110	4	-	91	880	1,296

- Amount less than RM1,000

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY AND EQUIPMENT (CONT'D)

	Buildings RM'000	Computer Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Total RM'000
At 31.12.2017							
At cost	1,062	1,125	44	612	60	214	3,117
Accumulated depreciation	(24)	(819)	(19)	(147)	(25)	(49)	(1,083)
Net book value	1,038	306	25	465	35	165	2,034
At 31.12.2018							
At cost	1,062	1,177	44	856	101	371	3,611
Accumulated depreciation	(45)	(990)	(28)	(240)	(45)	(86)	(1,434)
Net book value	1,017	187	16	616	56	285	2,177
At 31.12.2019							
At cost	1,062	774	44	-	142	931	2,953
Accumulated depreciation	(66)	(669)	(37)	-	(74)	(122)	(968)
Net book value	996	105	7	-	68	809	1,985
At 31.12.2020							
At cost	228	829	50	-	204	1,101	2,412
Accumulated depreciation	(17)	(719)	(46)	-	(113)	(221)	(1,116)
Net book value	211	110	4	-	91	880	1,296

(a) Included in the property and equipment of the Group were motor vehicles with a total carrying amount of approximately RM502,000 and RM418,000 as at the financial year ended 2018 and 2017 respectively, which were acquired under hire purchase terms.

(b) The buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENT PROPERTY

	FYE 31 December 2020 RM'000
Cost:-	
At 1 January	-
Transfer from property and equipment (Note 4)	834
At 31 December	834
Accumulated depreciation:-	
At 1 January	-
Transfer from property and equipment (Note 4)	(49)
Depreciation during the financial year	(17)
At 31 December	(66)
	768

The buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21 to the combined financial statements.

6. RIGHT-OF-USE ASSETS

	Office Premises RM'000	Motor Vehicles RM'000	Total RM'000
As previously reported on 1 January 2019	-	-	-
Initial application of MFRS 16	-	628	628
As restated	-	628	628
Additions	496	-	496
Depreciation charges	(71)	(112)	(183)
Translation differences	-	3	3
Net book value at 31 December 2019/ 1 January 2020	425	519	944
Depreciation charges	(212)	(34)	(246)
Disposal	-	(72)	(72)
Translation differences	-	(3)	(3)
Net book value at 31 December 2020	213	410	623

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

6. RIGHT-OF-USE ASSETS (CONT'D)

	Office Premises RM'000	Motor Vehicles RM'000	Total RM'000
31.12.2019			
At cost	496	876	1,372
Accumulated depreciation	(71)	(357)	(428)
Net book value	425	519	944
31.12.2020			
At cost	496	607	1,103
Accumulated depreciation	(283)	(197)	(480)
Net book value	213	410	623

The comparative information for the FYE 31 December 2017 and 31 December 2018 are not presented as the Group has applied MFRS 16 using the modified retrospective approach.

(a) The Group leases its office premises and certain motor vehicles of which the leasing activities are summarised below:-

(i) Motor vehicles — The Group has leased its motor vehicles under hire purchase arrangements. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

(ii) Office premises — The Group has leased office premises of the Group that run between a period of 1 to 2 years with an option to renew the lease for a further of 1 year term at a new rental rate to be based on the prevailing market rate mutually agreed after that date.

(b) The Group also has leases with lease terms of 12 months or less and leases of equipment and premises with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

7. DEVELOPMENT COSTS

	FYE 31 December 2020 RM'000
Cost/Net book value:-	
At 1 January	-
Additions during the financial year	725
At 31 December	725

The development costs are incurred for the mobile application development of FEETS and Lark.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

8. GOODWILL

	FYE 31 December			
	2017	**2018**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost:-				
At 1 January	-	-	1,397	1,397
Acquisition of a subsidiary (Note 36)	-	1,397	-	-
At 31 December	-	1,397	1,397	1,397
Accumulated impairment losses:-				
At 1 January	-	-	(1,397)	(1,397)
Impairment during the financial year	-	(1,397)	-	-
	-	(1,397)	(1,397)	(1,397)
At 31 December	-	-	-	-

In the financial year 2018, an impairment loss of approximately RM1,397,000 was recognised upon acquisition of a subsidiary, FEETS in 'other expenses' line item of the combined statements of profit or loss and other comprehensive income.

The Group has assessed the recoverable amounts of goodwill allocated, and determined that full impairment is required based on both external sources and internal historical data, whereby the subsidiary has been incurring losses and the directors did not foresee any cash flows from this subsidiary in the near future.

9. INVENTORIES

	FYE 31 December
	2020
	RM'000
Finished goods	240
Recognised in profit or loss:-	
Inventories recognised as cost of sales	508

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

10. TRADE RECEIVABLES

	FYE 31 December			
	2017 RM'000	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Trade receivables	1,210	1,442	1,351	11,805
Allowance for impairment losses	(14)	(14)	(14)	(226)
Net trade receivables	1,196	1,428	1,337	11,579
Allowance for impairment losses:-				
At 1 January	-	14	14	14
Addition during the financial year	15	-	-	213
Translation reserve	(1)	-	-	(1)
At 31 December	14	14	14	226

The Group's normal trade credit terms range from 30 to 120 (2017, 2018 and 2019 – 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	FYE 31 December			
	2017 RM'000	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Other receivables				
- third parties	49	28	96	29
- allowance for impairment losses	-	-	-	(18)
	49	28	96	11
Deposits	28	27	338	403
Prepayments	39	112	549	1,225
Withholding tax receivables	20	133	#	-
Sales tax payables/Goods and services tax ("GST")	#	3	67	15
Others	-	-	41	12
	136	303	1,091	1,666
Allowance for impairment losses:-				
At 1 January	-	-	-	-
Addition during the financial year	-	-	-	18
At 31 December	-	-	-	18

 # - Amount less than RM1,000

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

As at the FYE 31 December 2019, the Group has deposits pledged as performance guarantee for a project in Thailand as requested by the customer amounting to approximately RM275,000.

Included in prepayments of the Group for the FYE 31 December 2019, are advance payments made to suppliers for licences for a project in Thailand amounting to approximately RM438,000.

Included in prepayments of the Group for the FYE 31 December 2020, are advance payments for the purchase of a motor vehicle amounting to RM224,000 and the motor vehicle is delivered to the Company in January 2021.

Included in the other receivables as at the FYE 31 December 2019 is an amount owing by a shareholder of the Group amounting to approximately RM13,000.

12. AMOUNT OWING BY RELATED PARTIES

		FYE 31 December			
		2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Amount owing by related parties					
Trade balance	(a)	-	18	-	-
Non-trade balances	(b)	2,060	528	-	-
		2,060	546	-	-

(a) The trade balances are subject to the normal trade credit terms of 30 to 60 days. The amounts owing are to be settled in cash.

(b) The non-trade balances represent unsecured, interest free and payments made on behalf. The amounts owing are receivable on demand and are to be settled in cash.

Included in the amount owing by related parties in the financial year ended 2017 is an amount owing by FEETS, for payments made on behalf by the Group for research and development expenses incurred for the mobile application development of FEETS.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

13. AMOUNT OWING BY/(TO) DIRECTORS

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Amount owing by a director				
Non-trade balances	545	55	-	-
Amount owing to directors				
Non-trade balances	(25)	(27)	(2,118)	-

The non-trade balances represent unsecured, interest free and payments made on behalf. The amounts owing are receivable/(repayable) on demand and are to be settled in cash.

14. CONTRACT ASSETS/(LIABILITIES)

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Contract assets	146	-	913	-
Contract liabilities	-	(608)	(145)	(136)

(a) The contract assets primarily relates to the Group's right to consideration for services rendered to the customers but not billed as at reporting date.

(b) The contract liabilities primarily relates to advance considerations received from certain customers of which the revenue will be recognised over the remaining contract term of the specific contract it relates to.

(c) As at the end of the reporting period, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations of contracts is RM136,260 (2019 – RM144,314; 2018 – RM607,751). These remaining performance obligations are expected to be recognised as below:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Within 1 year	-	(608)	(145)	(136)

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

14. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(d) The changes to contract asset/(liabilities) balances during the respective financial years are summarised as below:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
At 1 January	-	146	(608)	768
Revenue recognised in profit or loss during the financial year	-	-	608	-
Billings to customers during the financial year	-	(754)	(145)	(904)
Performance obligations satisfied but not billed during the financial year	146	-	913	-
At 31 December	146	(608)	768	(136)
Represented by:-				
Contract assets	146	-	913	-
Contract liabilities	-	(608)	(145)	(136)
	146	(608)	768	(136)

15. SHARE CAPITAL

	RAMSSOL GROUP	RAMS	RSCL	RUSPL	Total
	Numbers of Shares ('000)				
Issued and fully paid-up Number of ordinary shares:-					
At 1 January 2017	-	350	10	300	660
Issuance of ordinary shares	-	150	-	-	150
At 31 December 2017/1 January 2018	-	500	10	300	810
Effect of acquisition of a common control subsidiary	-	-	(10)	-	(10)
At 31 December 2018/1 January 2019	-	500	-	300	800
Issuance of ordinary shares	10	-	-	-	10
Effect of acquisition of common control subsidiaries	-	-	-	(300)	(300)
At 31 December 2019	10	500	-	-	510
At 1 January 2020/31 December 2020	10	500	-	-	510

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

15. SHARE CAPITAL (CONT'D)

	RAMSSOL GROUP RM'000	RAMS RM'000	RSCL RM'000	RUSPL RM'000	Total RM'000
Issued and fully paid-up :-					
At 1 January 2017	-	350	239	716	1,305
Issuance of ordinary shares	-	150	-	-	150
At 31 December 2017/1 January 2018	-	500	239	716	1,455
Effect of acquisition of a common control subsidiary	-	-	(239)	-	(239)
At 31 December 2018/1 January 2019	-	500	-	716	1,216
Issuance of ordinary shares	10	-	-	-	10
Effect of acquisition of common control subsidiaries	-	-	-	(716)	(716)
At 31 December 2019	10	500	-	-	510
At 1 January 2020/31 December 2020	10	500	-	-	510

(a) The holders of ordinary shares are entitled to receive dividend as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(b) On 31 January 2017, the concepts of the authorised share capital and par value of share capital were abolished in Malaysia in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

For the purpose of this report, the total number of shares represent the aggregate number of issued and fully paid-up shares of all combined entities within the Group.

16. RESERVES

		FYE 31 December 2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Merger reserve/(deficit)	(a)	-	114	(260)	(260)
Foreign exchange translation reserve	(b)	151	155	271	246
Retained profits		1,382	949	793	8,326
		1,533	1,218	804	8,312

(a) Merger Reserve/(Deficit)

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

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

16. RESERVES (CONT'D)

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

17. NON-CONTROLLING INTERESTS

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest				FYE 31 December			
	2017 %	2018 %	2019 %	2020 %	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
FEETS and its subsidiary, PT FEETS	-	49	49	49	-	1,339	1,516	2,062
RSCL	-	*	*	*	-	#	#	#
PT RAMS	-	-	1	1	-	-	(7)	(7)
					-	1,339	1,509	2,055

* Represents 0.1%
# Amount less than RM1,000

(b) The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interest that is material to the Group is as follows:-

	FEETS and its subsidiary, PT FEETS			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
At 31 December				
Non-current assets	-	11	24	427
Current assets	-	29	580	160
Current liabilities	-	(2,774)	(3,697)	(4,795)
Net liabilities	-	(2,734)	(3,093)	(4,208)
Financial Year Ended 31 December				
Revenue	-	-	78	69
Loss for the financial year	-	-	(845)	(930)
Total comprehensive expenses attributable to owners of the Company	-	-	(789)	(779)
Total comprehensive expenses attributable to non-controlling interests	-	-	(9)	(165)
Net cash flows from/(for) operating activities	-	17	(271)	278
Net cash flows for investing activities	-	(11)	(37)	(409)
Net cash flows for financial activities	-	-	(471)	-

(c) Summarised financial information of non-controlling interest for RSCL and PT RAMS has not been presented as the non-controlling interest of the subsidiaries are not individually material to the Group.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

18. REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

	2020 **RM'000**
At 1 January	-
Issued during the financial year	4,493
Interest expense recognised in profit or loss	244
At 31 December	4,737

On 30 June 2020, the Company issued 3,553,000 Class A Redeemable Convertible Preference Shares ("Class A RCPS") and 940,000 Class B Redeemable Convertible Preference Shares ("Class B RCPS") at RM1 per RCPS.

The salient features of RCPSs are as follows:-

(a) Each RCPS shall be converted into new ordinary shares of the Company at conversion ratio of 0.1 for Class A RCPS and 0.08 for Class B RCPS.

(b) The RCPS shall be converted by the Company into ordinary shares in the share capital of the Company at the Conversion Ratio at no further costs upon receipt of the necessary approvals from amongst others, Bursa Malaysia Securities Berhad ("Bursa Securities"), Securities Commission of Malaysia ("SC") and Equity Compliance Unit of the SC in connection with the listing of and quotation for the shares of the Company on ACE Market of Bursa Securities ("Listing").

(c) In the event there is no Listing for whatsoever reason within two (2) years from the date of issuance of the RCPS, the holder of RCPS shall be entitled to require the Company to redeem, subject to compliance with applicable laws, all the outstanding RCPS at the subscription price for each RCPS together with an internal rate of return of ten percent (10%).

(d) The RCPS holders do not carry any right to vote at any general meeting of the Company except on resolutions to amend the RCPS holder's rights or to commence dissolution of the Company.

(e) The RCPSs are not entitled to be paid any dividends by the Company.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. HIRE PURCHASE PAYABLES

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Minimum hire purchase payments:				
- not later than 1 year	118	173	-	-
- later than 1 year and not later than 5 years	301	346	-	-
	419	519	-	-
Less: future finance charges	(36)	(59)	-	-
Present value of hire purchase payable	383	460	-	-
Analysed by:-				
Current liabilities	102	146	-	-
Non-current liabilities	281	314	-	-
	383	460	-	-

The hire purchase payables at the end of the reporting period was subjected to the following effective interest rates per annum:-

	2017 %	2018 %	2019 %	2020 %
Effective interest rates	4.62% - 4.71%	4.62% - 9.00%	-	-

(a) The hire purchase payables have been represented as 'lease liabilities' in the financial year 2019 and 2020 as shown in Note 20 to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.

(b) The interest rates were fixed at the inception of the hire purchase arrangements.

(c) Certain lease liabilities of the Group are secured against a personal guarantee by a director of RSCL.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

20. LEASE LIABILITIES

	FYE 31 December	
	2019	**2020**
	RM'000	**RM'000**
At 1 January		
- As previously reported	-	804
- Initial appplication of MFRS 16	460	-
- As restated	460	804
Addition during the year	496	-
Change due to rent concession	-	(107)
Interest expense recognised in profit or loss	36	32
Repayment of principal	(164)	(211)
Repayment of interest expense	(36)	(23)
Translation differences	12	(3)
At 31 December	804	492
Analysed by:-		
Current liabilities	384	341
Non-current liabilities	420	151
	804	492

The comparative information for the FYE 31 December 2017 and 31 December 2018 is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

The lease terms range from 2 to 5 years and bear effective interest rates ranging from 3.57% to 9.00% (2019 – 4.62% to 9.00%).

Certain hire purchase payables of the Group are secured against a personal guarantee by a director of RSCL.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

21. TERM LOANS (SECURED)

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Current liabilities	712	442	329	367
Non-current liabilities	376	275	162	1,758
	1,088	717	491	2,125

Details of the term loans are as follows:-

	Number of monthly installments	Monthly installments	Commencement date
Term loan 1	60	MYR 7,676	June 2017
Term loan 2	240	MYR 1,028	September 2016
Term loan 3	60	MYR 15,625	March 2020
Term loan 4	84	MYR 13,384	March 2020
Term loan 5	84	MYR 6,180	September 2020
Term loan 6*	48	SGD 5,100	December 2014
Term loan 7**	24	SGD 8,612	July 2015
Term loan 8***	60	SGD 3,937	August 2016

** Fully settled in the financial year 2018.*
*** Fully settled in the financial year 2017.*
**** Fully settled in the financial year 2020.*

(a) The term loans of the Group at the FYE 31 December 2020 bore effective interest rates ranging from 3.57% to 8.90% (2019 - 4.82% to 10.15%; 2018 - 4.70% to 10.88%; 2017 - 4.70% to 10.88%).

(b) Term loans 1, 2, 3, 4 and 5 are secured by the following:-

(i) Facilities agreements for the total sum of RM360,000 (Term Loan 1), RM150,600 (Term Loan 2) and RM400,000 (Term Loan 5) respectively;
(ii) Legal charges over property of RAMS;
(iii) A joint and several guarantee of the directors of RAMS;
(iv) Guarantee by Credit Guarantee Corporation Malaysia Berhad for RM252,000 (Term Loan 1) and RM570,500 (Term Loan 4) respectively;
(v) A life issurance policy of RM750,000 is to be taken by directors or shareholders of RAMS and assigned to the Bank (Term Loan 3);
(vi) A guarantee coverage of up to 70% on the Loan and normal interest by Jaminan Pembiayaai Perniagaan Berhad (Term Loan 3); and
(vii) Guarantee by the Government of Malaysia under Working Capital Guarantee Scheme (Term Loan 5).

(c) Term loans 6, 7 and 8 is secured by a joint and several guarantee of the directors of RUSPL.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. DEFERRED TAX LIABILITIES

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
At 1 January	76	93	72	-
Recognised in profit or loss (Note 32)	17	(21)	(72)	-
At 31 December	93	72	-	-

Deferred tax liabilities represent excess of net carrying amount over tax written down value of property and equipment.

23. TRADE PAYABLES

The normal trade terms granted to the Group range from 30 to 60 (2019, 2018 and 2017 - 30 to 60) days.

24. OTHER PAYABLES AND ACCRUALS

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Other payables	87	150	595	1,542
Accruals	390	312	232	1,143
Sales tax payable	79	81	143	561
Share application monies	-	-	4,268	-
Withholding tax payable	4	37	91	22
Others	-	-	-	156
	560	580	5,329	3,424

Included in the other payables as at the FYE 31 December 2019 is an amount owing to a shareholder of the Group amounting to RM100,000, which was subsequently settled.

Share application monies represent the amount received by the Group in respect of the redeemable convertible preference shares subscription by the investors. The redeemable convertible preference shares are alloted in year 2020 as disclosed in Note 18 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. SHORT-TERM BORROWINGS

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Bank overdrafts	670	795	416	608
Flexi loan	652	627	602	595
	1,322	1,422	1,018	1,203

(a) Bank Overdrafts

The bank overdrafts at the end of the reporting periods bore effective interest rates of 3.50% (2019 - 4.75%; 2018 - 4.90%; 2017 - 4.65%) per annum.

The bank overdrafts are secured by:-
FYE 31 December 2020
(i) First party/third party individual of fixed deposit of RM200,000 together with the letter of Set-Off and interest on the fixed deposit to be capitalised and pledged as additional security;
(ii) A joint and several guarantee by the directors of RAMS;
(iii) Corporate guarantee of RM600,000 from Ramssol Group Berhad; and
(iv) A non-resident guarantee of USD equivalent to RM600,000 to be executed by Mr. Nguyen Dinh Minh, a former director of RUSPL.

FYE 31 December 2017, 2018 and 2019
(i) First party/third party individual of fixed deposit of RM200,000 together with the letter of Set-Off and interest on the fixed deposit to be capitalised and pledged as additional security;
(ii) A joint and several guarantee by the directors of RAMS; and
(iii) A non-resident guarantee of USD equivalent to RM600,000 to be executed by Mr. Nguyen Dinh Minh, a former director of RUSPL.

RAMS
The bank overdraft facility bears interest rate of 1.75% per annum above the bank's base lending rate on a daily rest basis for the FYE 31 December 2017, 2018, 2019 and 2020.

RUSPL
The bank overdraft facility bears interest rate of 10.88% (2019 and 2018 - 10.88%) per annum.

(b) Flexi Loan

The flexi loan of the Group at the end of the reporting periods bore an effective interest rate of 7.20% (2019 - 8.45%; 2018 - 8.60%; 2017 - 8.35%) per annum.

The flexi loan is secured by:-
(i) Facility agreement for the sum of RM705,011;
(ii) Legal charges over the property of RAMS;
(iii) A joint and several guarantee by the directors of RAMS; and
(iv) A non-resident guarantee by Mr. Nguyen Dinh Minh, a former director of RUSPL.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

26. REVENUE

	FYE 31 December			
	2017	**2018**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from Contracts with Customers				
- Provision of HCM and student management solutions	5,611	10,186	14,071	15,349
- Provision of IT staff augmentation services	1,197	2,337	1,290	876
- Provision of HCM technology applications	-	-	78	8,681
- Provision of IT-Related Training	-	-	-	425
	6,808	12,523	15,439	25,331

HCM – Human Capital Management

27. OTHER INCOME

	FYE 31 December			
	2017	**2018**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included in other income are the following items:-				
COVID-19-related subsidies from government	-	-	-	263
COVID-19-related rent concessions	-	-	-	107
Gain on disposal of equipment	-	-	1	48
Realised gain on foreign exchange	#	6	80	-
Unrealised gain on foreign exchange	-	-	27	24
Interest income on financial assets not at fair value through profit or loss:				
- others	2	-	5	6
Rental income from investment property	-	-	-	36

 # - Amount less than RM1,000

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. ADMINISTRATIVE EXPENSES

	FYE 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Included in administrative expenses are the following items:-				
Auditors' remuneration:				
- current financial year	31	33	71	118
Directors' remuneration:				
- fees	-	-	18	101
- other emoluments	24	64	32	32
Directors' non-fee emoluments:				
- salaries, bonuses and allowances	851	822	582	771
- defined contributions benefits	85	77	42	97
Lease expenses:-				
- rental of equipment	2	3	3	26
- rental of premises	124	145	-	-
- short-term leases	-	-	148	109
Staff cost:				
- salaries and other benefits	312	464	892	2,552
- defined contribution benefits	15	19	55	160

29. OTHER EXPENSES

	FYE 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Included in other expenses are the following items:-				
Impairment on goodwill	-	1,397	-	-
Loss on disposal of equipment	36	-	-	-
Loss on foreign exchange:				
- realised	9	-	-	9
- unrealised	8	12	2	71
Preliminary expenses	-	-	4	-
Listing expenses	-	-	-	1,475

30. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	FYE 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Impairment losses on:				
- trade receivables	15	-	-	213
- other receivables	-	-	-	18

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCE COSTS

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Included in finance costs are the following items:-				
Interest expense on lease liabilities	-	-	36	32
Total interest expenses on financial liabilities that are not at fair value through profit or loss:				
- hire purchase	22	27	-	-
- bank overdraft	35	39	17	49
- flexi loan	31	31	30	23
- term loans	95	68	38	95
- redeemable convertible preference shares	-	-	-	244
- others	7	14	16	-

32. INCOME TAX EXPENSE

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Current tax expense:				
- for the financial year	-	118	100	415
- under/(over)provision in the previous financial years	7	(48)	-	-
	7	70	100	415
Deferred tax (Note 22):				
- for the financial year	(97)	(21)	(13)	-
- under/(over)provision in previous financial years	114	-	(59)	-
	17	(21)	(72)	-
	24	49	28	415

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Profit before taxation	112	226	3,828	7,415
Tax at the applicable statutory tax rate 24%	27	54	919	1,780
Tax effects of:-				
Non-deductible expenses	283	418	579	456
Non-taxable income	(360)	(356)	(1,188)	(1,906)
Deferred tax assets not recognised for the financial year	17	66	243	236
Utilisation of deferred tax asset previously not recognised	(51)	-	(350)	(64)
Effects of differential in tax rates	(13)	(85)	(116)	(87)
Under/(over)provision in the previous financial years	121	(48)	(59)	-
Income tax expense for the financial year	24	49	28	415

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

32. INCOME TAX EXPENSE (CONT'D)

RAMS

FYE 31 December 2017, 2018, 2019 and 2020

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019, 2018 and 2017 - 24%) of the estimated assessable profit for the financial year. RAMS qualifies for the reduced statutory tax rate of 17% (2019: 17%, 2018: 18%, 2017: 18%) on the first RM600,000 (2019, 2018 and 2017 - RM500,000) of chargeable income.

RAMS has been granted pioneer status for 100% tax exemption for a period of 5 years, which expired on 20 November 2019. Subsequently on 14 December 2020, RAMS has been granted new pioneer status for 100% tax exemption on specific business activities for a period of 5 years, from 21 November 2019 to 20 November 2024.

RUSPL

FYE 31 December 2017, 2018, 2019 and 2020

The corporate tax rate of chargeable income is 17% (2019, 2018 and 2017 - 17%).

RSCL

FYE 31 December 2017, 2018, 2019 and 2020

The corporate tax rate of chargeable income is 20% (2019 and 2018: 20%, 2017: 15%).

RUSVCL

RUSVCL did not incur income tax expenses for the FYE 31 December 2017, 2018, 2019 and 2020 due to the accumulated losses in prior financial years. Tax losses will be carried forward to upcoming years to be utilised against the profits in the future. RUSVCL's corporate income tax is determined in accordance with the law on corporate income tax and relevant legal requirements in Vietnam, which is 20% of assessable income.

FEETS

FYE 31 December 2019 and 2020

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial year.

PT RAMS

FYE 31 December 2019 and 2020

The corporate tax rate of chargeable income is 25% (2019 - 25%).

Based on Indonesia's Government Regulation No. 23 year 2018 regarding Income Tax on revenues from businesses received or obtained by a taxpayer who has a particular gross revenue turnover, taxpayers with a gross revenue below Rp4,800,000,000 are charged with a final income tax at 0.5% of the gross revenue. Such regulation was effectively applied on 1 July 2018.

PT RAMS has not incurred revenue for the period from incorporation date to 31 December 2019, and hence, no income tax expense recorded as at the financial year ended 31 December 2019.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

32. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets are recognised by the Group in respect of the following items:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Unused tax losses and unabsorbed capital allowances	1,230	4,203	3,764	4,485
Accelerated capital allowances	-	-	(7)	(11)
	1,230	4,203	3,757	4,474

33. OTHER COMPREHENSIVE INCOME

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Item that Will be Reclassified Subsequently to Profit or Loss				
Foreign currency translation:				
- changes during the financial year	215	4	111	(37)

34. EARNINGS PER SHARE

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Profit attributable to owners of the Group (RM)	88	177	4,494	7,533
Number of ordinary shares	810	800	510	510
Basic earnings per share (RM)	0.11	0.22	8.81	14.77

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

35. DIVIDENDS

	FYE 31 December			
RAMS	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Interim dividends paid in respect of the following financial year:-				
31 December 2018:				
- first interim single-tier dividend of RM1.22 per ordinary share (500,001 ordinary shares)	-	610	-	-
31 December 2019:				
- first interim single-tier dividend of RM9.30 per ordinary share (500,001 ordinary shares)	-	-	4,650	-
	-	610	4,650	-

36. ACQUISITION OF A SUBSIDIARY

On 28 December 2018, RAMS acquired 51% equity interest in FEETS.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of the acquisition:-

	RM'000
Equipment	11
Amount owing by related parties	18
Cash and bank balances	11
Other payables	(57)
Amount owing to a director	(3)
Amount owing to related companies	(2,714)
Fair value of net identifiable assets acquired	(2,734)

Cash Flows Arising from the Acquisition

Fair value of net identifiable assets acquired	(2,734)
Less: Non-controlling interests	1,339
Group's share of net assets	(1,395)
Add: Goodwill on acquisition (Note 8)	1,397
Total cost of acquisition	2
Less: Cash and cash equivalents of subsidiary acquired	(11)
Net cash inflow from the acquisition of a subsidiary	(9)

The goodwill in relation to the acquisition of FEETS was impaired during the financial year ended 2018 as per disclosed in Note 8 to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

37. EFFECT OF ACQUISITION OF COMMON CONTROL SUBSIDIARIES

(a) In October 2018, RAMS acquired RSCL with an effective equity interest of 99.90%. The purchase consideration in relation to the acquisition of this subsidiary was RM124,800.

The difference between the purchase consideration and share capital acquired, amounted to RM114,000 and was accounted for accordingly in the merger reserve.

	RM'000
Cost of investment	125
Share capital acquired	(239)
Merger reserve	(114)

(b) In April 2019 and October 2019, RAMS acquired 100% of the shareholdings in RUSPL from common control shareholders and 100% of the shareholdings in RUSVCL from RUSPL.

The differences between the purchase consideration and the share capital acquired, amounted to RM374,000 and was accounted for accordingly as merger deficit.

RUSPL	**RM'000**
Cost of investment	921
Share capital acquired	(716)
Merger deficit	205

RUSVCL	**RM'000**
Cost of investment	169
Share capital acquired	-
Merger deficit	169

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

38. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of equipment and the addition of right-of-use assets is as follows:-

	FYE 31 December			
Equipment	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Cost of equipment purchased	374	474	682	297
Amount financed through hire purchase	(280)	(205)	-	-
Cash disbursed for purchase of equipment	94	269	682	297
Right-of-use assets				
Cost of right-of-use assets acquired	-	-	496	-
Less: Addition of new lease liabilities	-	-	(496)	-
	-	-	-	-

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Hire purchases RM'000	**Lease liabilities RM'000**	**Term loans RM'000**	**Flexi loans RM'000**	**Total RM'000**
2017					
At 1 January	477	-	1,222	676	2,375
Changes in Financing Cash Flows					
Proceeds from drawdown	-	-	360	-	360
Repayment of borrowing principal	(375)	-	(482)	(24)	(881)
Repayment of borrowing interests	(22)	-	(95)	(31)	(148)
	(397)	-	(217)	(55)	(669)
Non-cash Changes					
New hire purchase	280	-	-	-	280
Finance charges recognised					-
in profit or loss	22	-	95	31	148
Foreign exchange translation	1	-	(12)	-	(11)
	303	-	83	31	417
At 31 December	383	-	1,088	652	2,123

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

38. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Hire purchases RM'000	Lease liabilities RM'000	Term loans RM'000	Flexi loans RM'000	Total RM'000
2018					
At 1 January	383	-	1,088	652	2,123
Changes in Financing Cash Flows					
Repayment of borrowing principal	(132)	-	(368)	(25)	(525)
Repayment of borrowing interests	(27)	-	(68)	(31)	(126)
	(159)	-	(436)	(56)	(651)
Non-cash Changes					
New hire purchase	205	-	-	-	205
Finance charges recognised in profit or loss	27	-	68	31	126
Foreign exchange translation	4	-	(3)	-	1
	236	-	65	31	332
At 31 December	460	-	717	627	1,804
2019					
At 1 January	460	-	717	627	1,804
Effect of adoption of MFRS 16	(460)	460	-	-	-
At 1 January, as restated	-	460	717	627	1,804
Changes in Financing Cash Flows					
Repayment of borrowing principal	-	(164)	(226)	(25)	(415)
Repayment of borrowing interests	-	(36)	(38)	(30)	(104)
	-	(200)	(264)	(55)	(519)
Non-cash Changes					
Acquisition of new leases	-	496	-	-	496
Finance charges recognised in profit or loss	-	36	38	30	104
Foreign exchange translation	-	12	-	-	12
	-	544	38	30	612
At 31 December	-	804	491	602	1,897

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

38. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

2020	RCPS RM'000	Lease liabilities RM'000	Term loans RM'000	Flexi loans RM'000	Total RM'000
At 1 January	-	804	491	602	1,897
Changes in Financing Cash Flows					
Proceeds from drawdown	-	-	1,965	-	1,965
Repayment of borrowing principal	-	(211)	(332)	(7)	(550)
Repayment of borrowing interests	-	(23)	(95)	(23)	(141)
	-	(234)	1,538	(30)	1,274
Non-cash Changes					
Change due to rent concession	-	(107)	-	-	(107)
Finance charges recognised in profit or loss	244	32	95	23	394
Issuance of RCPS	4,493	-	-	-	4,493
Foreign exchange translation	-	(3)	1	-	(2)
	4,737	(78)	96	23	4,778
At 31 December	4,737	492	2,125	595	7,949

(c) The total cash outflows for leases as a lessee are as follows:-

	2019 RM'000	2020 RM'000
Payment of short-term leases	148	135
Interest paid on lease liabilities	36	23
Payment of lease liabilities	164	211
	348	369

(d) The cash and cash equivalents comprise the following:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Cash and bank balances	504	679	3,691	2,844
Bank overdrafts	(670)	(795)	(416)	(608)
Cash and cash equivalents	(166)	(116)	3,275	2,236

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

39. KEY MANAGEMENT PERSONNEL

The key management personnel of the Group includes executive director and non-executive directors of the Group and certain members of senior management of the Group.

The key management personnel compensation during the respective financial years are as follows:

(a) Directors

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Directors of the Company				
Short-term employee benefits:				
- fees	-	-	18	101
- salaries, bonuses and allowances	633	676	445	803
	633	676	463	904
Defined contribution benefits	77	77	42	97
	710	753	505	1,001
Directors of the Subsidiaries				
Short-term employee benefits:				
- fees	-	-	-	-
- salaries, bonuses and allowances	242	210	169	-
	242	210	169	-
Defined contribution benefits	8	-	-	-
	250	210	169	-
Total directors' remuneration	960	963	674	1,001

(1) In the FYE 31 December 2019 and 2020, the directors of the Company includes directors of the Company and RAMS.
(2) From FYE 2017 to FYE 2020, amounts disclosed under 'Directors of the Company' are salaries, bonuses and allowances provided to the Directors for their roles as Directors of the Subsidiaries of the Group.

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM32,350 (2019 - RM32,400; 2018 - RM63,928; 2017 - RM23,700) respectively.

(b) Other Key Management Personnel

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Short-term employee benefits	29	190	115	174
Defined contribution benefits	4	5	3	21
	33	195	118	195

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

40. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following transactions with the related parties for the respective financial years:-

	FYE 31 December			
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Management service fee paid or payable to a company in which directors of the Company has substantial financial interest				
- Springbok Consulting Sdn. Bhd.	100	60	-	-
Management service fee received or receivable from a related party				
- Feets Sdn. Bhd.	-	60	-	-
Research and development expenses charged to a related party				
- Feets Sdn. Bhd.	-	2,126	-	-
Advances from directors	-	-	2,086	-
Repayment to directors	(5)	-	(1,215)	(2,115)
Advances to directors	(369)	(423)	(37)	-
Repayment from directors	17	314	89	-
Advances to a related party				
- Feets Sdn. Bhd.	(30)	(499)	-	-
(Advances to)/Repayment from a company in which directors of the Company has substantial financial interest				
- Springbok Consulting Sdn. Bhd.	(135)	(401)	18	-
Rental paid or payable to directors	-	-	-	48

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the combined financial statements.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their geographical region.

(a) The management assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group level basis by the central treasury function and are not allocated to reportable segments.

(b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than investments in associates and tax-related assets.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

(d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on combination.

No segmental analysis by business segment is prepared as the Group operates predominantly in one industry.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS

Audited FYE 31 December 2017	**Malaysia RM'000**	**Singapore RM'000**	**Thailand RM'000**	**Others RM'000**	**Group RM'000**
Revenue					
External revenue	1,891	4,405	482	30	6,808
Inter-segment revenue	200	-	-	-	200
	2,091	4,405	482	30	7,008
Adjustments/eliminations on combination					(200)
Combined revenue					6,808
Represented by:-					
Revenue recognised at a point in time					
- Provision of HCM and student management solutions	171	402	312	-	885
- Provision of IT staff augmentation services	193	-	-	-	193
Revenue recognised over time					
- Provision of HCM and student management solutions	753	3,773	170	30	4,726
- Provision of IT staff augmentation services	774	230	-	-	1,004
	1,891	4,405	482	30	6,808
Combined revenue					6,808
Results					
Segment profit/(loss) before interest and taxation	550	322	(245)	(196)	431
Finance costs					(190)
Adjustments/eliminations on combination					(129)
Combined profit before taxation					112
Income tax expense					(24)
Combined profit after taxation					88
Segment profit before interest and taxation includes the following:-					
Allowance for impairment losses on trade receivables	-	-	-	15	15
Depreciation of property and equipment	227	130	1	-	358
Interest expense	115	75	-	-	190
Loss on disposal of equipment	36	-	-	-	36
Loss on foreign exchange:					
- realised	5	4	-	-	9
- unrealised	-	-	-	8	8
Interest income	-	-	(2)	-	(2)

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2017	**Malaysia RM'000**	**Singapore RM'000**	**Thailand RM'000**	**Others RM'000**	**Group RM'000**
Assets					
Segment assets	5,645	1,981	309	-	7,935
Unallocated assets:					
- current tax assets					5
Adjustments/eliminations on combination					(1,314)
Combined total assets					6,626
Additions to non-current assets other than financial instruments:-					
- Equipment	370	-	4	-	374
Liabilities					
Segment liabilities	3,442	987	11	385	4,825
Unallocated liabilities:					
- current tax liabilties					#
Adjustments/eliminations on combination					(1,187)
Combined total liabilities					3,638

Less than RM1,000

Audited FYE 31 December 2018	**Malaysia RM'000**	**Singapore RM'000**	**Thailand RM'000**	**Others RM'000**	**Group RM'000**
Revenue					
External revenue	3,322	3,982	5,063	156	12,523
Inter-segment revenue	1,136	140	-	-	1,276
	4,458	4,122	5,063	156	13,799
Adjustments/eliminations on combination					(1,276)
Combined revenue					12,523
Represented by:-					
<u>Revenue recognised at a point in time</u>					
- Provision of HCM and student management solution:	200	338	3,974	-	4,512
- Provision of IT staff augmentation services	445	-	-	-	445
<u>Revenue recognised over time</u>					
- Provision of HCM and student management solution:	1,052	3,377	1,089	156	5,674
- Provision of IT staff augmentation services	1,625	267	-	-	1,892
	3,322	3,982	5,063	156	12,523
Combined revenue					12,523
Results					
Segment profit/(loss) before interest and taxation	1,843	(563)	515	(121)	1,674
Finance costs					(179)
Adjustments/eliminations on combination					(1,269)
Combined profit before taxation					226
Income tax expense					(49)
Combined profit after taxation					177

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2018	**Malaysia RM'000**	**Singapore RM'000**	**Thailand RM'000**	**Others RM'000**	**Group RM'000**
Segment profit before interest and taxation includes the following:-					
Depreciation of property and equipment	249	61	35	-	345
Impairment loss on goodwill	1,397	-	-	-	1,397
Interest expense	122	46	11	-	179
(Gain)/Loss on foreign exchange:					
- realised	-	(6)	-	-	(6)
- unrealised	12	-	-	-	12
Assets					
Segment assets	6,394	841	1,174	132	8,541
Adjustments/eliminations on combination					(3,353)
Combined total assets					5,188
Additions to non-current assets other than financial instruments:-					
- Equipment	199	23	252	-	474
Liabilities					
Segment liabilities	5,794	438	472	613	7,317
Unallocated liabilities:					
- current tax liabilties					2
Adjustments/eliminations on combination					(3,226)
Combined total liabilities					4,093

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2019	**Malaysia RM'000**	**Singapore RM'000**	**Thailand RM'000**	**Others RM'000**	**Group RM'000**
Revenue					
External revenue	6,385	3,469	5,433	152	15,439
Inter-segment revenue	-	-	-	-	-
	6,385	3,469	5,433	152	15,439
Adjustments/eliminations on combination					-
Combined revenue					15,439
Represented by:-					
Revenue recognised at a point in time					
- Provision of HCM and student management solutions	8	296	1,503	-	1,807
- Provision of IT staff augmentation services	92	-	-	-	92
Revenue recognised over time					
- Provision of HCM and student management solutions	5,071	3,173	3,930	90	12,264
- Provision of IT staff augmentation services	1,198	-	-	-	1,198
- Provision of HCM technology applications	17	-	-	61	78
	6,386	3,469	5,433	151	15,439
Combined revenue					15,439
Results					
Segment profit/(loss) before interest and taxation	4,061	1,900	(672)	(337)	4,952
Finance costs					(137)
Adjustments/eliminations on combination					(987)
Combined profit before taxation					3,828
Income tax expense					(28)
Combined profit after taxation					3,800
Segment profit before interest and taxation includes the following:-					
Depreciation of property and equipment	243	10	7	-	260
Depreciation of right-of-use assets	109	22	52	-	183
Interest expense	90	29	17	1	137
(Gain)/Loss on foreign exchange:					
- realised	(8)	(72)	-	-	(80)
- unrealised	-	9	(34)	#	(25)
Gain on disposal of equipment	(1)	-	-	-	(1)
Interest income	-	-	(3)	(2)	(5)

Less than RM1,000

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited **FYE 31 December 2019**	**Malaysia** **RM'000**	**Singapore** **RM'000**	**Thailand** **RM'000**	**Others** **RM'000**	**Group** **RM'000**
Assets					
Segment assets	16,610	2,535	1,978	1,783	22,906
Adjustments/eliminations on combination					(12,945)
Combined total assets					9,961
Additions to non-current assets other than financial instruments:-					
- Equipment	647	6	29	-	682
- Right-of-use assets	358	138	-	-	496
Liabilities					
Segment liabilities	16,698	676	1,926	917	20,217
Unallocated liabilities:					
- current tax liabilities					96
Adjustments/eliminations on combination					(10,157)
Combined total liabilities					10,156

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited **FYE 31 December 2020**	**Malaysia** **RM'000**	**Singapore** **RM'000**	**Thailand** **RM'000**	**Others** **RM'000**	**Group** **RM'000**
Revenue					
External revenue	12,626	2,835	7,554	2,316	25,331
Inter-segment revenue	-	-	-	136	136
	12,626	2,835	7,554	2,452	25,467
Adjustments/eliminations on combination					(136)
Combined revenue					25,331
Represented by:-					
Revenue recognised at a point in time					
- Provision of HCM and student management solutions	-	294	1,494	189	1,977
- Provision of IT staff augmentation services	55	172	-	-	227
Revenue recognised over time					
- Provision of HCM and student management solutions	2,818	2,369	6,060	2,125	13,372
- Provision of IT staff augmentation services	649	-	-	-	649
- Provision of HCM technology applications	8,679	-	-	2	8,681
- Provision of IT-related training	425	-	-	-	425
	12,626	2,835	7,554	2,316	25,331
Combined revenue					25,331
Results					
Segment profit/(loss) before interest and taxation	2,884	(1,188)	2,761	(417)	4,040
Finance costs					(443)
Adjustments/eliminations on combination					3,818
Combined profit before taxation					7,415
Income tax expense					(415)
Combined profit after taxation					7,000
Segment profit before interest and taxation includes the following:-					
Depreciation of property and equipment	167	10	14	9	200
Depreciation of investment property	17	-	-	-	17
Depreciation of right-of-use assets	205	69	(28)	-	246
Interest expense	401	30	12	-	443
(Gain)/Loss on foreign exchange:					
- realised	7	9	1	(8)	9
- unrealised	63	5	3	(24)	47
Gain on disposal of equipment	(48)	-	-	-	(48)
Interest income	(1)	-	-	(5)	(6)
Impairment losses on:					
- trade receivables	213	-	-	-	213
- other receivables	-	-	-	18	18

- Amount less than RM1,000

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

Audited **FYE 31 December 2020**	**Malaysia** **RM'000**	**Singapore** **RM'000**	**Thailand** **RM'000**	**Others** **RM'000**	**Group** **RM'000**
Assets					
Segment assets	22,691	1,287	4,034	1,501	29,513
Unallocated assets:					
- current tax assets					14
Adjustments/eliminations on combination					(9,772)
Combined total assets					19,755
Additions to non-current assets other than financial instruments:-					
- Equipment	265	-	5	27	297
- Development costs	651	-	-	74	725
Liabilities					
Segment liabilities	20,437	644	2,200	980	24,261
Unallocated liabilities:					
- current tax liabilities					196
Adjustments/eliminations on combination					(11,469)
Combined total liabilities					12,988

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

41. OPERATING SEGMENTS (CONT'D)

41.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

The information on the disaggregation of revenue based on geographical region is summarised below:-

	FYE 31 December Revenue			
	2017 RM'000	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
Group				
- Malaysia	1,698	2,876	4,885	11,534
- Singapore	4,177	3,982	3,577	2,879
- Thailand	482	5,063	5,433	7,554
- Vietnam	30	156	90	-
- Indonesia	-	-	1,362	3,310
- Netherland	193	446	92	54
- Taiwan	228	-	-	-
	6,808	12,523	15,439	25,331

41.3 MAJOR CUSTOMERS

The following are the major customers with revenue which equals to or more than 10% of the Group's total revenue in the respective financial years:-

	FYE 31 December Revenue				Business Segment
	2017 RM'000	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	
Customer 1	-	-	2,359	-	Provision of HCM and student management solutions
Customer 2	-	-	2,025	-	Provision of HCM and student management solutions
Customer 3	-	-	1,615	3,766	Provision of HCM and student management solutions
Customer 4	-	3,436	-	-	Provision of HCM and student management solutions
Customer 5	1,021	2,017	-	-	Provision of HCM and student management solutions, Provision of IT staff augmentation services
Customer 6	2,108	-	-	-	Provision of HCM and student management solutions
Customer 7	887	-	-	-	Provision of HCM and student management solutions
Customer 8	-	-	-	9,029	Provision of HCM technology applications, Provision of IT-related training

The above revenue from major customers are based on the sales proceeds amount.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

42. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

FYE 31 December	2017	2018	2019	2020
Thai Baht	0.1242	0.1242	0.1368	0.1341
Singapore Dollar	3.0293	3.0355	3.0412	3.0396
United States Dollar	4.0475	4.1360	4.0930	4.0170
Indonesian Rupiah	N/A	N/A	0.0003	0.0003

43. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

43.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Thai Baht ("THB"), Singapore Dollar ("SGD"), and Indonesia Rupiah ("IDR"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

Audited 31 December 2017	**SGD RM'000**	**THB RM'000**	**USD RM'000**	**RM RM'000**	**Total RM'000**
Financial Assets					
Trade receivables	335	13	193	655	1,196
Other receivables	-	7	18	24	49
Amount owing by related parties	-	-	-	2,060	2,060
Amount owing by a director	-	236	-	309	545
Cash and bank balances	446	28	10	20	504
	781	284	221	3,068	4,354
Financial Liabilities					
Hire purchase payables	-	-	-	383	383
Term loans	618	-	-	470	1,088
Trade payables	-	-	2	162	164
Other payables and accruals	384	3	21	69	477
Amount owing to directors	17	-	-	8	25
Short-term borrowings	-	-	-	1,322	1,322
	1,019	3	23	2,414	3,459
Net financial (liabilities)/assets	(238)	281	198	654	895
Less: Net financial (liabilities)/ assets denominated in the entity's functional currency	238	(281)	(5)	(654)	(702)
Currency exposure	-	-	193	-	193

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	**SGD RM'000**	**THB RM'000**	**USD RM'000**	**RM RM'000**	**Total RM'000**
31 December 2018					
Financial Assets					
Trade receivables	205	14	86	1,123	1,428
Other receivables	-	8	18	2	28
Amount owing by related parties	-	-	-	546	546
Amount owing by a director	-	615	-	(560)	55
Cash and bank balances	290	239	68	82	679
	495	876	172	1,193	2,736
Financial Liabilities					
Hire purchase payables	-	183	-	277	460
Term loans	339	-	-	378	717
Trade payables	-	-	1	191	192
Other payables and accruals	276	38	23	125	462
Amount owing to directors	16	-	-	11	27
Short-term borrowings	27	-	-	1,395	1,422
	658	221	24	2,377	3,280
Net financial (liabilities)/assets	(163)	655	148	(1,184)	(544)
Less: Net financial (liabilities)/ assets denominated in the entity's functional currency	163	(655)	(107)	1,184	585
Currency exposure	-	-	41	-	41

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited **31 December 2019**	**SGD** **RM'000**	**THB** **RM'000**	**USD** **RM'000**	**IDR** **RM'000**	**RM** **RM'000**	**Total** **RM'000**
Financial Assets						
Trade receivables	368	31	58	-	880	1,337
Other receivables	-	-	18	8	70	96
Cash and bank balances	700	13	128	296	2,554	3,691
	1,068	44	204	304	3,504	5,124
Financial Liabilities						
Lease liabilities	116	154	-	-	534	804
Term loans	215	-	-	-	276	491
Trade payables	-	101	-	-	-	101
Other payables and accruals	105	60	82	-	4,848	5,095
Amount owing to directors	-	155	-	-	1,963	2,118
Short-term borrowings	153	-	-	-	865	1,018
	589	470	82	-	8,486	9,627
Net financial assets/(liabilities)	479	(426)	122	304	(4,982)	(4,503)
Less: Net financial assets/ (liabilities) denominated in the entity's functional currency	(458)	426	(64)	(304)	4,982	4,582
Currency exposure	21	-	58	-	-	79

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited 31 December 2020	**SGD RM'000**	**THB RM'000**	**USD RM'000**	**IDR RM'000**	**RM RM'000**	**Total RM'000**
Financial Assets						
Trade receivables	335	1,981	7	1,090	8,166	11,579
Other receivables	8	-	-	12	3	23
Cash and bank balances	441	1,269	37	15	1,082	2,844
	784	3,250	44	1,117	9,251	14,446
Financial Liabilities						
RCPS	-	-	-	-	4,737	4,737
Lease liabilities	49	110	-	-	333	492
Term loans	-	-	-	-	2,125	2,125
Trade payables	3	358	-	227	5	593
Other payables and accruals	363	303	37	126	2,012	2,841
Short-term borrowings	151	-	-	-	1,052	1,203
	566	771	37	353	10,264	11,991
Net financial assets/(liabilities)	218	2,479	7	764	(1,013)	2,455
Less: Net financial assets/ (liabilities) denominated in the entity's functional currency	(273)	(2,566)	-	(779)	1,013	(2,605)
Currency exposure	(55)	(87)	7	(15)	-	(150)

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the respective reporting period against the respective foreign currencies of the entities within the Group does not have a material impact on the profit/loss after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 21 and 25 respectively to the combined financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans and short-term borrowings at the end of the reporting periods does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and short-term cash investments), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relating to the trade receivables as at the end of the respective reporting periods are as follows:-

	FYE 31 December			
	2017	**2018**	**2019**	**2020**
Number of customers	4	3	4	2
Percentage	61%	64%	87%	71%

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to rights to consideration for services rendered to customers but not billed as at the reporting date. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments an external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 210 days are deemed credit impaired and assess for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

For the FYE 31 December 2017, the loss allowance on trade receivables and contract assets were calculated under MFRS 139. The ageing analysis of trade receivables and contract assets are as follows:-

Audited	Gross Amount RM'000	Impairment RM'000	Carrying Value RM'000
31 December 2017			
Not past due	774	-	774
Past due:			
- less than 3 months	303	-	303
- 3 to 6 months	133	(14)	119
Trade receivables	1,210	(14)	1,196
Contract assets	146	-	146
	1,356	(14)	1,342

For the FYE 31 December 2018, 31 December 2019 and 31 December 2020, the information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised as below:-

Audited	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
31 December 2018				
Current (not past due)	710	-	-	710
Past due:				
- less than 3 months	626	-	-	626
- 3 to 6 months	92	-	-	92
- more than 6 months	14	(14)	-	-
Trade receivables	1,442	(14)	-	1,428

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

Audited	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
31 December 2019				
Current (not past due)	739	-	-	739
Past due:				
- less than 3 months	589	-	-	589
- 3 to 6 months	9	-	-	9
- more than 6 months	14	(14)	-	-
Trade receivables	1,351	(14)	-	1,337
Contract assets	913	-	-	913
	2,264	(14)	-	2,250
31 December 2020				
Current (not past due)	10,005	-	(128)	9,877
Past due:				
- less than 3 months	1,029	-	(55)	974
- 3 to 6 months	600	-	(30)	570
- more than 6 months	158	-	-	158
Credit impaired	13	(13)	-	-
	11,805	(13)	(213)	11,579

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Note 10 and 14 to the combined financial statements respectively.

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of these receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial for FYE 2017, 2018 and 2019.

The information about the exposure to credit risk and the loss allowances calculated for the other receivables for FYE 2020 are summarised below:-

Audited	**Gross Amount RM'000**	**Lifetime Loss Allowance RM'000**	**Carrying Value RM'000**
31 December 2020			
Low credit risk	11	-	11
Credit Impaired	18	(18)	-
	29	(18)	11

The movements in the loss allowances are disclosed in Note 11 to the combined financial statements.

Cash and Bank Balances

The Group considers these banks and financial institutions to have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial, and hence, it is not provided for.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount owing by related parties and directors

The Group applies the general approach to measuring expected credit losses for all intercompany balances. Generally, the Group considers loans and advances to related parties and directors to have low credit risks. The Group assumes that there is a significant increase in credit risk when a related party's financial position deteriorates significantly. As the Group is able to determine the timing of payments of the related parties and director's loans and advances when they are payable, the Group considers the loans and advances to be in default when the related parties and directors are not able to pay when demanded. The Group considers a related party's loan or advance to be credit impaired when the related party is unlikely to repay its loan or advance in full or the related party is continuously loss making or the related party is having a deficit in its total equity.

The Group determines the probability of default for these loans and advances individually using internal information available.

Amount owing by related parties and directors are subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Audited **31 December 2017**	**Weighted Average Effective Interest Rate**	**Carrying Amount** RM'000	**Contractual Undiscounted Cash Flows** RM'000	**Within 1 Year** RM'000	**1 – 5 Years** RM'000	**Over 5 Years** RM'000
Non-derivative Financial Liabilities						
Hire purchase payables	4.67%	383	419	118	301	-
Term loans	7.43%	1,088	1,311	419	721	171
Short-term borrowings	7.77%	1,322	1,322	1,322	-	-
Trade payables	-	164	164	164	-	-
Other payables and accruals	-	477	477	477	-	-
Amount owing to directors	-	25	25	25	-	-
		3,459	3,718	2,525	1,022	171

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited **31 December 2018**	**Weighted Average Effective Interest Rate**	**Carrying Amount** RM'000	**Contractual Undiscounted Cash Flows** RM'000	**Within 1 Year** RM'000	**1 – 5 Years** RM'000	**Over 5 Years** RM'000
Non-derivative Financial Liabilities						
Hire purchase payables	5.72%	460	519	173	346	-
Term loans	7.43%	717	873	273	440	160
Short-term borrowings	7.89%	1,422	1,422	1,422	-	-
Trade payables	-	192	192	192	-	-
Other payables and accruals	-	462	462	462	-	-
Amount owing to directors	-	27	27	27	-	-
		3,280	3,495	2,549	786	160

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited **31 December 2019**	**Weighted Average Effective Interest Rate**	**Carrying Amount** RM'000	**Contractual Undiscounted Cash Flows** RM'000	**Within 1 Year** RM'000	**1 – 5 Years** RM'000	**Over 5 Years** RM'000
Non-derivative Financial Liabilities						
Lease liabilities	5.72%	804	860	424	436	-
Term loans	7.49%	491	577	272	155	150
Short-term borrowings	6.60%	1,018	1,018	1,018	-	-
Trade payables	-	101	101	101	-	-
Other payables and accruals	-	5,095	5,095	5,095	-	-
Amount owing to directors	-	2,118	2,118	2,118	-	-
		9,627	9,769	9,028	591	150

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited **31 December 2020**	**Weighted Average Effective Interest Rate**	**Carrying Amount** RM'000	**Contractual Undiscounted Cash Flows** RM'000	**Within 1 Year** RM'000	**1 – 5 Years** RM'000	**Over 5 Years** RM'000
Non-derivative Financial Liabilities						
RCPS	10.00%	4,737	5,392	433	4,959	-
Lease liabilities	5.36%	492	517	360	157	-
Term loans	6.85%	2,125	2,723	506	1,666	551
Short-term borrowings	6.26%	1,203	1,203	1,203	-	-
Trade payables	-	593	593	593	-	-
Other payables and accruals	-	2,841	2,841	2,841	-	-
		11,991	13,269	5,936	6,782	551

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	FYE 31 December			
	2017	**2018**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RCPS	-	-	-	4,737
Lease liabilities	-	-	804	492
Hire purchase payables	383	460	-	-
Term loans	1,088	717	491	2,125
Short-term borrowings	1,322	1,422	1,018	1,203
	2,793	2,599	2,313	8,557
Less: Cash and bank balances	(504)	(679)	(3,691)	(2,844)
Net debt	2,289	1,920	(1,378)	5,713
Total equity	2,988	1,095	(195)	6,767
Debt-to-equity ratio	0.77	1.75	N/A	0.84

N/A – The debt-to-equity ratio is not presented as its cash and bank balances exceeded its total external borrowings.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	FYE 31 December 2017 RM'000
Financial Asset	
Loans and Receivables Financial Assets	
Trade receivables	1,196
Other receivables	49
Amount owing by related parties	2,060
Amount owing by a director	545
Cash and bank balances	504
	4,354
Financial Liability	
Other Financial Liabilities	
Trade payables	164
Other payables and accruals	477
Amount owing to directors	25
Hire purchase payables	383
Term loans	1,088
Short-term borrowings	1,322
	3,459

	FYE 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Financial Asset			
Amortised Cost			
Trade receivables	1,428	1,337	11,579
Other receivables	28	96	23
Amount owing by related parties	546	-	-
Amount owing by a director	55	-	-
Cash and bank balances	679	3,691	2,844
	2,736	5,124	14,446
Financial Liability			
Amortised Cost			
RCPS	-	-	4,737
Lease liabilities	-	804	492
Trade payables	192	101	593
Other payables and accruals	462	5,095	2,841
Amount owing to directors	27	2,118	-
Hire purchase payables	460	-	-
Term loans	717	491	2,125
Short-term borrowings	1,422	1,018	1,203
	3,280	9,627	11,991

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	FYE 31 December 2017 RM'000
Financial Asset	
Loans and Receivables Financial Assets	
Net gains recognised in profit or loss	(2)
Financial Liability	
Other Financial Liabilities	
Net losses resognised in profit or loss	(190)

	FYE 31 December		
	2018 RM'000	**2019 RM'000**	**2020 RM'000**
Financial Asset			
Amortised Cost			
Net gains recognised in profit or loss	-	(5)	(6)
Financial Liability			
Amortised Cost			
Net losses resognised in profit or loss	(179)	(137)	(443)

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2017								
Financial Liabilities								
Hire purchase payables	-	-	-	-	383	-	383	383
Term loans	-	-	-	-	1,088	-	1,088	1,088
2018								
Financial Liabilities								
Hire purchase payables	-	-	-	-	460	-	460	460
Term loans	-	-	-	-	717	-	717	717
2019								
Financial Liabilities								
Lease liabilities	-	-	-	-	804	-	804	804
Term loans	-	-	-	-	491	-	491	491
2020								
Financial Liabilities								
Lease liabilities	-	-	-	-	492	-	492	492
RCPS	-	-	-	-	-	4,737	4,737	4,737
Term loans	-	-	-	-	2,125	-	2,125	2,125

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.5 FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair value of the Group's term loans and short-term borrowings that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(ii) The fair values of hire purchase payables and lease liabilities that carry fixed interest rates are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The effective interest rates used to discount the estimated cash flows are as follows:-

	FYE 31 December			
	2017	2018	2019	2020
	%	%	%	%
Hire purchase payables/lease liabilities	4.62% - 4.71%	4.62% - 9.00%	4.62% - 9.00%	3.57% - 9.00%
Term loans (fixed rate)	Nil	Nil	Nil	5.00%
RCPS	Nil	Nil	Nil	10.00%

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

44. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date ranging from 4.62% to 9.00%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. The right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at 1 January 2019.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

44. INITIAL APPLICATION OF MFRS 16 (CONT'D)

(b) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised as below:-

Combined Statements of Financial Position

	<--------------------1 January 2019-------------------->		
	As Previously Reported RM'000	**MFRS 16 Adjustments RM'000**	**As Restated RM'000**
Property and equipment	2,177	(628)	1,549
Right-of-use assets	-	628	628
Lease liabilities			
- non-current liabilities	-	(314)	(314)
- current liabilities	-	(146)	(146)
Hire purchase payables			
- non-current liabilities	(314)	314	-
- current liabilities	(146)	146	-

45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS AND SUBSEQUENT EVENTS

(a) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group upon its initial implementation are:-

(i) Removal of the authorised share capital; and
(ii) Ordinary shares ceased to have par value.

The Companies Act 2016 was applied prospectively and the impacts of implementation are disclosed in respective notes to the financial statements.

(b) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO until 4 March 2021 to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic as at the end of the reporting period. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

RAMSSOL GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS (CONT'D)

(c) On 2 June 2020, the directors of the Group, Tan Chee Seng and Lee Miew Lan has transferred 100% of their shares in FEETS amounting to 722 and 660 number of ordinary shares respectively to Wong Kum Loong, a substantial shareholder of RAMS, at RM1 per share.

(d) On 30 June 2020, the directors of the Group have confirmed that the share subscription monies amounting to RM4,268,000 as at the financial year ended 31 December 2019 and RM225,000 subsequent to the financial year ended 31 December 2019 for the allotment of 3,553,000 Class A Redeemable Convertible Preference Shares ("Class A RCPS") and 940,000 Class B Redeemable Convertible Preference Shares ("Class B RCPS") at an issue price of RM1.00 each, respectively, have been duly received by the Group or such other as may be nominated by the Group. The Company have then allotted a total of 3,553,000 Class A RCPS and 940,000 Class B RCPS as fully paid-up share capital of the Company.

(e) On 18 August 2020, the Company has entered into a share swap agreement with the shareholders of RAMS, being Tan Chee Seng, Lee Miew Lan, Liew Yu Hoe and Wong Kum Loong ("Proposed Acquisition"), to acquire the entire issued share capital of RAMS comprising 500,001 ordinary shares for a purchase consideration of RM1,313,070 satisfied wholly by the issuance of 3,450,000 new shares at an issue price of RM0.3806 per share. The purchase consideration of RM1,313,256 for the acquisition of RAMS was arrived at on a "willing-buyer willing-seller" basis, after taking in consideration the combined audited NTA of RM1,313,256 as at 31 December 2019.

The completion of the Proposed Acquisition is conditional upon approval from the Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

(f) On 9 April 2021 and 10 May 2021, the Company has obtained the approvals from the Bursa Malaysia Securities Berhad and Securities Commission Malaysia respectively. On 17 May 2021, the Company has completed the Proposed Acquisition and RAMS has become a wholly-owned subsidiary of the Company and the issued shares of the Company has increased from 10,000 ordinary shares to 3,460,000 ordinary shares.

(g) On 21 May 2021, the Company has converted Class A RCPS into new ordinary shares at a conversion ratio of 100 Class A RCPS for 10 new ordinary shares and Class B RCPS into new ordinary shares at a conversion ratio of 100 Class B RCPS for 8 new ordinary shares. The issued shares of the Company has increased from 3,460,000 ordinary shares to 3,890,500 ordinary shares.

(h) On 24 May 2021, the Company has completed its subdivision of issued shares for 1 existing ordinary share held by the registered shareholders into 43 new ordinary shares. The issued shares of the Company has increased from 3,890,500 ordinary shares to 167,291,500 ordinary shares.

RAMSSOL GROUP BERHAD

STATEMENT BY DIRECTORS

We, Tan Chee Seng and Lee Miew Lan, being two of the directors of Ramssol Group Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as of 31 December 2017, 2018, 2019 and 2020, and of their financial performance and cash flows for the financial years ended 31 December 2017, 2018, 2019 and 2020.

Signed in accordance with a resolution of the director dated 3 1 MAY 2021

Tan Chee Seng **Lee Miew Lan**

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 EXTRACT OF OUR CONSTITUTION

Subject to the receipt of the approvals and fulfilment of the conditions as may be imposed by the relevant authorities as set out in Section 11.1 of this Prospectus, the following provisions relating to the selected matters are reproduced from our Constitution.

The words and expressions appearing in this section shall bear the same meanings used in our Constitution or the context otherwise requires.

14.1.1 Remuneration, voting and borrowing powers of Directors

(i) Remuneration of Directors

Clause 93(1) to (3) – Remuneration of Directors

(a) 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.

(b) 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.

(c) 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 may determine.

(ii) Voting of Directors

Clause 118 – Voting at Board Meetings

(a) 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.

(b) 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.

(iii) Borrowing powers of Directors

Clause 94(1) and (2) – Managing the 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.

14.1.2 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.

<u>Clause 12 – Issue of Securities</u>

(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.

(d) No shares issued having the effect of transferring controlling interest in the Company without prior approval of members in general meeting.

(e) In the case of shares other than ordinary shares, no special rights to be attached until the same have been expressed in the constitution.

(f) Approval by members shall specify details of the amount of shares of options to be issued to employees / directors and a director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or public issue.

(g) Company must allot and issue securities, despatch notice of allotment to the allottees and make an application for the quotation of such securities within such periods as may be prescribed by the Exchange.

(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 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.

14.1.3 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 Listed Deposited Securities.

14.1.4 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 3.3.5 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

14.2 SHARE CAPITAL

(i) No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.

(ii) There is no founder, management or deferred shares in our Company. We have only one (1) class of shares in our Company, namely ordinary shares, all of which rank equally with one (1) another.

(iii) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

(iv) Save as disclosed in Section 5.3 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, for the Financial Years Under Review and up to the LPD.

(v) Save for 5,600,000 Shares reserved for our eligible Directors, employees and business associates of our Group as disclosed in Section 3.3.1(ii) of this Prospectus,

   (a) no person including Directors or employees of our Group has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiaries; and

   (b) there is currently no other scheme involving our Directors or employees of our Group in the capital of our Company or our subsidiaries.

(vi) As at the date of this Prospectus, we do not have any convertible debt securities, options, warrants and uncalled capital.

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND / OR EXERCISE VOTING RIGHTS

There is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company.

14.4 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his / her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or rising from, such Shares.

14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:

(i) Conditional shares swap agreement dated 18 August 2020 entered into between Ramssol and Tan Chee Seng, Lee Miew Lan, Liew Yu Hoe, and Wong Kum Loong for the Acquisition, the supplemental letter of agreement dated 14 September 2020 for the extension of conditional period for the Acquisition from 17 September 2020 to 28 February 2021 and the supplemental letter of agreement dated 26 February 2021 for the extension of conditional period for the Acquisition from 28 February 2021 to 30 June 2021, which was completed on 17 May 2021;

(ii) Subscription agreements dated from 1 June 2019 to 30 April 2020 entered into between Ramssol and the business associates of Tan Chee Seng, Lee Miew Lan and our Group ("**Class A Subscribers**") in respect of the subscription of 3,553,000 Class A RCPS (as defined above) by the Class A Subscribers. Please refer to Section 5.5.1(b) of this Prospectus for further details of the Class A RCPS;

(iii) Subscription agreements dated from 1 June 2019 to 30 April 2020 entered into between Ramssol and the Related Parties and other parties ("**Class B Subscribers**") in respect of the subscription of 940,000 Class B RCPS (as defined above) by the Class B Subscribers. Please refer to Section 5.5.1(b) of this Prospectus for further details of the Class B RCPS; and

(iv) Underwriting Agreement dated 31 May 2021 entered into between Ramssol and our Underwriter for the underwriting of 11,200,000 Public Issue Shares and 5,600,000 Pink Form Shares, for the underwriting commission at the rate set out in Section 3.9.1 of this Prospectus.

14.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the date of this Prospectus, our Group is not engaged in any material litigation, claim and / or arbitration, whether as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group. Our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group in the 12 months immediately preceding the date of this Prospectus.

14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

The relevant governmental laws, decrees, regulations, legislations and / or other requirements in Singapore, Indonesia, Thailand and Vietnam in relation to the repatriation of capital and the remittance of profit by or to our Group are as follows:

Vietnam

Under Vietnamese laws, there is no significant restriction on the management of repatriation of investment capital and remittance of profits of foreign investment projects.

Foreign investors are entitled to repatriate their investment capital upon (a) the dissolution or termination of operation of enterprises with foreign direct investment capital, (b) reduction of investment capital, and (c) liquidation or termination of the investment projects and business co-operation contracts in accordance with the Vietnamese Law on Investment so long as all financial obligations owed to the government of Vietnam have been satisfied.

Profits of foreign investors remitted from Vietnam shall be lawful profits derived or obtained from direct investment activities in Vietnam after financial obligations to the State of Vietnam pursuant to its laws and regulations have been fulfilled. According to Circular No. 186 / 2010 / TT-BTC dated 18 November 2010 (guidelines on remitting abroad profits earned by foreign organisations and individuals from their direct investment in Vietnam) ("Circular 186"), the investors might on their own or authorise the relevant company to notify the remittance and transfer of profits abroad directly to the managing tax authority of the company at least 7 working days before the date of the remittance of the said profits.

There are no withholding taxes imposed on repatriation of profits as may be paid by Rams Vietnam to Rams Malaysia as a foreign corporate shareholder.

It is required that the transfer of any principal investment capital, profits, interest payments and remittances abroad must be effected via a direct investment capital account (for a payment account in case the direct investment capital account has been closed due to the dissolution of the relevant company) opened at an authorised credit institution in Vietnam regardless whether the amount to the transferred are in the lawful currency of Vietnam or foreign currencies.

Singapore

Under the Singapore Companies Act, Chapter 50 and subject to any taxes applicable under Singapore Law, dividends may be paid out of profits available for distribution.

The constitution of Rams Singapore provides for the declaration of dividends by Rams Singapore in general meeting, but no dividend shall exceed the amount recommended by the directors of Rams Singapore. As there is no express provision in the constitution of Rams Singapore which requires that the declaration of dividends be made by way of a special resolution, the declaration of dividends may be made by Rams Singapore in general meeting by ordinary resolution and there is no requirement to withhold tax on such dividend payments. The constitution of Rams Singapore further provides that the directors of Rams Singapore may from time to time pay to its members such interim dividends as appear to the directors to be justified by the profits of Rams Singapore. There are no regulatory restrictions on payment of dividends to a foreign shareholder who is not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

As for capital it may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the constitution of Rams Singapore. There are no regulatory restrictions on payment from a capital reduction exercise to a foreign shareholder who is not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

Indonesia

The Indonesia's Investment Law No. 25 of 2007 (Art 8.1 and 8.3) ensures the rights of foreign investors to repatriate profits from Indonesia which can be in the form of payment of dividend, reduction of capital, payment liquidation proceeds or payment of royalties or technical fees.

However, repatriation of funds from Indonesia are subject to:

the Indonesian government or law enforcement (e.g. in order to protect the rights of creditors or to avoid losses to the state), has the right to defer the repatriation of profit if (a) the investor has any unsettled legal liabilities in Indonesia and (b) there are any pending taxes and / or royalties and / or government revenues from the investment;

if the repatriation will result in decrease / reduction in the foreign company's issued and paid-up capital, then it must first amend their articles of association (before the public notary), then obtain approval from the Minister of Law and Human Rights regarding the reduction of the issued and paid-up capital; and

if there are any foreign exchange activities (transfers of assets and financial liabilities between Indonesian residence – in this case, the company and other non-Indonesian residents, including transfers of foreign assets and foreign financial liabilities between Indonesian residents), the company is obliged to report said activities and Bank of Indonesia will require provision of the underlying transactional documents; and

payment of dividends from Rams Indonesia and Feets Indonesia to Rams Malaysia is subject to withholding tax at the rate of 20% which may be reduced to 15% in view of the Indonesia – Malaysia Tax Treaty subject to the fulfilment of the requirements by the laws of Indonesia.

Thailand

Under Thai laws, there is no significant restriction on the management of repatriation of investment capital and remittance of profits of foreign investment projects.

There is no limitation on the outward remittance of foreign currencies as repatriation of capital by a Thai registered company to its foreign shareholder, provided the capital must be returned pursuant to a capital reduction or dissolution exercise om accordance with the Thai Civil and Commercial Code and the company's Articles of Association. Supporting documents such as capital reduction resolution, dissolution confirmation, and / or evidence of initial capital remittance into Thailand are generally required to be submitted to the authorised Thai bank upon request for outward remittance.

Generally, there is no limitation on outward remittance of foreign currencies for payment of dividend by a Thai registered company to a foreign shareholder. However, dividends may only be paid out of the Thai registered company when the Thai registered company has earned profit. If it has incurred losses, the dividends cannot be declared until such losses have been made good. Dividend is taxable income which is subject to 10% withholding tax (except for a BOI Company or other tax exemptions). Before dividend declaration, the Thai registered company is required to allocate a mandatory legal reserve of at least one-twentieth (1 / 20) of the profit or more until such appropriation reaches one tenth (1 / 10) of the company's registered capital.

14.8 PUBLIC TAKE-OVERS

None of the following has occurred during the last financial year up to the LPD:

(i) Public take-over offers by third parties in respect of our Shares;

(ii) Public take-over offers by us in respect of other company's shares.

14.9 LETTERS OF CONSENT

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Solicitors, Share Registrar and Issuing House listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' letters on the Pro Forma Statements of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Independent Market Researcher for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

14.10 RESPONSIBILITY STATEMENT

(i) Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

(ii) Kenanga IB as the Principal Adviser, Sponsor, Underwriter and Placement Agent, 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 concerning our IPO.

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14.11 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of 6 months from the date of this Prospectus:

(i) the Constitution of our Company;

(ii) the commercial agreements as set out in Section 6.18 of this Prospectus;

(iii) the IMR Report prepared by IMR as included in Section 7 of this Prospectus;

(iv) the Reporting Accountants' Report on the Pro Forma Statements of Financial Position as included in Section 12.1 of this Prospectus;

(v) the Accountants' Report as included in Section 13 of this Prospectus;

(vi) the material contracts as referred to in Section 14.5 of this Prospectus;

(vii) the letters of consent as referred to in Section 14.9 of this Prospectus; and

(viii) the audited financial statements of Ramssol for the Financial Years Under Review.

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15. 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 IPO 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 TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD, 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.

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD	:	10.00 A.M., 22 JUNE 2021
CLOSING OF THE APPLICATION PERIOD	:	5.00 P.M., 29 JUNE 2021

Applications for the IPO Shares will be open and close at the dates stated above.

In the event of any change to the dates stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION

15.2.1 Application for Our IPO Shares by the Malaysian Public and Our Eligible Directors, Employees and Business Associates of Our Group

Types of Application and category of investors	Application Method
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
Applications by the Eligible Persons	**PINK** Application Form only

15.2.2 Application by selected investors via private placement

Types of Application	Application Method
Applications by:	
Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

15.3 ELIGIBILITY

15.3.1 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 ONE HUNDRED (100) IPO SHARES OR MULTIPLES OF ONE HUNDRED (100) IPO 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.

15.3.2 Applications by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our IPO Shares with a Malaysian address; 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 Tricor Investor & Issuing House Services Sdn Bhd or an immediate family member of a director or employee of Tricor Investor & Issuing House Services Sdn Bhd; and

(iii) You must submit Applications by using only 1 of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

15.3.3 Application by the Eligible Directors, Employees and Business Associates of our Group

The Eligible Directors, employees and business associates of our Group will be provided with **PINK** Application Forms and letters from us detailing their respective allocation.

The Eligible Directors, employees and business associates 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, Tricor Investor & Issuing House Services Sdn Bhd, Kenanga IB, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 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 RM0.45 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 704**" 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 (1) 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
(Registration No. 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 29 June 2021.

We, together with Tricor Investor & Issuing House Services Sdn Bhd, 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 Forms to Tricor Investor & Issuing House Services Sdn Bhd.

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO 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, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. 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 Participating Financial Institutions.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO 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.

15.7 AUTHORITY OF OUR BOARD AND TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

Tricor Investor & Issuing House Services Sdn Bhd on the authority of our Board reserves the right to:

(i) reject Applications which:

   (a) do not conform to the instructions of this 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 15.9 of this Prospectus.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of Tricor Investor & Issuing House Services Sdn Bhd at any time 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.

15.8 OVER / UNDER SUBSCRIPTION

In the event of over-subscription, Tricor Investor & Issuing House Services Sdn Bhd 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 IPO 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 our IPO shares and the balloting results in connection therewith will be furnished by Tricor Investor & Issuing House Services Sdn Bhd 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 business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% 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 this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all the Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible Directors, employees and business associates of our Group, subject to the underwriting arrangements and reallocation as set out in Section 3.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

15.9 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.

15.9.1 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 Tricor Investor & Issuing House Services Sdn Bhd as per items (i) and (ii) above (as the case may be).

(iv) Tricor Investor & Issuing House Services Sdn Bhd 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).

15.9.2 For applications by way of Electronic Share Applications and Internet Share Applications

(i) Tricor Investor & Issuing House Services Sdn Bhd shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 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 2 Market Days after the receipt of confirmation from Tricor Investor & Issuing House Services Sdn Bhd.

(ii) You may check your account on the 5^{th} 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 Tricor Investor & Issuing House Services Sdn Bhd, 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 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from Tricor Investor & Issuing House Services Sdn Bhd.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) our IPO 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 IPO 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 IPO 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.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Tricor Investor & Issuing House Services Sdn Bhd at telephone no. (603) 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, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 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.

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