ACE INNOVATE ASIA BERHAD
201901007350 (1316677-U)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Registration No. 201901007350 (1316677-U)

ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 6 to the financial statements.

There have been no significant changes in the nature of the activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	151,610	3,214,556

DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	2021 RM
Single-tier interim dividend of RM0.0099 per ordinary share of the Company, paid on 27 May 2021, in respect of the financial year ended 31 December 2021	2,970,327

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONTINUED)

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Fong Pok Yee *
Go Yoong Chang*
Pua Kiam Hong
Liew Kim Fung (Resigned on 23 April 2021)

*Directors of the Company and certain subsidiaries

DIRECTORS' INTERESTS

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

Interest in the Company

	I------------------------ Number of ordinary shares ---------------------------I			
	At 1 January 2021	**Bought**	**Sold**	**At 31 December 2021**
Direct interest:				
Go Yoong Chang	3,000,000	-	-	3,000,000
Indirect interest:				
Go Yoong Chang	261,033,000 [(1)]	-	-	261,033,000 [(1)]

[(1)] Shares held through holding company.

By virtue of his direct and indirect interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Go Yoong Chang is deemed to have a direct and indirect interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' REPORT (CONTINUED)

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company were RM1,000,000 and RM 22,790.

HOLDING COMPANY

The directors regard Ace Dynamic Team Sdn. Bhd., a company incorporated in Malaysia as the holding company of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

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

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interest in shares in the holding company and its other related corporations during the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 29 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

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

ACE INNOVATE ASIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

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

……………………………………
GO YOONG CHANG
Director

……………………………………
FONG POK YEE
Director

Date: 27 April 2022

Registration No. 201901007350 (1316677-U)

ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**5**	4,754,788	5,050,529	-	-
Investment in subsidiaries	**6**	-	-	13,051,752	13,051,650
Investment in an associate	**7**	4	-	-	-
Deferred tax assets	**8**	-	159,217	-	-
Total non-current assets		**4,754,792**	**5,209,746**	**13,051,752**	**13,051,650**
Current assets					
Inventories	**9**	18,757,348	9,642,670	-	-
Current tax assets		1,498,141	459,624	-	-
Trade and other receivables	**10**	13,217,072	15,432,923	9,119,923	8,879,778
Cash and short-term deposits	**11**	18,145,430	2,914,479	882	3,996
Total current assets		**51,617,991**	**28,449,696**	**9,120,805**	**8,883,774**
TOTAL ASSETS		**56,372,783**	**33,659,442**	**22,172,557**	**21,935,424**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	**12**	23,191,651	23,191,651	23,191,651	23,191,651
Reorganisation reserve	**13**	(12,051,547)	(12,051,547)	-	-
Retained earnings		13,287,266	16,104,851	(1,040,965)	(1,285,194)
		24,427,370	**27,244,955**	**22,150,686**	**21,906,457**
Non-controlling interests		(1,034)	-	-	-
TOTAL EQUITY		24,426,336	27,244,955	22,150,686	21,906,457

ACE INNOVATE ASIA BERHAD
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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Non-current liabilities					
Loans and borrowings	**14**	3,094,895	3,224,460	-	-
Deferred tax liabilities	**8**	127,753	28,329	-	-
Total non-current liabilities		**3,222,648**	**3,252,789**	**-**	**-**
Current liabilities					
Loans and borrowings	**14**	321,095	399,308	-	-
Contract liabilities	**15**	24,331	-	-	-
Trade and other payables	**16**	28,378,373	2,762,390	21,871	28,967
Total current liabilities		**28,723,799**	**3,161,698**	**21,871**	**28,967**
TOTAL LIABILITIES		**31,946,447**	**6,414,487**	**21,871**	**28,967**
TOTAL EQUITY AND LIABILITIES		**56,372,783**	**33,659,442**	**22,172,557**	**21,935,424**

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

ACE INNOVATE ASIA BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Revenue	17	1,587,491,956	1,328,645,826	-	-
Cost of sales		(1,578,222,218)	(1,314,352,843)	-	-
Gross profit		**9,269,738**	**14,292,983**	**-**	**-**
Other income	18	705,068	238,836	3,439,791	27,105
Administrative expenses		(8,579,918)	(8,922,328)	(225,235)	(433,556)
Operating profit/(loss)		**1,394,888**	**5,609,491**	**3,214,556**	**(406,451)**
Finance costs	19	(591,997)	(213,579)	-	-
Profit/(loss) before tax	20	**802,891**	**5,395,912**	**3,214,556**	**(406,451)**
Income tax expense	22	(651,281)	(1,342,613)	-	-
Profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year		**151,610**	**4,053,299**	**3,214,556**	**(406,451)**
Profit/(loss) attributable to:					
Owners of the Company		152,742	4,053,299	3,214,556	(406,451)
Non-controlling interests		(1,132)	-	-	-
		151,610	**4,053,299**	**3,214,556**	**(406,451)**
Basic earnings per share (sen)	26	**0.05**	**1.35**		
Diluted earnings per share (sen)	26	**0.05**	**1.35**		

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Attributable to the owners of the Company					
Group	**Note**	**Share capital RM**	**Reorganisation reserve RM**	**Retained earnings RM**	**Sub-total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2020		23,191,651	(12,051,547)	12,051,552	23,191,656	-	23,191,656
Profit for the financial year, representing total comprehensive income for the financial year		-	-	4,053,299	4,053,299	-	4,053,299
At 31 December 2020		23,191,651	(12,051,547)	16,104,851	27,244,955	-	27,244,955
Profit for the financial year, representing total comprehensive income for the financial year		-	-	152,742	152,742	(1,132)	151,610
Transactions with owners							
Acquisition of subsidiaries		-	-	-	-	98	98
Dividend paid on shares	**23**	-	-	(2,970,327)	(2,970,327)	-	(2,970,327)
		-	-	(2,817,585)	(2,817,585)	(1,034)	(2,818,619)
At 31 December 2021		**23,191,651**	**(12,051,547)**	**13,287,266**	**24,427,370**	**(1,034)**	**24,426,336**

ACE INNOVATE ASIA BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Company	Note	Share capital RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
		Attributable to the owners of the Company		
At 1 January 2020		**23,191,651**	**(878,743)**	**22,312,908**
Loss for the financial year, representing total comprehensive loss for the financial year		-	(406,451)	(406,451)
At 31 December 2020		**23,191,651**	**(1,285,194)**	**21,906,457**
Profit for the financial year, representing total comprehensive income for the financial year		-	3,214,556	3,214,556
Transactions with owners				
Dividend paid on shares	**23**	-	(2,970,327)	(2,970,327)
At 31 December 2021		**23,191,651**	**(1,040,965)**	**22,150,686**

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

ACE INNOVATE ASIA BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit/(loss) before tax		802,891	5,395,912	3,214,556	(406,451)
Adjustments for:					
Depreciation of property, plant and equipment		272,191	276,474	-	-
Depreciation of right-of-use assets		258,827	289,360	-	-
Property, plant and equipment written off		1,211	41,826	-	-
Net unrealised foreign exchange gain		(125,994)	(85,401)	-	-
Inventories written off		533,533	-	-	-
Finance costs		591,997	213,579	-	-
Interest income		(69,991)	(80,663)	(98,727)	(27,105)
Operating profit/(loss) before working capital changes		**2,264,665**	**6,051,087**	**3,115,829**	**(433,556)**
<u>Changes in working capital</u>					
Contract liabilities		24,331	-	-	-
Inventories		(9,648,211)	(6,974,202)	-	-
Trade and other receivables		2,096,312	(2,430,880)	14,197	60,553
Trade and other payables		15,580,006	(2,954,949)	(8,968)	401
Cash from/(used in) operating activities		10,317,103	(6,308,944)	3,121,058	(372,602)
Income tax paid		(1,590,779)	(1,420,290)	-	-
Income tax refunded		159,622	-	-	-
Interests paid		(2,586)	(4,173)	-	-
Interests received		69,991	80,663	98,727	27,105
Net cash from/(used in) operating activities		**8,953,351**	**(7,652,744)**	**3,219,785**	**(345,497)**
Cash flows from investing activities					
Purchase of property, plant and equipment	**(a)**	(125,370)	(129,528)	-	-
Net change in pledged deposits		-	(5,527)	-	-
Net cash used in investing activities		**(125,370)**	**(135,055)**	**-**	**-**

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Cash flows from financing activities	**(b)**				
Net change in amount due from holding company		23,681	(18,200)	1	-
Net change in amount due to subsidiaries		-	-	(252,573)	(9,795,091)
Net change in amount due to related parties		10,098,296	-	-	-
Repayment of lease liabilities		(260,063)	(212,023)	-	-
Repayment of term loan		(58,833)	(33,942)	-	-
Drawdown of term loans		-	550,000	-	-
Dividend paid		(2,970,327)	-	(2,970,327)	-
Interests paid		(589,411)	(209,406)	-	-
Net cash from/(used in) financing activities		**6,243,343**	**76,429**	**(3,222,899)**	**(9,795,091)**
Net increase/(decrease) in cash and cash equivalents		15,071,324	(7,711,370)	(3,114)	(10,140,588)
Cash and cash equivalents at the beginning of the financial year		2,678,396	10,705,556	3,996	10,144,584
Effects of exchange rate changes on cash and cash equivalents		159,627	(315,790)	-	-
Cash and cash equivalents at the end of the financial year	**11**	**17,909,347**	**2,678,396**	**882**	**3,996**

(a) Purchase of property, plant and equipment:

		Group	
		2021	2020
	Note	RM	RM
Purchase of property, plant and equipment	**5**	236,488	129,528
Financed by way of finance lease arrangements		(111,118)	-
Cash payments on purchase of property, plant and equipment		125,370	129,528

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

Group	1 January 2021 RM	Cash flow RM	Non-cash Drawdown/ Acquisition RM	Non-cash Acquisition of an associate RM	31 December 2021 RM
Term loans	3,268,061	(58,833)	-	-	3,209,228
Lease liabilities	355,707	(260,063)	111,118	-	206,762
Amount owing to/(from) holding company	(24,201)	23,681	-	-	(520)
Amount owing to/(from) related parties	-	10,098,296	-	4	10,098,300
	3,599,567	**9,803,081**	**111,118**	**4**	**13,513,770**

Company	1 January 2021 RM	Cash flow RM	Non-cash Acquisition of subsidiaries RM	31 December 2021 RM
Amount owing to/(from) holding company	(1)	1	-	-
Amount owing to/(from) fellow subsidiaries	(8,865,580)	(252,573)	102	(9,118,051)
	(8,865,581)	**(252,572)**	**102**	**(9,118,051)**

Group	1 January 2020 RM	Cash flow RM	Non-cash Drawdown/ Acquisition RM	31 December 2020 RM
Term loans	2,752,003	(33,942)	550,000	3,268,061
Lease liabilities	565,682	(212,023)	2,048	355,707
Amount owing to/(from) holding company	(6,001)	(18,200)	-	(24,201)
	3,311,684	**(264,165)**	**552,048**	**3,599,567**

Company	1 January 2020 RM	Cash flow RM	Non-cash Drawdown/ Acquisition	31 December 2020 RM
Amount owing to/(from) holding company	(1)	-	-	(1)
Amount owing to/(from) fellow subsidiaries	929,511	(9,795,091)	-	(8,865,580)
	929,510	**(9,795,091)**	**-**	**(8,865,581)**

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ace Innovate Asia Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the LEAP Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No.19-1, Jalan USJ10/1D, Taipan Business Centre, 47620 Subang Jaya, Selangor.

The holding company is Ace Dynamic Team Sdn. Bhd., a company incorporated in Malaysia.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group has adopted the following amendments/improvements to MFRSs for the current financial year:

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

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendments to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 5 June 2020 or/and 6 April 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of amendments/improvements to MFRSs (continued)

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
\# *Amendments as to the consequence of MFRS 17 Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

Annual Improvements to MFRS Standards 2018 – 2020

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

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

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board in April 2018.

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

(b) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases

The *Interest Rate Benchmark Reform – Phase 2* amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Amendments to MFRS 101 Presentation of Financial Statements

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

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

2. BASIS OF PREPARATION (CONTINUED)

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

(b) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

(c) The initial application of the above applicable new MFRS and amendments/ improvements to MFRSs are not expected to have any material impact on the prior and current periods of financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

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

(b) Non-controlling interests

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

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

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(c) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions

Translation of foreign currency transactions

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

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

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

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

3.4 Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

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

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

<u>Debt instruments</u>

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

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through other comprehensive income ("FVOCI")**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss ("FVPL")**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

<u>Equity instruments</u>

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

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

(ii) Financial liabilities

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

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(ii) Financial liabilities (continued)

Financial liabilities at FVPL

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

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

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

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

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

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

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

(d) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(d) Derecognition (continued)

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

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

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

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

(e) Offsetting of financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets, other than bearer plants, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14.

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

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

(b) Subsequent costs

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

When bearer plants reached the end of its useful life and Is replanted, the carrying amount of the old bearer plants are derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (continued)

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

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

	Useful lives (years)
Building	50
Computer and software	5
Furniture, fittings, tools and equipment	10
Electrical installation	10
Renovation	10
Office equipment	10
Motor vehicles	5
Signboard	5
Plant and machinery	10
Right-of-use assets	2 to 3

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

(d) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

(a) Definition of a lease

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

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

<u>Right-of-use asset</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(b) Lessee accounting (continued)

Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

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 and the Company use their incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(c) Lessor accounting

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

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(b), then it classifies the sub-lease as an operating lease.

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

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

When a contract includes lease and non-lease components, the Group and the Company apply *MFRS 15 Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods: costs of direct materials. These costs are assigned on a weighted average basis.

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

3.8 Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers.

3.9 Cash and cash equivalents

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

3.10 Impairment of assets

(a) Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

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

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

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

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Share capital

Ordinary shares

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

3.12 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income

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

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

(a) Sales of goods

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

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

Where consideration is collected from customer in advance for sale of precious metals, an advance from customers is recognised for the customer deposits. Advance from customers would be recognised as revenue upon sale of precious metals to the customer.

(b) Sales of services

Revenue from sale of services is recognised at a point in time when service is rendered to the customer, which in the point in time when the performance obligation in the contract with customer is satisfied.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income from property, plant and equipment is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

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

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

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

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

3.15 Income tax

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

(a) Current tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

3.16 Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Operating segments

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

3.18 Fair value measurements

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Contingencies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Impairment of financial assets

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

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

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

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

(a) Impairment of financial assets (continued)

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

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 24.

(b) Write-down of obsolete or slow moving inventories

The Group write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's inventories are disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM	Building RM	Computer and software RM	Furniture, fittings, tools and equipment RM	Electrical installation RM	Renovation RM	Office equipment RM	Motor vehicles RM	Signboard RM	Plant and machinery RM	Right-of-use assets RM	Total RM
Cost													
At 1 January 2021		1,425,762	2,212,238	758,296	275,605	22,901	597,582	151,251	336,175	4,170	72,610	1,244,365	7,100,955
Additions		-	-	125,370	-	-	-	-	-	-	-	111,118	236,488
Written off		-	-	(43,696)	-	-	-	(1,102)	-	(4,170)	-	-	(48,968)
Derecognised due to end of lease term		-	-	-	-	-	-	-	-	-	-	(86,693)	(86,693)
Reclassification		-	-	-	-	-	-	-	560,067	-	-	(560,067)	-
At 31 December 2021		1,425,762	2,212,238	839,970	275,605	22,901	597,582	150,149	896,242	-	72,610	708,723	7,201,782
Accumulated depreciation													
At 1 January 2021		-	73,762	563,483	124,084	8,173	219,344	65,448	309,915	2,717	36,309	647,191	2,050,426
Depreciation charge for the financial year	**20**	-	44,245	92,294	27,500	2,290	59,391	15,122	23,645	444	7,260	258,827	531,018
Written off		-	-	(43,690)	-	-	-	(906)	-	(3,161)	-	-	(47,757)
Derecognised due to end of lease term		-	-	-	-	-	-	-	-	-	-	(86,693)	(86,693)
Reclassification		-	-	-	-	-	-	-	441,745	-	-	(441,745)	-
At 31 December 2021		-	118,007	612,087	151,584	10,463	278,735	79,664	775,305	-	43,569	377,580	2,446,994
Carrying amount													
At 1 January 2021		1,425,762	2,138,476	194,813	151,521	14,728	378,238	85,803	26,260	1,453	36,301	597,174	5,050,529
At 31 December 2021		1,425,762	2,094,231	227,883	124,021	12,438	318,847	70,485	120,937	-	29,041	331,143	4,754,788

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM	Building RM	Computer and software RM	Furniture, fittings, tools and equipment RM	Electrical installation RM	Renovation RM	Office equipment RM	Motor vehicles RM	Signboard RM	Plant and machinery RM	Right-of-use asset RM	Total RM
Cost													
At 1 January 2020		1,425,762	2,212,238	671,231	260,755	22,901	624,582	153,922	255,732	4,170	72,610	1,322,761	7,026,664
Additions		-	-	92,883	14,850	-	18,000	3,795	-	-	-	2,047	131,575
Written off		-	-	(5,818)	-	-	(45,000)	(6,466)	-	-	-	-	(57,284)
Reclassification		-	-	-	-	-	-	-	80,443	-	-	(80,443)	-
At 31 December 2020		1,425,762	2,212,238	758,296	275,605	22,901	597,582	151,251	336,175	4,170	72,610	1,244,365	7,100,955
Accumulated depreciation													
At 1 January 2020		-	29,541	469,833	96,895	5,884	174,126	57,629	215,632	1,884	29,053	419,573	1,500,050
Depreciation charge for the financial year	**20**	-	44,221	99,468	27,189	2,289	48,621	14,056	32,541	833	7,256	289,360	565,834
Written off		-	-	(5,818)	-	-	(3,403)	(6,237)	-	-	-	-	(15,458)
Reclassification		-	-	-	-	-	-	-	61,742	-	-	(61,742)	-
At 31 December 2020		-	73,762	563,483	124,084	8,173	219,344	65,448	309,915	2,717	36,309	647,191	2,050,426
Carrying amount													
At 1 January 2020		1,425,762	2,182,697	201,398	163,860	17,017	450,456	96,293	40,100	2,286	43,557	903,188	5,526,614
At 31 December 2020		1,425,762	2,138,476	194,813	151,521	14,728	378,238	85,803	26,260	1,453	36,301	597,174	5,050,529

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets pledged as security

Freehold lands and buildings with a carrying amount of RM3,333,878 (2020: RM3,376,091) have been pledged as security to secure term loans of the Group and of the Company as disclosed in Note 14(a).

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 14(b).

(b) Right-of-use assets

The Group leases office for their office space. The leases for office space generally have lease term between 2 to 3 years with options to renew.

The Group has motor vehicles under finance lease which is classified as right-of-use asset.

Information about leases for which the Group leases is presented below:

	Shoplots RM	Motor vehicles RM	Total RM
Carrying amount:			
At 1 January 2020	84,282	818,906	903,188
Additions	2,047	-	2,047
Depreciation	(49,623)	(239,737)	(289,360)
Reclassification	-	(18,701)	(18,701)
At 31 December 2020	36,706	560,468	597,174
Additions	111,118	-	111,118
Depreciation	(35,014)	(223,813)	(258,827)
Reclassification	-	(118,322)	(118,322)
At 31 December 2021	112,810	218,333	331,143

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2021	**2020**
	RM	**RM**
At cost		
Unquoted shares	13,051,650	13,051,650
Addition during the financial year	102	-
Unquoted shares	13,051,752	13,051,650

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %	Principal activities
Ace Capital Growth Sdn. Bhd.	Malaysia	100	100	Engaged in the business of trading in precious metals
Ace Global Metal Sdn. Bhd.	Malaysia	100	100	Engaged in the business of developing information technology ("IT"), dealing and trading in providing information, communicatiion and technology ("ICT") services and consultancy, deal, trade and provide software research and development businesses
Ace Assay (M) Sdn. Bhd.	Malaysia	100	100	Engaged in technical testing and analysis, assaying and refining of precious metals
Ace Ikhlas Gold Sdn. Bhd.	Malaysia	51	Nil	Engaged in the business of trading in precious metals
Ace Ihsan Gold Sdn. Bhd.	Malaysia	51	Nil	Engaged in the business of trading in precious metals

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Incorporation of Ace Ihsan Gold Sdn. Bhd.

On 16 August 2021, the Company incorporated a 51% equity interest in Ace Ihsan Gold Sdn. Bhd. for a total consideration of RM 51. As at the incorporation date, Ace Ihsan Gold Sdn. Bhd. became a subsidiary of the Company.

(b) Incorporation of Ace Ikhlas Gold Sdn. Bhd.

On 24 August 2021, the Company incorporated a 51% equity interest in Ace Ikhlas Gold Sdn. Bhd. for a total consideration of RM 51. As at the incorporation date, Ace Ikhlas Gold Sdn. Bhd. became a subsidiary of the Company.

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unquoted shares at cost				
At 1 January	-	-	-	-
Additional investment	4	-	-	-
At 31 December	4	-	-	-

Details of associate is as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2021 %	2020 %	Principal activities
One Gold Sdn. Bhd.*	Malaysia	40	Nil	Trading of precious metals

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

The summarised financial information of the associate is not presented as it is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX (LIABILITIES)/ASSETS

Deferred tax (liabilities)/asset related to the following:

Group	As at 1 January 2021 RM	Recognised in profit or loss RM	As at 31 December 2021 RM
Property, plant and equipment	(74,233)	(23,848)	(98,081)
Lease liabilities	423	144	567
Other temporary differences	42,839	(73,078)	(30,239)
Unused tax losses	161,859	(161,859)	-
	130,888	(258,641)	(127,753)

Group	As at 1 January 2020 RM	Recognised in profit or loss RM	As at 31 December 2020 RM
Property, plant and equipment	(50,290)	(23,943)	(74,233)
Lease liabilities	161	262	423
Other temporary differences	(15,317)	58,156	42,839
Unused tax losses	-	161,859	161,859
	(65,446)	196,334	130,888

	Group	
	2021 RM	2020 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	159,217
Deferred tax liabilities	(127,753)	(28,329)
	(127,753)	130,888

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVENTORIES

	Group	
	2021	2020
	RM	RM
At lower of cost and net realisable value:		
Raw materials	299,261	99,833
Finished goods	6,841,965	9,542,837
Goods-in-transit	11,616,122	-
	18,757,348	9,642,670

(a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial period was RM1,577,320,612 (2020: RM1,314,193,531).

(b) During the financial year, inventories amounted to RM533,437 were written off by the Group in respect of misappropriation of gold by an employee.

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2021	2020	2021	2020
		RM	RM	RM	RM
Trade					
Trade receivables	(a)				
- Third parties		10,857,212	14,075,997	-	-
		10,857,212	14,075,997	-	-
Non-trade					
Other receivables		1,508	7	-	-
Amount owing by holding company	(b)	520	24,201	-	1
Amount owing by a subsidiary	(b)	-	-	9,119,923	8,865,580
Deposits		43,153	99,144	-	-
GST receivable		-	10,614	-	-
Provision for insurance claim		473,311	-	-	-
Prepayments	(c)	1,841,368	1,222,960	-	14,197
		2,359,860	1,356,926	9,119,923	8,879,778
Total trade and other receivables		13,217,072	15,432,923	9,119,923	8,879,778

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and normally due from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables are trade advances amounting to RM10,267,644 (2020: RM13,478,476).

The information about the credit exposures are disclosed in Note 24(b).

(b) Amount owing by holding company and a subsidiary

Amount owing by holding company and a subsidiary are unsecured, non-interest bearing and repayable on demand.

(c) Prepayment

Included in prepayments are advance payment to suppliers amounting to RM1,722,745 (2020: RM1,072,890).

11. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	17,909,347	2,678,396	882	3,996
Short-term deposits placed with licensed banks	236,083	236,083	-	-
	18,145,430	2,914,479	882	3,996

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Short-term deposits placed with licensed banks	236,083	236,083	-	-
Less: Pledged deposits	(16,629)	(16,629)	-	-
Less: Deposits more than 3 months	(219,454)	(219,454)	-	-
	-	-	-	-
Cash and bank balances	17,909,347	2,678,396	882	3,996
	17,909,347	2,678,396	882	3,996

Included in the deposits placed with licensed banks of the Group:

(i) RM16,629 (2020: RM16,629) is pledged for term loan granted to the Group as disclosed in Note 14(a).

12. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021	2020	2021	2020
	Unit	Unit	RM	RM
Issued and fully paid up:				
At 1 January/ 31 December	300,033,000	300,033,000	23,191,651	23,191,651

13. REORGANISATION RESERVE

Pursuant to the Company's listing on the LEAP Market of Bursa Malaysia Securities Berhad, the reorganisation reserve resulted from the difference between the carrying amount of the investment in subsidiaries and the nominal value of the shares of the Company's subsidiaries upon consolidation under the reorganisation scheme.

14. LOANS AND BORROWINGS

		Group	
	Note	2021 RM	2020 RM
Non-current			
Term loans	**(a)**	3,027,975	3,144,143
Lease liabilities	**(b)**	66,920	80,317
		3,094,895	3,224,460
Current			
Term loans	**(a)**	181,253	123,918
Lease liabilities	**(b)**	139,842	275,390
		321,095	399,308
Total loans and borrowings			
Term loans	**(a)**	3,209,228	3,268,061
Lease liabilities	**(b)**	206,762	355,707
		3,415,990	3,623,768

(a) Term loans

Term loan 1 of a subsidiary of RM370,015 (2020: RM394,722) bears interest at base lending rate ("BLR") per annum and is repayable by monthly instalments of RM5,202 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of a subsidiary;
(ii) Secured over a fixed deposit; and
(iii) Joint and several guarantee by certain director of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 2 of a subsidiary of RM2,338,595 (2020: RM2,323,339) bears interest at BLR minus 2.2% per annum and is repayable by monthly instalments of RM12,123 over thirty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of a subsidiary; and
(ii) Joint and several guarantee by certain director of a subsidiary.

Term loan 3 of a subsidiary of RM500,617 (2020: RM550,000) bears interest at BLR minus 3.5% per annum and is repayable by monthly instalments of RM10,181 over five years commencing from the day of first drawdown and is secured and supported as follows:
(i) Guarantee by Bank Negara Malaysia Special Relief Funds – Covid-19 Scheme ("BNM SRF – Covid 19 Scheme") up to 80% of principal limit of the facility; and
(ii) Corporate guarantee by the Company.

(b) Lease liabilities

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

	Group	
	2021	**2020**
	RM	**RM**
Minimum lease payments:		
Not later than one year	144,921	284,983
Later than one year and not later than five year	68,850	81,455
	213,771	366,438
Less: Future finance charges	(7,009)	(10,731)
Present value of minimum lease payments	206,762	355,707
Present value of minimum lease payments payable:		
Not later than one year	139,842	275,390
Later than one year and not later than five years	66,920	80,317
	206,762	355,707
Less: Amount due within twelve months	(139,842)	(275,390)
Amount due after twelve months	66,920	80,317

The maturity analysis of lease liabilities is disclosed in Note 24(b)(ii).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CONTRACT LIABILITIES

	Group	
	2021	**2020**
	RM	**RM**
Current		
Contract liabilities relating to timing difference between recognition of revenue and receipt of cash	24,331	-

	Group		Group	
	2021		2020	
	Contract assets Increase/ (decrease)	Contract liabilities Decrease/ (increase)	Contract assets Increase/ (decrease)	Contract liabilities Decrease/ (increase)
	RM	RM	RM	RM
Increase due to consideration received from customers, but revenue not recognised	-	(24,331)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER PAYABLES

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Trade					
Trade payables	(a)				
- Third party		15,456,950	2,569,618	-	-
		15,456,950	2,569,618	-	-
Non-trade					
Other payables		348,177	75,478	3,799	11,967
Deposits		10,100	11,600	-	-
Accruals		305,410	105,694	16,200	17,000
Advances received		2,159,436	-	-	-
Amount owing to related parties	(b)	10,098,300	-	-	-
Amount owing to subsidiaries	(c)	-	-	1,872	-
		12,921,423	192,772	21,871	28,967
Total trade and other payables		28,378,373	2,762,390	21,871	28,967

(a) Trade payables

Trade payables are non-interest bearing and normally due from the date of invoices.

(b) Amount owing to related parties

Amount owing to related parties are unsecured, repayable upon demand and is expected to be settled in cash.

Amount owing to related partied are non-interest bearing, other than the amount owing to a related party of RM10,098,296 (2020: Nil) bearing interest rate of 3.90% (2020: Nil%).

(c) Amount owing to subsidiaries

Amount owing to subsidiaries is unsecured, non-interest bearing, repayable upon demand.

For explanations on the Group and the Company's liquidity risk management processes, refer to Note 24(b)(ii).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. REVENUE

	Group	
	2021	2020
	RM	RM
Disaggregation of revenue:		
Sale of precious metals	1,587,326,280	1,328,449,952
Assay services	165,676	195,874
	1,587,491,956	1,328,645,826
Time of revenue recognition:		
At a point in time	1,587,491,956	1,328,645,826

18. OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Commission income	-	25,142	-	-
Dividend income	-	-	3,341,064	-
Interest income	69,991	80,663	98,727	27,105
Rental income	29,196	33,496	-	-
Insurance claim	473,311	-	-	-
Net unrealised foreign exchange gain	125,994	85,401	-	-
Others	6,576	14,134	-	-
	705,068	238,836	3,439,791	27,105

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. FINANCE COSTS

	Group	
	2021	**2020**
	RM	**RM**
Interest expenses on:		
- Term loans	220,334	199,765
- Advances	360,491	-
- Lease liabilities	10,439	12,393
- Margin trade	733	1,421
	591,997	213,579

20. PROFIT/(LOSS) BEFORE TAX

Other than as disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit/(loss) before tax:

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Auditors' remuneration					
- Current year		77,000	101,592	15,000	17,000
- Prior year		(23,592)	(23,992)	(2,000)	(8,000)
Depreciation of property, plant and equipment	**5**	272,191	276,474	-	-
Depreciation of right-of-use assets	**5**	258,827	289,360	-	-
Property, plant and equipment written off	**5**	1,211	41,826	-	-
Employee benefits expense	**21**	2,957,658	2,801,420	48,000	48,800
Net realised loss on foreign exchange		8,668	1,690,187	-	-
Inventories written off		533,533	-	-	-
Loss on paper trade		2,983,637	2,212,989	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Salaries, bonuses and allowances	2,538,805	2,411,383	48,000	48,000
Defined contribution plan	320,323	307,267	-	-
Other staff related expenses	98,530	82,770	-	800
	2,957,658	2,801,420	48,000	48,800
Included in employee benefits expenses are:				
Directors' remuneration	537,430	347,734	48,000	48,000
Directors' defined contribution plan	59,688	36,000	-	-
Directors' other emolument	1,847	2,800	-	800
	598,965	386,534	48,000	48,800

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial year ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	255,000	1,538,947	-	-
- Adjustment in respect of prior year	137,640	-	-	-
	392,640	1,538,947	-	-
Deferred tax:				
- Origination of temporary differences	164,017	107,866	-	-
- Adjustment in respect of prior year	94,624	(304,200)	-	-
	258,641	(196,334)	-	-
Income tax expense recognised in profit or loss	651,281	1,342,613	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(loss) before tax	802,891	5,395,912	3,214,556	(406,451)
Tax at Malaysian statutory tax rate of 24%	192,694	1,295,019	771,493	(97,548)
Adjustments:				
Income not subject to tax	-	-	(801,879)	-
Non-deductible expenses	197,800	338,898	15,297	86,028
Deferred tax assets not recognised	28,523	12,896	15,089	11,520
Adjustment in respect of current income tax of prior year	137,640	-	-	-
Adjustment in respect of deferred tax of prior year	94,624	(304,200)	-	-
Income tax expense	651,281	1,342,613	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets
Deferred tax assets have not been recognised for the following items (stated at gross):

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Contract liabilities	24,331	-	-	-
Unutilised capital allowances	121,171	89,324	-	-
Unused tax losses	136,700	73,830	62,870	-
Lease liability	161	363	-	-
	282,363	163,517	62,870	-

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

The unutilised business losses are available for offset against future taxable profits of the Group and Company which will expire in the following year:

	Group	Company
	2021 RM	**2021 RM**
2026	43,145	-
2027	30,685	-
2028	62,870	62,870

23. DIVIDEND

	Group	Company
	2021 RM	**2021 RM**
Recognised during the financial year:		
Dividend on ordinary shares:		
- Single-tier interim dividend for the financial year ended 31 December 2021: RM0.0099 per ordinary share, paid on 27 May 2021	2,970,327	2,970,327

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instrument

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

(i) Amortised cost

	Carrying amount RM	Amortised cost RM
At 31 December 2021		
Financial assets		
Group		
Trade and other receivables less prepayments	11,375,704	11,375,704
Cash and short-term deposits	18,145,430	18,145,430
	29,521,134	29,521,134
Company		
Trade and other receivables less prepayments	9,119,923	9,119,923
Cash and short-term deposits	882	882
	9,120,805	9,120,805
Financial liabilities		
Group		
Trade and other payables	(28,378,373)	(28,378,373)
Loans and borrowings	(3,415,990)	(3,415,990)
	(31,794,363)	(31,794,363)
Company		
Trade and other payables	(21,871)	(21,871)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instrument (continued)

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

	Carrying amount RM	Amortised cost RM
At 31 December 2020		
Financial assets		
Group		
Trade and other receivables less prepayments	14,209,963	14,209,963
Cash and short-term deposits	2,914,479	2,914,479
	17,124,442	17,124,442
Company		
Trade and other receivables less prepayments	8,865,581	8,865,581
Cash and short-term deposits	3,996	3,996
	8,869,577	8,869,577
Financial liabilities		
Group		
Trade and other payables	(2,762,390)	(2,762,390)
Loans and borrowings	(3,623,768)	(3,623,768)
	(6,386,158)	(6,386,158)
Company		
Trade and other payables	(28,967)	(28,967)

(b) Financial risk management

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

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

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

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

<u>Credit risk concentration profile</u>

At the end of the reporting period, the Group does not have significant concentration of credit risk in trade receivables (excluding trade advances).

As at 31 December 2020, the Group had a significant concentration of credit risk in the form of five (5) trade receivables (excluding trade advances), representing approximately 98% of the Group’s total trade receivables (excluding trade advances).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

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

The information about the credit risk exposure on the Group's and Company's trade receivables (excluding trade advances) using provision matrix are as follows:

	Trade receivables						
	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	> 120 days past due RM	Total RM
At 31 December 2021							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	-	588,530	254	291	244	249	589,568
Expected credit loss	-	-	-	-	-	-	-
At 31 December 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	455,784	83,620	36,634	13,125	-	8,358	597,521
Expected credit loss	-	-	-	-	-	-	-

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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

As at the end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets.

(ii) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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

		Contractual cash flows			
Group	**Carrying amount RM**	**On demand or within 1 year RM**	**Between 1 and 5 years RM**	**More than 5 years RM**	**Total RM**
At 31 December 2021					
Trade and other payables	28,378,373	28,378,373	-	-	28,378,373
Term loans	3,209,228	330,072	1,248,709	3,759,942	5,338,723
Lease liabilities	206,762	144,921	68,850	-	213,771
	31,794,363	28,853,366	1,317,559	3,759,942	33,930,867
At 31 December 2020					
Trade and other payables	2,762,390	2,762,390	-	-	2,762,390
Term loans	3,268,061	279,167	1,320,288	4,018,435	5,617,890
Lease liabilities	355,707	284,983	81,455	-	366,438
	6,386,158	3,326,540	1,401,743	4,018,435	8,746,718
Company					
At 31 December 2021					
Trade and other payables	21,871	21,871	-	-	21,871
At 31 December 2020					
Trade and other payables	28,967	28,967	-	-	28,967

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

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

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

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

	Group	
	2021	**2020**
	RM	**RM**
Financial assets and liabilities not held in functional currencies:		
Trade receivables		
United States Dollar ("USD")	10,222,609	13,445,070
Cash and short-term deposits		
USD	11,992,906	22,451
Singapore Dollar ("SGD")	459	470
Trade payables		
USD	14,298,738	1,556,003

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure relates mainly to United States Dollar ('USD').

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's total equity and profit for the financial year.

Group	Change in rate	Effect on profit and equity for the financial year RM
2021		
USD	5%	300,838
	-5%	(300,838)
2020		
USD	5%	452,638
	-5%	(452,638)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

Other long-term financial assets and liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates or estimated by discounting future cash flows using current lending rates for similar types of arrangements.

It is not practical to determine the fair value of finance lease liabilities which are at fixed rate due to lack of market information of comparable instruments with similar characteristic and risk profile.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

Policy on transfer between levels

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

There were no transfers between the fair value measurement hierarchy during the financial year.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfer between Level 1 and Level 2
There has been no transfer between Level 1 and Level 2 fair values during the financial year.

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. RELATED PARTIES

(a) Identification of related parties

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. RELATED PARTIES (CONTINUED)

(a) Identification of related parties (continued)

Related parties of the Company include:

(i) Holding company;
(ii) Subsidiaries;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group and the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

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

	Group	
	2021	**2020**
	RM	**RM**
Dividend income		
Fellow subsidiary	2,970,327	-
Advances from		
Related party	10,000,000	-
Interest paid		
Related party	360,491	-

(c) Compensation of key management personnel

	Group	
	2021	**2020**
	RM	**RM**
Short-term employee benefits		
- Salaries, bonuses and allowances	1,027,179	922,572
- Defined contribution plans	124,802	93,756
- Other related expenses	4,463	3,688
	1,156,444	1,020,016

26. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2021	**2020**
	RM	**RM**
Profit attributable to owners of the Company	152,742	4,053,299
Weighted average number of ordinary shares for basic earnings per share	300,033,000	300,033,000

	Group	
	2021	**2020**
	sen	**sen**
Basic earnings per ordinary share	0.05	1.35

(b) Diluted earnings per ordinary shares

The diluted earnings per share is equivalent to the basic earnings per share as the Group and the Company do not have any potential ordinary shares outstanding at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year 31 December 2021 and 31 December 2020.

The Group and the Company monitor capital using debt to equity ratio. The debt to equity ratio is calculated as total loans and borrowings divided by total equity. The Group's and the Company's policy are to keep the gearing ratio within reasonable levels. The debt to equity ratio at 31 December 2021 and 31 December 2020 are as follows:

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Loans and borrowings	**14**	3,415,990	3,623,768	-	-
Total debts		3,415,990	3,623,768	-	-
Total equity		24,426,336	27,244,955	22,150,686	21,906,457
Debt to equity ratio		0.14	0.13	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) COVID-19 pandemic

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

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

(b) Investment of One Gold Sdn. Bhd.

On 10 February 2021, a subsidiary incorporated a Joint Venture Company with TFP Solutions Berhad ("TFP") namely, One Gold Sdn. Bhd. [Registration No. 202101005202 (1405501T)] **("**ONE GOLD**")** with a total issued share capital of RM10 comprising 10 ordinary shares. The subsidiary subscribed a 40% equity interest in One Gold Sdn. Bhd. for a total consideration of RM4. As at the acquisition date, One Gold Sdn. Bhd. became an associate of the Company.

(c) Incorporation of Ace Ikhlas Gold Sdn. Bhd. and Ace Ihsan Gold Sdn. Bhd.

On 16 and 24 August 2021, the Company incorporated a 51% equity interest in Ace Ihsan Gold Sdn. Bhd. and Ace Ikhlas Gold Sdn. Bhd respectively for a total consideration of RM 51 each. As at the incorporation date, Ace Ihsan Gold Sdn. Bhd. and Ace Ikhlas Gold Sdn. Bhd. became subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Update of information about a Civil Suit

During the financial year ended 31 December 2021, the Company ("Plaintiff") was involved in an ongoing civil suit since the financial year ended 31 December 2020 at the Kuala Lumpur High Court against Kua Kee Khoon ("1st Defendant"), TTT Bullion Sdn Bhd ("2nd Defendant"), Cheang Kok Keet ("3rd Defendant"), Ho Kat Ann ("4th Defendant"), Leow Chee Wai ('5th Defendant") and Leow Chee Lip ("6th Defendant").

The reliefs sought by the Company in said civil suit is seeking the following reliefs against the 1st to 6th Defendants:-

- a declaration that the 1st Defendant had acted in breach of his fiduciary and other duties to the Plaintiff;
- declaration that the 1st Defendant had acted in breach of Section 221 of the Companies Act 2016 or otherwise in failing to disclose to the Plaintiff of his personal interest in the 2nd Defendant;
- a declaration that the 1st Defendant had acted in breach of Section 213 of the Companies Act 2016 or otherwise in failing to exercise his powers for a proper purpose and in good faith in the best interest of the Plaintiff;
- a declaration that the 3rd, 4th, 5th and 6th Defendants had acted as individual co-conspirators and/or joint tortfeasors together with the 1st Defendant;
- an account be ordered to the profit made by each of the Defendants in respect of the business of the 2nd or otherwise resulting from their breach of duties or conspired acts and an order that such profits, as assessed by the Court, be paid by the said Defendants to the Plaintiff;
- damages suffered by the Plaintiff as the result of the breach of duties by the 1st Defendant assisted by the 3rd, 4th, 5th and 6th Defendants;
- an injunction to restrain all the Defendants or acting by their directors, officers, servants, agents or any of them from doing the following acts:-
  (i) using, divulging, disclosing and/or dealing in any manner whatsoever to which the 1st Defendant had unfettered access to the confidential information of the Plaintiff including information of a confidential, trade secret and/or proprietary character and developed by the Plaintiff, either alone or with others and pertaining to the Plaintiff's trade and Plaintiff's Business including information relating to the Plaintiff's products, customers, suppliers, pricing methods, historical, current and projected financial information, marketing information, technical data and know-how, confidential evaluations of technical and business information in the public domain ("Confidential Information").
  (ii) soliciting, canvassing, taking and/or soliciting orders for gold bullion and/or other precious metals from any customers of the Plaintiff or person with whom the Plaintiff had a dealing or otherwise dealing with any such customer or person for the sale of products and/or services which are the same as the Plaintiff's products and/or services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

(a) Update of information about a Civil Suit (continued)

The reliefs sought by the Company in said civil suit is seeking the following reliefs against the 1st to 6th Defendants:- (continued)

- an order that the Defendants do forthwith cause to deliver up all the copies of the customers list and any confidential information and/or trade secrets of the Plaintiff, which are in the possession, power or custody of the Defendants, the use or disclosure of which would offend against the foregoing injunction or any of them;
- aggravated damages;
- exemplary damages;
- interest on all sums adjudged to be payable to the Plaintiff at such rate and for such period as this Honourable Court deems fit and proper to grant;
- cost; and
- any further and other relief, which this Honourable Court deems fit and proper to be granted.

On 19 January 2022, the Company announced that the High Court has vacated the trial dates of the above matter on 14 February 2022 to 18 February 2022 pending the outcome of the Company's appeal to the Court of Appeal against the striking out of 4th to 6th Defendants as parties to the main suit.

The trial dates fixed for the main suit on 5 September 2022 to 8 September 2022 are maintained. The High Court has also fixed new case management date for the main suit on 17 February 2022 for parties to update the High Court on the status of the aforesaid striking out appeals.

On 8 February 2022, the Company announced that the Court of Appeal has fixed Civil Appeals No.W-02(IM)(NCC)-1640-09/2021 & W-02(IM)(NCC)-1642-09/2021 for hearing on 10 May 2022. The Court has also fixed the two appeals for case management on 26 April 2022 for parties to update the Court on the filing of the parties' respective Written Submissions.

As regards to Civil Appeal No. W-02(IM)(NCC)-1641-09/2021, the Court of Appeal has fixed the Notice of Motion for an extension of time for hearing on 5 April 2022. The Court has also fixed the aforesaid appeal for case management on 6 April 2022 for the parties to update the Court on the outcome of the hearing of the Notice of Motion.

On 17 February 2022, the Company announced that the High Court has fixed the above matter for further case management on 11 May 2022 pending the outcome of the Company's appeals at the Court of Appeal. Directions for the filing of the parties' respective witness statements for the above matter will also be given at the upcoming case management on 11 May 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

(a) Update of information about a Civil Suit (continued)

On 5 April 2022, the Company announced that the hearing of the motion for extension of time filed in respect of Court of Appeal, which has dismissed the motion with costs of RM5,000.00 to the Defendants.

30. SEGMENT INFORMATION

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

The three reportable operating segments are as follows:

Segment	**Product and services**
Trading	Trading of precious metals
Assaying	Technical testing and analysis, assaying and refining of precious metal
Information communication and technology	Developing information technology, dealing and trading in providing ICT services and consultancy, deal, trade, and provide software research and development businesses

Inter-segment pricing is determined on negotiated basis.

Segment profit
Segment performance is used to measure performance as the directors believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets
The total of segment asset is measured based on all of a segment, as included in the internal reports that are reviewed by the directors.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

31 December 2021	Note	Trading RM	Assaying RM	Information communication and technology RM	Others RM	Adjustment and elimination RM	Total RM
Revenue:							
Revenue from external customers		1,587,326,280	165,676	-	-	-	1,587,491,956
Inter-segment revenue	A	-	9,135	2,248,092	-	(2,257,227)	-
		1,587,326,280	174,811	2,248,092	-	(2,257,227)	1,587,491,956
Results:							
Included in the measure of segment profit are:							
Loss on paper trade		(2,983,637)	-	-	-	-	(2,983,637)
Interest income		77,020	-	-	98,727	(105,756)	69,991
Interest expenses		(690,724)	(8,248)	-	-	106,975	(591,997)
Depreciation		(483,620)	(44,418)	(25,897)	-	22,917	(531,018)
Rental income from investment property		54,516	-	-	-	(25,320)	29,196
Employee benefits expense		(2,254,713.00)	(158,102.00)	(496,843.00)	(48,000.00)	-	(2,957,658)
Net realised foreign exchange loss		(8,330)	-	(338)	-	-	(8,668)
Net unrealised foreign exchange gain		125,994	-	-	-	-	125,994
Segment profit/(loss)		**(609,469)**	**(83,998)**	**1,625,015**	**3,212,247**	**(3,340,904)**	**802,891**
Income tax expenses		(237,064)	-	(414,217)	-	-	(651,281)
Profit/(loss) for the financial year		**(846,533)**	**(83,998)**	**1,210,798**	**3,212,247**	**(3,340,904)**	151,610
Assets:							
Additions to non-current assets		313,919	-	35,000	-	(112,431)	236,488
Segment assets		4,641,029	146,132	-		(32,373)	4,754,788

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

31 December 2020	Note	Trading RM	Assaying RM	Information communication and technology RM	Others RM	Adjustment and elimination RM	Total RM
Revenue:							
Revenue from external customers		1,328,449,952	195,874	-	-	-	1,328,645,826
Inter-segment revenue	A	-	26,767	1,626,091	-	(1,652,858)	-
		1,328,449,952	222,641	1,626,091	-	(1,652,858)	1,328,645,826
Results:							
Included in the measure of segment profit are:							
Loss on paper trade		(2,212,989)	-	-	-	-	(2,212,989)
Interest income		53,558	-	-	27,105	-	80,663
Interest expenses		(212,448)	(871)	(1,119)	-	859	(213,579)
Depreciation		(504,746)	(45,448)	(39,738)	-	24,098	(565,834)
Rental income from investment property		58,816	-	-	-	(25,320)	33,496
Rental expenses		(36,000)	(25,320)	(15,200)	-	25,320	(51,200)
Employee benefits expense		(1,735,041)	(139,721)	(877,858)	(48,800)	-	(2,801,420)
Net realised foreign exchange loss		(1,690,187)	-	-	-	-	(1,690,187)
Net unrealised foreign exchange gain		85,228	-	173	-	-	85,401
Segment profit		**5,307,425**	**(23,369)**	**518,670**	**(406,451)**	**(363)**	**5,395,912**
Income tax expenses		(1,503,671)	(708)	161,766	-	-	(1,342,613)
Profit/(loss) for the financial year		**3,803,754**	**(24,077)**	**680,436**	**(406,451)**	**(363)**	4,053,299
Assets:							
Additions to non-current assets		99,028	30,499	2,048	-	-	131,575
Segment assets		4,812,069	142,000	104,541	-	(8,081)	5,050,529

A Inter-segment revenue

Inter-segment revenues are eliminated on combination.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

Geographical information
Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM	Non-current assets RM
31 December 2021		
Malaysia	1,544,347,721	4,754,788
Singapore	43,144,235	-
	1,587,491,956	4,754,788
31 December 2020		
Malaysia	1,244,030,239	5,050,529
Singapore	84,615,587	-
	1,328,645,826	5,050,529

Registration No. 201901007350 (1316677-U)

ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, **GO YOONG CHANG** and **FONG POK YEE**, being two of the directors of ACE INNOVATE ASIA BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended.

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

....
GO YOONG CHANG
Director

....
FONG POK YEE
Director

Kuala Lumpur

Date: 27 April 2022

Registration No. 201901007350 (1316677-U)

ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
(Pursuant to Section 251(1) of the Companies Act 2016)

I, **GO YOONG CHANG**, being the director primarily responsible for the financial management of ACE INNOVATE ASIA BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
GO YOONG CHANG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 27 April 2022.

Before me,

....
Commissioner for Oaths

Registration No. 201901007350 (1316677-U)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ace Innovate Asia Berhad, which comprise the statement of financial position as at 31 December 2021 of the Group and the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 89.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Trade receivables (Note 4(a) and Note 10 to the financial statements)

As at 31 December 2021, the Group's trade receivables amounted to RM10,857,212. We focused on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the Group selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:
Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting year.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACE INNOVATE ASIA BERHAD**
(Incorporated in Malaysia)

Key Audit Matters (continued)

Inventory (Note 4(b) and Note 9 to the financial statements)

The Group measures inventories at lower of cost and net realisable value. Judgement is required in estimating their net realisable value.

Our response:
Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring and detection and write down of inventories;
- observing year end physical inventory count to examine physical existence and evaluating the design and implementation of controls during the count;
- reviewing subsequent sales and evaluating Group's assessment on estimated net realisable value on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statement of the Group. We are responsible for the direction, supervision and performance of the group audit. We maintain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2023 J
Chartered Accountant

Kuala Lumpur

Date: 27 April 2022