

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ACO GROUP BERHAD (“ACO” OR THE “COMPANY”) DATED 27 FEBRUARY 2020 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, Alliance Investment Bank Berhad (“**AIBB**”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, AIBB and ACO take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 27 February 2020 and will close at 5.00 p.m. on 6 March 2020.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



ACO Group

www.acogroup.com.my



ACO GROUP BERHAD

P R O S P E C T U S



ACO Group

ACO Group Berhad

Registration No. 201901020410 (1329739-A)
(Incorporated in Malaysia under the Companies Act 2016)



PROSPECTUS

THIS PROSPECTUS IS DATED 27 FEBRUARY 2020

INITIAL PUBLIC OFFERING ("IPO") IN CONJUNCTION WITH THE LISTING OF ACO GROUP BERHAD ("ACO") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:-

- (I) PUBLIC ISSUE OF 58,000,000 NEW ORDINARY SHARES IN ACO ("ACO SHARES" OR "SHARES") IN THE FOLLOWING MANNER:-
- 15,000,000 NEW ACO SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 9,000,000 NEW ACO SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;
 - 4,000,000 NEW ACO SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS;
 - 30,000,000 NEW ACO SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;

AND

- (II) OFFER FOR SALE OF 25,000,000 EXISTING ACO SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS,

AT AN IPO PRICE OF RM0.28 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX (6) MONTHS FROM THE DATE OF THIS PROSPECTUS.

Principal Adviser, Sponsor, Sole Underwriter and Placement Agent



Alliance Investment Bank Berhad (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA ("SC"). THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SHARES BEING OFFERED FOR INVESTMENT.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA") AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 158.

RESPONSIBILITY STATEMENTS

The Directors, Promoters and Offerors of the corporation have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

Alliance Investment Bank Berhad, being the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

Approval has been granted by Bursa Malaysia Securities Berhad for the listing of and quotation for the securities being offered. Admission to the official list of ACE Market of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, corporation, or its shares.

Bursa Malaysia Securities Berhad is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the application form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to the corporation.

Shares listed on Bursa Malaysia Securities Berhad are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the CMSA, is responsible.

The shares of this corporation are classified as Shariah compliant by the Shariah Advisory Council of the Securities Commission Malaysia. This classification remains valid from the date of issue of the Prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the Securities Commission Malaysia. The new status is released in the updated list of Shariah compliant securities, on the last Friday of May and November.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

This Prospectus is prepared and published solely for the IPO in Malaysia under the laws of Malaysia. Our shares are issued in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Offerors, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Offerors, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subject to the laws of any countries or jurisdictions other than Malaysia, to consult your professional advisers as to whether your application for the IPO would result in the contravention of any laws of such countries or jurisdictions. Neither we nor our Principal Adviser nor any other advisers in relation to the IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any such country or jurisdiction.

Further, it shall be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted the IPO in Malaysia and will be subject only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion, to treat any acceptances as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com. The contents of the electronic Prospectus are as per the contents of the copy of this Prospectus registered by the Securities Commission Malaysia.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined in this Prospectus) is subject to the risk of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to the validity or integrity of an electronic Prospectus, you should immediately request from us, our Principal Adviser or the issuing house, a paper/printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which is identical to the copy of the Prospectus registered by the Securities Commission Malaysia, shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:-

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss, damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other material downloaded from the Third Party Internet Sites is at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:-

- (i) the Internet Participating Financial Institutions are liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software.

The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following dates:-

Event(s)	Tentative Date(s)
Issuance of Prospectus / Opening of the application period for the IPO	27 February 2020
Closing of the application period for the IPO	6 March 2020
Balloting of applications	11 March 2020
Allotment of Issue Shares / Transfer of Offer Shares to successful applicants	17 March 2020
Listing on the ACE Market	18 March 2020

In the event there is any change to the indicative timetable above, we will advertise the notice of the changes in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia.

PRESENTATION OF INFORMATION

All references to “our Company” or “ACO” in this Prospectus are to ACO Group Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key senior management personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 2 decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being or amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the Industry Overview prepared by Vital Factor (as defined in this Prospectus), an independent business and market research consulting company. We have appointed Vital Factor to provide an independent market and industry review. In compiling their data for the review, Vital Factor had relied on their research methodology, industry sources, published materials, their own private databases and direct contacts within the industry. We believe that the information on the industry and the statistical data cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon.

FORWARD-LOOKING STATEMENT

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group’s control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:-

- (i) demand of our products and services;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our financial position; and
- (v) our future earnings, cash flows and liquidity.

Such forward-looking statements are based on numerous assumptions regarding our Group’s present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performances or achievements to differ materially include, but are not limited to those discussed in Section 8 – Risk Factors and Section 11.3 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations of this Prospectus. We cannot assure you that the forward-looking statements in this Prospectus will be realised.

These forward-looking statements are based on information available to us as at the LPD of this Prospectus. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of Issue Shares/transfer of Offer Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provision of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

COMPANIES WITHIN OUR GROUP

ACO or Company	:	ACO Group Berhad (201901020410 (1329739-A))
ACO Group or Group	:	ACO, ACO Holdings, Actgen, Maydenki, Electric Master, Voltage Master and Maylec, collectively
ACO Holdings	:	ACO Holdings Sdn Bhd (199701005489 (420985-P))
Actgen	:	Actgen Industry Sdn Bhd (199601002817 (375163-T))
Electric Master	:	Electric Master Sdn Bhd (199401027481 (313163-H))
Maydenki	:	Maydenki Sdn Bhd (199001017811 (209480-P))
Maylec	:	Maylec Sdn Bhd (199001017166 (208835-T))
Voltage Master	:	Voltage Master Sdn Bhd (199701004820 (420316-K))

GENERAL

ACE Market	:	ACE Market of Bursa Securities
ACO Holdings Vendors	:	Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan, collectively in relation to the Acquisition of ACO Holdings
ACO Share(s) or Share(s)	:	Ordinary shares in ACO
Act	:	Companies Act 2016, as may be amended from time to time
Actgen-SE Distribution Agreement	:	A distribution agreement dated 1 January 2019 and extension letter dated 1 January 2020 between Schneider Electric as principal and Actgen as distributor whereby Schneider Electric grants Actgen the right to among others, market and distribute certain "Schneider" brand products in Malaysia
Acquisition of ACO Holdings	:	Acquisition by ACO of the entire issued share capital of ACO Holdings of RM2,500,000 comprising 2,500,000 ordinary shares from the ACO Holdings Vendors for a purchase consideration of RM35,320,350 (excluding the Acquisitions of the Non-Controlling Interests), which was entirely satisfied by the issuance of 235,469,000 new ACO Shares at an issue price of RM0.15 each. The Acquisition of ACO Holdings was completed on 22 January 2020
Acquisitions of the Non-Controlling Interests	:	Acquisitions by ACO Holdings involving the following:- <ul style="list-style-type: none"> (i) the remaining 20.0% equity interest in Electric Master not already owned by ACO Holdings for a purchase consideration of RM684,750, which was entirely satisfied by the issuance of 4,565,000 new ACO Shares at an issue price of RM0.15 each; (ii) the remaining 7.5% equity interest in Voltage Master not already owned by ACO Holdings for a purchase consideration of RM131,250, which was entirely satisfied by the issuance of 875,000 new ACO Shares at an issue price of RM0.15 each; and

DEFINITIONS (Cont'd)

	(iii)	the remaining 10.0% equity interest in Maylec not already owned by ACO Holdings for a purchase consideration of RM163,500, which was entirely satisfied by the issuance of 1,090,000 new ACO Shares at an issue price of RM0.15 each.
		The Acquisitions of the Non-Controlling Interests were completed on 22 January 2020
ADA	:	Authorised Depository Agent
AGM	:	Annual General Meeting
AIBB	:	Alliance Investment Bank Berhad (197401004393 (21605-D))
Application	:	The application for the Issue Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form	:	The printed application form for the application of the Issue Shares
ATM	:	Automated Teller Machine
Board	:	Board of Directors of ACO
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CAGR	:	Compound annual growth rate
CCC	:	Certificate of Completion and Compliance
CDS	:	Central Depository System
CDS Account	:	Account established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CMSA	:	Capital Markets and Services Act 2007, as may be amended from time to time
Constitution	:	The constitution of ACO
Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company and within the meaning given in Section 2 of the CMSA
EIS	:	Employment Insurance Scheme
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	:	An application for the Issue Shares through Participating Financial Institutions' ATM
EPF	:	Employees Provident Fund
EPS	:	Earnings per share

DEFINITIONS (Cont'd)

Executive Director(s)	:	Non-independent executive director(s) of ACO
FPE	:	9-month financial period ended
FYE	:	Financial year ended/ending
GM	:	Geran Mukim
GP	:	Gross profit
GRN	:	Geran
GST	:	Goods and Services Tax
H.S.(M)	:	Hakmilik Sementara Pejabat Tanah
IMR or Vital Factor	:	Vital Factor Consulting Sdn Bhd (199301012059 (266797-T)), an independent business and market research consultant
Industry Overview	:	Industry Overview titled "Independent Assessment of the Distribution of Electrical Products Industry in Malaysia" prepared by Vital Factor as set out in Section 7 of this Prospectus
Internal Reorganisation Exercise	:	Acquisition of ACO Holdings and Acquisitions of the Non-Controlling Interests, collectively
Internet Participating Financial Institutions	:	Participating financial institutions for the Internet Share Application, as listed in Section 14 of this Prospectus
Internet Share Application	:	Application for the Issue Shares through an online share application service provided by the Internet Participating Financial Institution
IPO	:	Initial public offering of the IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market comprising the Public Issue and the Offer for Sale
IPO Price	:	The issue price/offer price of RM0.28 for each Issue Share/Offer Share
IPO Shares	:	The Issue Shares and Offer Shares, collectively
Issue Shares	:	58,000,000 new ACO Shares, representing approximately 19.33% of our enlarged issued share capital, which are to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
Issuing House or Tricor	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Kompas	:	Kompas Realty Sdn Bhd (formerly known as Kompas Electrical Distributor Sdn Bhd) (199401002774 (288452-V))
Listing	:	The admission of ACO to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM52,540,850 comprising 300,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities, as may be amended from time to time
Listing Scheme	:	Comprising the Internal Reorganisation Exercise, Public Issue, Offer for Sale, Share Transfer to Kompas and Listing, collectively

DEFINITIONS (Cont'd)

LPD	:	3 February 2020, being the latest practicable date prior to the issuance of this Prospectus
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	Any day on which Bursa Securities is open for trading of securities
Maydenki-SE Distribution Agreement	:	A distribution agreement dated 1 January 2019 and extension letter dated 1 January 2020 between Schneider Electric as principal and Maydenki as distributor whereby Schneider Electric grants Maydenki the right to among others, market and distribute certain "Schneider" brand products in Malaysia
MFRS	:	Malaysian Financial Reporting Standards
MITI	:	Ministry of International Trade and Industry of Malaysia
N/A	:	Not applicable
NA	:	Net assets
Offer for Sale	:	Offer for sale of the Offer Shares at the IPO Price by the Offerors by way of private placement to identified investors
Offer Shares	:	25,000,000 existing ACO Shares, representing approximately 8.33% of the enlarged issued share capital, which are to be offered pursuant to the Offer for Sale and subject to the terms and conditions of this Prospectus
Offerors	:	Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan, collectively
Official List	:	Official list of the ACE Market
Participating Financial Institutions	:	Participating financial institutions for Electronic Share Application, as listed in Section 14 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PN	:	Pajakan Negeri
PE Multiple	:	Price earnings multiple
Pink Form Allocation	:	The allocation of 9,000,000 Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group pursuant to the Public Issue
Placement Agent	:	AIBB
PPE	:	Property, plant and equipment
Prescribed Security	:	Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules
Principal Adviser	:	AIBB

DEFINITIONS (Cont'd)

Promoters	:	Kompas, Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan
Prospectus	:	This Prospectus dated 27 February 2020 in relation to the IPO
Public Issue	:	Public issue of 58,000,000 new ACO Shares at the IPO Price comprising:- <ul style="list-style-type: none"> (a) 15,000,000 new ACO Shares made available for application by the Malaysian Public; (b) 9,000,000 new ACO Shares made available for application by our eligible Directors, employees and persons who have contributed to the success of our Group; (c) 4,000,000 new ACO Shares made available by way of private placement to identified investors; and (d) 30,000,000 new ACO Shares made available by way of private placement to Bumiputera investors approved by MITI.
RM and sen	:	Ringgit Malaysia and sen, respectively
ROC	:	Registrar of Companies
ROU	:	Right of use of assets
Rules	:	Rules of Bursa Depository, as may be amended from time to time
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
SC ECU	:	Equity Compliance Unit of the SC
Schneider Electric	:	Schneider Electric Industries (M) Sdn Bhd (199601006230 (378576-M))
Share Transfer to Kompas	:	Transfer of 210,469,000 Shares received by the ACO Holdings Vendors from the Acquisition of ACO Holdings to Kompas, an investment holding company held by the ACO Holdings Vendors, during the prescription period
SICDA	:	Securities Industry (Central Depositories) Act 1991, as may be amended from time to time
SOCISO	:	Social Security Organisation, also known as PERKESO (Pertubuhan Keselamatan Sosial)
Sole Underwriter	:	AIBB
Sponsor	:	AIBB
Sq. ft.	:	Square feet
Sq. m.	:	Square metres
SST	:	Sales and Services Tax
Underwriting Agreement	:	The underwriting agreement dated 3 February 2020 entered into between our Company and AIBB pursuant to our IPO

GLOSSARY OF TECHNICAL TERMS

Technical terms used in this Prospectus shall have the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:-

Accura	:	Actgen's online ordering system for selected power and communication cables and wires
Air movement equipment	:	An electrical device that creates a current of air or a breeze such as fans, blowers, ventilating fans and air-conditioners
Al	:	Aluminium
Amp	:	Ampere
Armoured cables	:	Cables that have a protective layer of materials such as aluminium or galvanised steel wire to provide physical protection for the cables
Authorised distributor	:	In the context of this Prospectus, it refers to our status with some brand owners where we have formal agreements or performance target letters. It may also refer to our status as business partners, authorised dealers and distributors
Brand	:	In the context of this Prospectus, a brand refers to the name assigned to a product and in some situations, it may also be the name of the manufacturer. The brands disclosed in this Prospectus were based on at least one (1) sale transaction during the past three (3) financial years under review and up to the LPD
Cables and wires	:	In the context of this Prospectus, it refers to cables and wires primarily used for the transmission of power or signals. It excludes mechanical cables and wires. Any reference to cables in this Prospectus are used interchangeably with wires, as the case may be
Capacitor bank	:	A group of several capacitors of the same rating that are connected in series or parallel with each other to store electrical energy
CCTV	:	Close circuit television
Central region	:	In the context of this Prospectus, central region refers to the markets served by our Group which includes Selangor, Kuala Lumpur and Putrajaya
Circuit breaker	:	An automatically-operated electrical switch that will shut itself off (trips) and stop the flow of electricity if it detects overcurrent
Communications cables and wires	:	Used for transmission of data including text (letters, numbers and symbols), sound (audible voice, music and other sounds) and images (still images such as drawings, pictures and photos, and moving images such as videos and movies)
Conductor	:	In the context of this Prospectus, it refers to the medium used for the transmission of electricity, data or signals. Such conductors are mostly made from copper or aluminium or aluminium alloy
Conduit fittings	:	Connectors and fittings used to connect one piece of conduit to another
Control and instrumentation cables and wires	:	Used in the transmission or communications of signals or data output from measuring and monitoring instruments and other devices, and where subsequently the data is used for data processing, displaying processed information, controlling devices and automating processes

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Cu	:	Copper
Current rating	:	Current rating of a cable refers to the maximum electric current it is permitted to have flowing through it under normal operating conditions. This rating is usually expressed in Ampere (Amp)
Distribution centre	:	In the context of this Prospectus, a distribution centre is a facility used for the storage of goods especially bulky items such as cables and wires, air conditioners, fans, HDPE corrugated pipes, and pipes for communication cables to support sales outlets
East coast region	:	In the context of this Prospectus, east coast region refers to the markets served by our Group which includes Kelantan, Terengganu and Pahang
Electrical conduit	:	Electrical conduit is a tube or pipe designed to protect electrical cables and wires. They are made from metal, plastic or composite materials
Electrical distribution, protection and control devices	:	Devices which are used to distribute, control, regulate, protect and automate electrical distribution. These devices are used in industrial, commercial, institutional and residential premises, as well as plant, machinery and equipment
Electrical product and accessories	:	Electrical products are machine, equipment, apparatus, appliances and devices that require electricity for it to function. They also include those that generate, transmit, distribute, control or store electricity. In the context of this Prospectus, they also include parts and components that make up the final electrical product. Accessories are various types of hardware and products that may not be electrical in nature, but are commonly used when using, installing or fabricating an electrical product or system
Enclosure	:	An electrical enclosure is a cabinet for electrical devices to mount switches, circuit breakers, knobs, and displays. It is designed to keep the electrical devices clean, dry and protected while also making the components accessible
ERP system	:	Enterprise Resource Planning (ERP) system is a software system used by businesses to manage and integrate certain business processes including purchasing inventory, sales, marketing, finance, human resources and many others
Fire rated cables	:	Refers to fire resistance and flame-retardant cables
Fittings	:	In the context of light fittings, they are fixtures that is used to hold the source of illumination, focus the light in a specified manner, and provide attachments to the wall or ceiling
HDPE	:	High Density Polyethylene, a type of plastic
HDPE corrugated pipes	:	A type of flexible plastic pipe used for cable protection
Industrial users	:	Industrial users are commercial, institutional, government, professionals or other groups but not the general public
IT	:	Information Technology
LED	:	Light-emitting diode, a device that emits light when an electric current passes through it

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Lightings	:	In the context of this Prospectus, it refers to an electrical product that provides illumination commonly in the form of lamps, light bulbs, tubes and light-emitting diodes
Lighting concept store	:	In the context of this Prospectus, it is an outlet that is designed with a theme-based interior to display decorative light fixtures, lighting controls, switches and fans
LV power cables	:	Cables with rated voltage of less than 1kV
LV	:	Low voltage
kV	:	Kilovolt
Maydenki-mart	:	Maydenki's online ordering system for selected electrical distribution, protection and control devices
MV power cables	:	Cables with rated voltage from 1kV up to 49kV
MV	:	Medium voltage
Northern region	:	In the context of this Prospectus, northern region refers to the markets served by our Group which includes Pulau Pinang, Kedah, Perlis and Perak
Own brands	:	In the context of this Prospectus, own brands refer to the collective brands that are owned by our Group and this includes <i>Multi5</i> cables and wires, <i>Afg</i> lightings and fittings and <i>Sonko</i> LV transformers for metering devices
PE	:	Polyethylene, a type of plastic
Power cables and wires	:	Medium used to transmit electricity
Principal	:	The brand owner that grants our Group the right to resell goods on its behalf and this is specified in the authorised distributorships
PVC	:	Polyvinyl chloride, a type of plastic
Relay	:	A switch that opens and closes circuits electromechanically or electronically
Retailers	:	Operators that sell goods to the general public using store-based and/or non-store-based format. Store-based retailers have physical outlets to display and sell goods. Non-store-based retailers include sales through single and multilevel marketing, telephone, television, catalogue, mail order and online
Sales outlet	:	In the context of this Prospectus, each sales outlet comprises a sales front which are accessible to customers including industrial users and resellers. These sales outlets are generally located in commercial or light industrial areas
Sheath	:	Refers to the outermost protection layer of cables and wires, also known as jacket

GLOSSARY OF TECHNICAL TERMS (Cont'd)

- SIRIM** : SIRIM QAS International Sdn Bhd is a certification, inspection and testing body which provides certification on certain products. Products bearing SIRIM certification mark demonstrates that the product is in compliance with national or international standards and provides the user an assurance for safety and reliability.
- Some products are made mandatory to be certified by regulatory agencies such as the Energy Commission, Fire and Rescue Department Malaysia, Malaysian Communications and Multimedia Commission, National Water Services Commission, Road Transport Department and others. These products must be affixed with SIRIM labels. Meanwhile, some non-regulated products may also be certified by SIRIM QAS International and affixed with SIRIM labels
- Southern region** : In the context of this Prospectus, southern region refers to the markets served by our Group which includes Johor, Melaka and Negeri Sembilan
- Switchboard** : An electrical device that distributes electricity from an electrical source to another device or location. It is made up of several electric panels. Each electric panel contains some combination of relays, regulators, transformers and switches that safely divert or distributes electricity to devices and pathways that require the electricity. It also incorporates electrical protection devices
- Voltage rating** : Voltage rating of a cable refers to the maximum voltage to which the cable can be connected to or is able to withstand. For example, a cable with voltage rating of 0.6/1 kV indicates that this cable is capable of withstanding a voltage of between 0.6kV and 1kV
- XLPE** : Cross-linked polyethylene, a type of plastic

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/(Designation)	Address	Nationality
Yap Koon Roy <i>(Independent Non-Executive Chairman)</i>	5581E, Taman Ciptaco Bukit Baru 75450 Melaka	Malaysian
Ir. Tang Pee Tee @ Tan Chang Kim <i>(Group Managing Director)</i>	B1-23-07 Molek Pine Tower 3 Jalan Molek 1/27 Taman Molek 81100 Johor Bahru Johor Darul Takzim	Malaysian
Tan Yushan <i>(Non-Independent Executive Director)</i>	B1-23-07 Molek Pine Tower 3 Jalan Molek 1/27 Taman Molek 81100 Johor Bahru Johor Darul Takzim	Malaysian
Chai Poh Choo <i>(Non-Independent Executive Director)</i>	48, Tecoma Jalan Goodview 11 Goodview Heights 43000 Kajang Selangor Darul Ehsan	Malaysian
Dr. Teh Chee Ghee <i>(Independent Non-Executive Director)</i>	15, Jalan Kenanga SD9/3C Bandar Sri Damansara 52200 Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	Malaysian
Ir. Dr. Ng Kok Chiang <i>(Independent Non-Executive Director)</i>	No. 79, Jalan 1/8 Villa Heights 43000 Kajang Selangor Darul Ehsan	Malaysian

1. CORPORATE DIRECTORY (Cont'd)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Dr. Teh Chee Ghee	Chairman	Independent Non-Executive Director
Yap Koon Roy	Member	Independent Non-Executive Chairman
Ir. Dr. Ng Kok Chiang	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ir. Dr. Ng Kok Chiang	Chairman	Independent Non-Executive Director
Yap Koon Roy	Member	Independent Non-Executive Chairman
Dr. Teh Chee Ghee	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Yap Koon Roy	Chairman	Independent Non-Executive Chairman
Dr. Teh Chee Ghee	Member	Independent Non-Executive Director
Ir. Dr. Ng Kok Chiang	Member	Independent Non-Executive Director

COMPANY SECRETARIES :

Wong Wai Foong
 1164, Jalan 17/46
 Happy Garden
 46400 Petaling Jaya
 Selangor Darul Ehsan
 Telephone No. : (03) 2783 9191
 Professional : The Malaysian Institute of Chartered
 Qualification Secretaries and Administrators ("**MAICSA**")
 (MAICSA Membership No.: 7001358)

Fong Seah Lih
 17, Jalan Mutiara 2/12A
 Taman Mutiara Indah
 47100 Puchong
 Selangor Darul Ehsan
 Telephone No. : (03) 2783 9191
 Professional : **MAICSA**
 Qualification (MAICSA Membership No.: 7062297)

1. CORPORATE DIRECTORY (Cont'd)

- REGISTERED OFFICE** : Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Telephone No. : (03) 2783 9191
Fax No. : (03) 2783 9111
- HEAD OFFICE** : 108 & 110, Jalan Seroja 39
Taman Johor Jaya
81100 Johor Bahru
Johor Darul Takzim
Telephone No. : (07) 355 9898
Website : <http://www.acogroup.com.my/>
Email : ir@acogroup.com.my
- EXTERNAL AUDITORS
AND REPORTING
ACCOUNTANTS** : Baker Tilly Monteiro Heng PLT (LLP0019411-LCA & AF 0117)
Baker Tilly Tower, Level 10
Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Telephone No. : (03) 2297 1000
Partner-in-charge : Heng Fu Joe
Approval No. : 02966/11/2020 J
Professional Qualification : Chartered Accountant – Member of
Malaysian Institute of Accountants
("MIA")
(MIA Membership No.: 24745)
- SOLICITORS FOR THE
LISTING** : Chooi & Company + Cheang & Ariff
CCA @ Bangsar
Level 5, Menara BRDB
285, Jalan Maarof
Bukit Bandaraya
59000 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Telephone No. : (03) 2055 3888

1. CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL ADVISER,
SPONSOR, SOLE
UNDERWRITER AND
PLACEMENT AGENT** : Alliance Investment Bank Berhad
Level 3, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Telephone No. : (03) 2604 3333
- ISSUING HOUSE AND
SHARE REGISTRAR** : Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Telephone No. : (03) 2783 9299
- INDEPENDENT BUSINESS
AND MARKET RESEARCH
CONSULTANTS** : Vital Factor Consulting Sdn Bhd
V Square @ PJ City Centre (VSQ)
Block 6, Level 6
Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : (03) 7931 3188
- Person-in-charge : Wooi Tan
- Qualification : Master of Business Administration from
The New South Wales Institute of
Technology (now known as University of
Technology, Sydney), Australia, Bachelor
of Science from The University of New
South Wales, Australia and a Fellow of the
Australian Marketing Institute, and Institute
of Managers and Leaders, Australia
(formerly known as the Australian Institute
of Management)
- LISTING SOUGHT** : ACE Market of Bursa Securities
- SHARIAH STATUS** : Approved by the SAC

2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 21 November 2019, approved our admission to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM52,540,850 comprising 300,000,000 Shares on the ACE Market. The approval from Bursa Securities is subject to the following conditions:-

Details of conditions imposed	Status of compliance
<p>1. Submission of the following information with respect to the moratorium on the shareholdings of the promoter to Bursa Depository:-</p> <p>(a) Name of shareholders;</p> <p>(b) Number of Shares; and</p> <p>(c) Date of expiry of the moratorium for each block of Shares.</p>	<p>To be complied prior to Listing.</p>
<p>2. Approvals from other relevant authorities have been obtained for implementation of the listing proposal;</p>	<p>Complied.</p>
<p>3. Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of Listing Requirements;</p>	<p>To be complied prior to Listing.</p>
<p>4. Furnish Bursa Securities a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of ACO on the first day of listing;</p>	<p>To be complied upon Listing.</p>
<p>5. Any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to Listing of the Company;</p>	<p>To be complied. An application for extension of time from complying with this condition has been submitted to Bursa Securities on 18 February 2020.</p>
<p>6. In relation to the public offering to be undertaken by ACO, please announce at least 2 Market Days prior to the Listing date, the result of the offering including the following:-</p> <p>(a) Level of subscription of public balloting and placement;</p> <p>(b) Basis of allotment/allocation;</p> <p>(c) A table showing the distribution for placement tranche, as per the format attached in Appendix I of the approval letter of Bursa Securities; and</p> <p>(d) Disclosure of placees who become substantial shareholders of ACO arising from the public offering, if any.</p> <p>AIBB to ensure that the overall distribution of the Company's securities is properly carried out to mitigate any disorderly trading in the secondary market; and</p>	<p>To be complied prior to Listing.</p>

2. APPROVALS AND CONDITIONS (Cont'd)

Details of conditions imposed	Status of compliance
7. ACO / AIBB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of ACO to the Official List.	To be complied upon Listing.

2.1.2 SC

Our Listing Scheme is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 11 December 2019, approved the resultant equity structure of ACO pursuant to our Listing under the equity requirement for public listed companies, subject to the following condition:-

Details of conditions imposed	Status of compliance
ACO allocating Shares equivalent to at least 12.50% of the enlarged issued share capital at the point of Listing to Bumiputera public investors. This includes the Shares offered under the balloted public offer portion, of which at least 50% are to be offered to Bumiputera public investors.	To be complied upon Listing.

The SC had noted the effects of the Listing on the equity structure of our Group as follows:-

Category of shareholders	As at 31 July 2019		After Listing	
	No. of Shares	% of issued share capital	No. of Shares	% of enlarged issued share capital
Bumiputera	-	-	37,500,000 ⁽¹⁾	12.50
Non-Bumiputera	1,000	100.00	262,500,000	87.50
Malaysians	1,000	100.00	300,000,000	100.00
Foreigners	-	-	-	-
Total	1,000	100.00	300,000,000	100.00

Note:-

- (1) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:-

Category	No. of Shares
Bumiputera public investors via balloting	7,500,000
Private placement to Bumiputera investors approved by MITI	30,000,000
Total	37,500,000

2.1.3 MITI

The MITI had, vide its letter dated 13 December 2019, taken note of and has no objection to our Listing on the ACE Market.

2. APPROVALS AND CONDITIONS (Cont'd)

2.1.4 SAC

The SAC had, vide its letter dated 27 September 2019, classified our Shares as Shariah-compliant based on the latest audited combined financial statements of ACO for the FYE 28 February 2019.

2.2 MORATORIUM ON SALE OF SHARES

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

- (i) The moratorium applies to our Promoters' entire shareholdings for a period of six (6) months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (ii) Upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our issued ordinary share capital remain under moratorium for another period of six (6) months ("**Second 6-Month Moratorium**"); and
- (iii) Upon the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of our Shares held under moratorium.

Details of our Shares which will be subject to moratorium are as follows:-

Name of Promoter/ shareholder	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium	
	No. of Shares	% of enlarged issued share capital [^]	No. of Shares	% of enlarged issued share capital [^]
Kompas	210,470,000	70.16	135,000,000	45.00

Note:-

[^] Based on our enlarged issued share capital of 300,000,000 Shares after our IPO.

Kompas has provided its written undertaking that it will not sell, transfer or assign any part of its interest in the Shares during the moratorium period.

The moratorium, which is fully acknowledged by Kompas, is specifically endorsed on our share certificate representing its shareholding which is under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

The shareholders of Kompas have each furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Kompas during the moratorium period.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF THE IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:-

Number of Shares to be issued under the Public Issue	58,000,000
- <i>Malaysian Public</i>	<i>15,000,000</i>
- <i>Eligible Directors, employees and persons who have contributed to the success of our Group</i>	<i>9,000,000</i>
- <i>Private placement to identified investors</i>	<i>4,000,000</i>
- <i>Private placement to Bumiputera investors approved by the MITI</i>	<i>30,000,000</i>
Number of Shares to be offered under the Offer for Sale	25,000,000
Enlarged issued share capital upon Listing	RM 52,540,850 comprising 300,000,000 Shares
IPO Price	RM0.28
Market Capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital after the IPO)	RM84,000,000

Further details on our IPO are set out in Section 4.1 of this Prospectus.

Kompas' entire shareholding after the IPO will be held under moratorium for six (6) months from the date of Listing. Thereafter, Kompas' shareholding amounting to 45% of our share capital will remain under moratorium for another six (6) months. Kompas may sell, transfer or assign up to a maximum of one-third per year (on a straight line basis) of its share held under moratorium upon expiry of the second 6-month period.

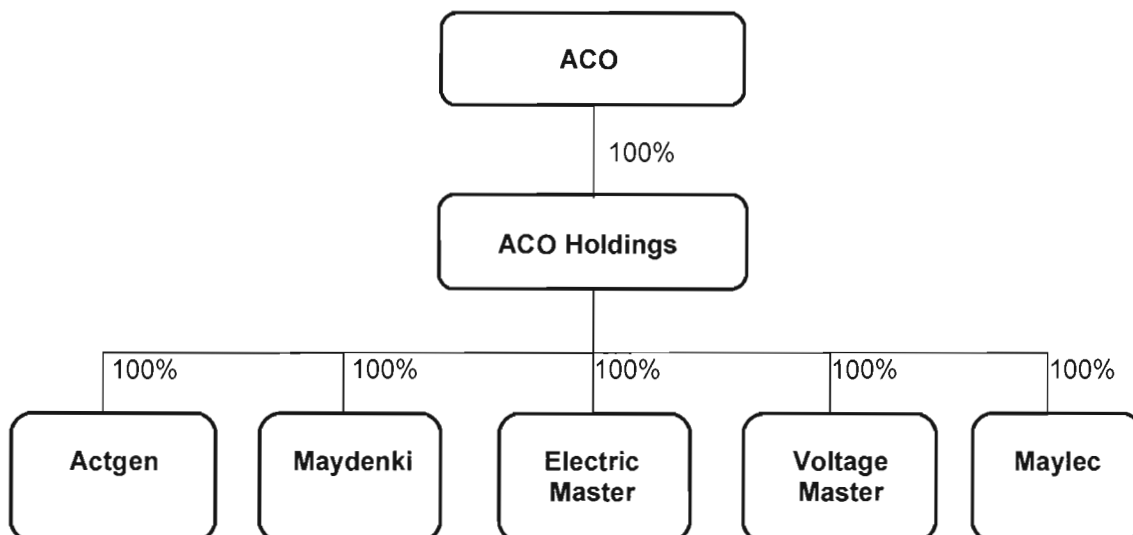
3.2 BUSINESS MODEL

Our Company was incorporated in Malaysia under the Act on 11 June 2019 as a private limited company under the name of ACO Group Sdn Bhd and was subsequently converted to a public limited company on 8 August 2019.

Our Company is an investment holding company. Through our subsidiaries, we are primarily involved in the distribution of electrical products and accessories.

3. PROSPECTUS SUMMARY (Cont'd)

Our corporate Group structure is as follows:-



The principal activities of our subsidiaries are as follows:-

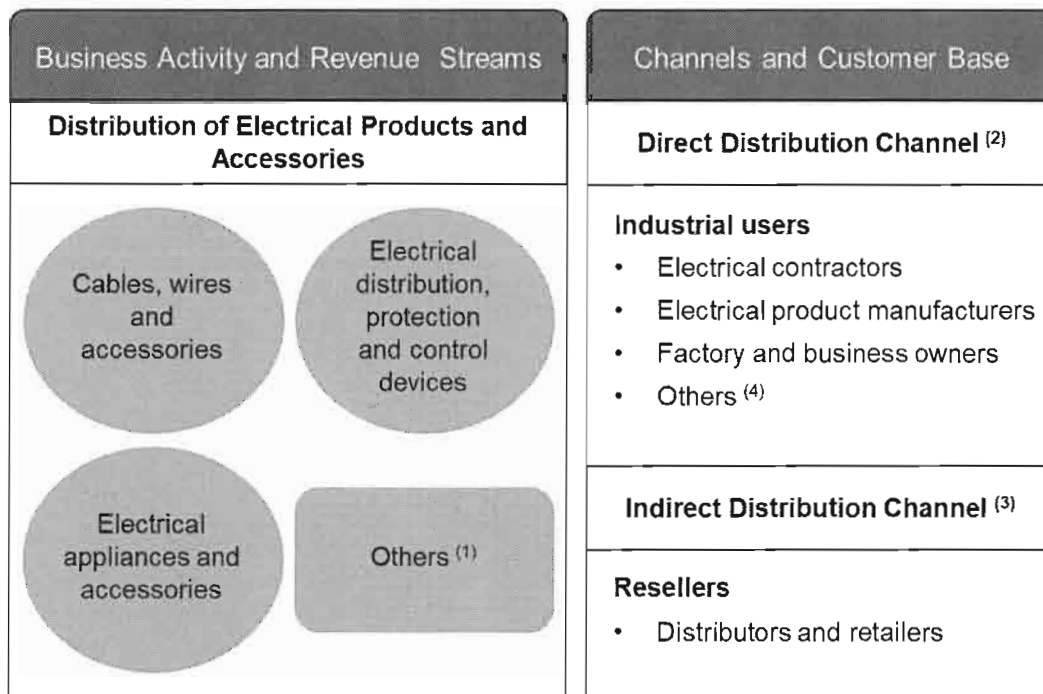
Company	Principal activities
ACO Holdings	Investment holding
Actgen	Distribution of electrical products and accessories ⁽¹⁾
Maydenki	Distribution of electrical products and accessories ⁽²⁾
Electric Master	Distribution of electrical products and accessories ⁽³⁾
Voltage Master	Distribution of electrical products and accessories ⁽³⁾
Maylec	Distribution of electrical products and accessories ⁽⁴⁾

Notes:-

- (1) Mainly focusing on the distribution of electrical appliances, cables, wires and accessories with two (2) sales outlets in Johor, two (2) sales outlets in Selangor, one (1) distribution centre in Selangor, one (1) distribution centre in Johor and one (1) lighting concept store in Johor.
- (2) Mainly focusing on the distribution of electrical distribution, protection and control devices with one (1) sales outlet in Johor.
- (3) Mainly focusing on the distribution of electrical appliances, cables, wires and accessories with one (1) sales outlet in Melaka.
- (4) Mainly focusing on the distribution of electrical appliances, cables, wires and accessories with one (1) sales outlet in Johor.

3. PROSPECTUS SUMMARY (Cont'd)

The following is an overview of our Group's business model:-



Notes:-

- (1) Others include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.
- (2) Direct distribution channel involves selling our products directly to end-users which includes people who purchase our products to carry out their work; for use as input materials to manufacture other electrical products; and/or for their own use.
- (3) Indirect distribution channel involves selling our products to intermediaries who will resell our products to their respective customers.
- (4) Other industrial users include architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

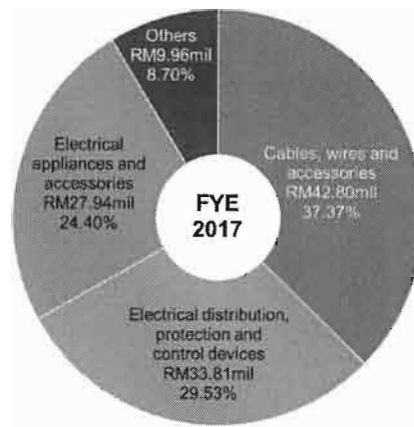
(i) Overview of business activities

We are a distributor of electrical products and accessories specialising in cables, wires and accessories; electrical distribution, protection and control devices; and electrical appliances and accessories. Our other products include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems. We mainly distribute third party brands of electrical products and accessories which accounted for 96.78%, 96.69%, 95.44% and 93.61% of our Group's total revenue for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively. The remaining revenue of 3.22%, 3.31%, 4.56% and 6.39% of our Group for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively were derived from the distribution of our own brands of electrical products and accessories.

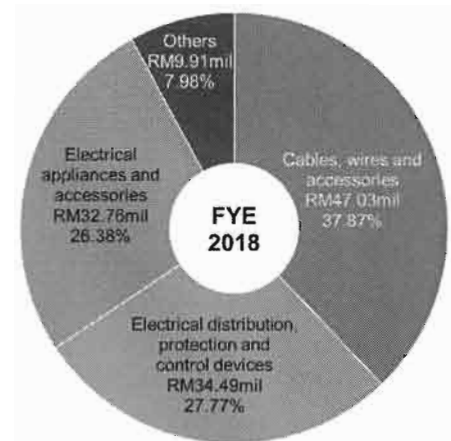
3. PROSPECTUS SUMMARY (Cont'd)

We serve the market in Peninsular Malaysia where our market reach extends from our base in the Southern region of Peninsular Malaysia, namely Johor and Melaka, to cover the Central region including Kuala Lumpur and Selangor. In this respect, we are supported by eight (8) sales outlets, of which four (4) are located in Johor, two (2) in Melaka and two (2) in Selangor. We also have two (2) distribution centres located in Johor and Selangor, as well as one (1) lighting concept store in Johor.

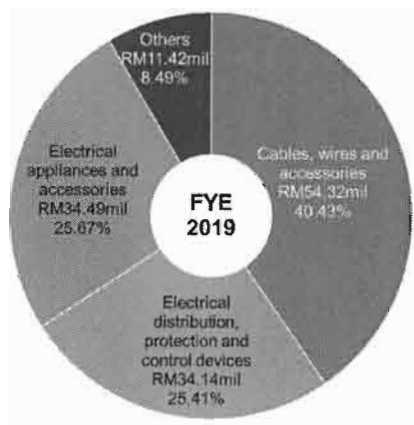
The breakdown of our Group's revenue by product category are as follows:-



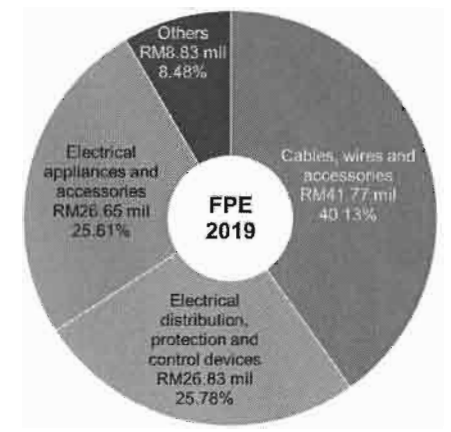
Total revenue = RM114.51 million



Total revenue = RM124.19 million



Total revenue = RM134.37 million



Total revenue = RM104.08 million

Note:-

"Others" include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems. For the purposes of the above chart, "FPE 2019" refers to the 9-month financial period commencing 1 March 2019 to 30 November 2019.

3.3 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are set out below:-

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

3. PROSPECTUS SUMMARY (Cont'd)

- (ii) We carry a wide range of electrical products and accessories to meet the needs of our customers;
- (iii) We are an authorised distributor for 10 brands of electrical products and accessories;
- (iv) We have experienced Executive Directors and key senior management team; and
- (v) We provide customer convenience and facilitate timely delivery of goods to our customers.

Further details of our competitive advantages and key strengths are set out in Section 6.1.2 of this Prospectus.

3.4 OUR BUSINESS STRATEGIES AND PLANS

Our Group's business strategies and plans are set out below:-

3.4.1 Expansion of operational and logistic facilities

Part of our business strategy and future plans as a distributor of electrical products and accessories is to expand on the coverage of the market in Malaysia by expanding our operational facilities involving:-

- (a) Setting up of new sales outlets and distribution centres

Our business strategy is to increase our coverage and presence in other towns within Johor as well as in other states in Peninsular Malaysia. This includes Negeri Sembilan, Kelantan, Terengganu, Pahang and Pulau Pinang. In view of this, we plan to establish an additional seven (7) sales outlets and two (2) distribution centres in Peninsular Malaysia commencing progressively from 2020 up to 2022.

- (b) Setting up new lighting concept stores

We plan to rent premises and set-up two (2) new lighting concept stores, including another one (1) lighting concept store in Johor by second quarter of 2020 and also one (1) lighting concept store in Kuala Lumpur by 2022. This will enable us to tap into opportunities in the building and construction industry including renovation and interior fit-outs segment of the market.

- (c) Setting up our new head office and distribution centre in Johor

We plan to set up a new head office for our Group together with a distribution centre for our distribution operations in Johor by 2022. Upon completion, we intend to relocate our existing distribution operations in Taman Perindustrian Sri Plentong, as well as our existing head office in Taman Johor Jaya to this said new facility.

- (d) Purchasing new trucks

We plan to expand our in-house logistics with the purchase of three (3) 16-tonne trucks with hoist by the first half of 2020. These trucks will be used to facilitate loading and unloading of bulky items such as HDPE corrugated pipes, armoured cables and lighting poles.

3. PROSPECTUS SUMMARY (Cont'd)

3.4.2 Upgrading of IT system

We plan to upgrade our IT system by second quarter of 2020 as follows:-

(a) Upgrading ERP system

We plan to upgrade our existing ERP system to a new version which will provide us with added functionalities and features such as remote access through internet based website and mobile devices, as well as increase the number of users to our ERP system.

(b) Upgrading online ordering system

We plan to upgrade *Accura*, one (1) of our online ordering systems for selected cables and wires presently, to include other range of electrical products. This includes our range of electrical appliances and accessories such as lightings and fittings, fans, air-conditioners, water heaters, switches and power outlets.

3.4.3 Expansion of product range

We will continue the expansion for our range of products to include other types of electrical products and accessories to provide customer convenience. In this respect, we plan to widen the range of electrical products and accessories to include the following:-

(a) Third party brands

We plan to expand our range of cables, wires and accessories as well as electrical distribution, protection and control devices. This includes, among others, MV power cables and wires, and electrical distribution, protection and control devices which will be sourced from our existing principals and/or suppliers. We will gradually expand our product portfolio by incorporating these range of products by 2020.

(b) Own brands

We plan to expand the range of products under our own brands of electrical products namely *Afg* (lightings and fittings), as well as *Multi5* (cables and wires). We intend to engage contract manufacturers to produce these electrical products and accessories under our specifications and brands.

Further details of our business strategies and plans are set out in Section 6.10 of this Prospectus.

3.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations (which may occur either individually or in combination, at the same time or around the same time) that may have a significant impact on our future financial performance.

The following are the key risks and investment considerations that we are currently facing or that may develop in the future:-

- (i) We could lose our authorised distributorships if we are unable to fulfil agreed sales target and/or obligations;

3. PROSPECTUS SUMMARY (Cont'd)

- (ii) We face competition from other operators that are involved in the distribution of electrical products and accessories;
- (iii) We rely on our distribution centres to support our business operations and any significant disruptions at our distribution centres could adversely affect our business;
- (iv) We are dependent on our Executive Directors and key senior management for the continuing success of our Group;
- (v) Our business depends on our ability to manage our inventory;
- (vi) Our growth prospects may be limited if there is a delay in the implementation of our business strategies and future plans;
- (vii) We may not be able to secure sufficient financing, especially on terms acceptable to us, to meet our future capital needs;
- (viii) We rely on contract manufacturers and/or suppliers for our own brands of electrical products;
- (ix) We are subject to the risk of product liability;
- (x) We may not have adequate insurance to cover all losses or liabilities; and
- (xi) We are exposed to the risk of pilferage and theft.

Please refer to Section 8 of this Prospectus for the full list of risk factors which should be considered before investing in our Shares.

3.6 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

Our Directors and key senior management are as follows:-

Name	Designation
DIRECTORS	
Yap Koon Roy Ir. Tang Pee Tee @ Tan Chang Kim Tan Yushan Chai Poh Choo Dr. Teh Chee Ghee Ir. Dr. Ng Kok Chiang	Independent Non-Executive Chairman Group Managing Director Non-Independent Executive Director Non-Independent Executive Director Independent Non-Executive Director Independent Non-Executive Director
KEY SENIOR MANAGEMENT	
Ooi Gin Hui Chong Su Yee Lim Lee Hua Low Swee Ching Foong Kah Hong	Chief Financial Officer Head of Human Resource Head of Procurement Head of Operations Head of Business Development

Further details on our Directors and key senior management are disclosed in Section 5 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.7 PROMOTERS AND/OR SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and/or substantial shareholders, and their respective shareholdings in our Company before and after the IPO are as follows:-

Place of incorporation/ Nationality	Before the IPO / As at the LPD		After the Public Issue	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % ⁽¹⁾	<-----Direct-----> No. of Shares	<-----Indirect-----> % ⁽²⁾
Promoters and substantial shareholders				
Kompas [^]	1,000 ⁺	*	1,000 ⁺	*
Ir. Tang Pee Tee @ Tan Chang Kim	188,375,200	77.84	188,375,200	62.79
			47,094,800 ^{@#}	15.70 ^{@#}
Jin Siew Yen	23,546,900	9.73	23,546,900	7.85
Tan Yushan	23,546,900	9.73	23,546,900	7.85
			211,923,100 ^{o#}	70.64 ^{o#}
			211,923,100 ^{o#}	70.64 ^{o#}

Place of incorporation/ Nationality	After the Offer for Sale		After IPO and the Share Transfer to Kompas	
	<-----Direct-----> No. of Shares	<-----Indirect-----> % ⁽²⁾	<-----Direct-----> No. of Shares	<-----Indirect-----> % ⁽²⁾
Promoters and substantial shareholders				
Kompas [^]	1,000 ⁺	*	210,470,000	70.16
Ir. Tang Pee Tee @ Tan Chang Kim	168,375,200	56.12	-	-
			42,094,800 ^{@#}	14.04 ^{@#}
Jin Siew Yen	21,046,900	7.02	-	-
Tan Yushan	21,046,900	7.02	-	-
			189,423,100 ^{o#}	63.14 ^{o#}
			189,423,100 ^{o#}	63.14 ^{o#}
			210,470,000 ^{o#}	70.16 ^{o#}
			210,470,000 ^{o#}	70.16 ^{o#}

3. PROSPECTUS SUMMARY (Cont'd)**Notes:-**

- (1) Based on our issued share capital of 242,000,000 Shares after the Internal Reorganisation Exercise, but before the IPO.
- (2) Based on our enlarged issued share capital of 300,000,000 Shares after the Public Issue, Offer for Sale and Share Transfer to Kompas pursuant to the IPO.
- @ Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.
- α Deemed interested by virtue of her spouse Ir. Tang Pee Tee @ Tan Chang Kim's and her son Tan Yushan's direct shareholdings in ACO.
- ∞ Deemed interested by virtue of his parents Ir. Tang Pee Tee @ Tan Chang Kim's and Jin Siew Yen's direct shareholdings in ACO.
- ^ Kompas is held by Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan with equity interest of 80%, 10% and 10%, respectively.
- # Deemed interested in 1,000 Shares held by Kompas by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.
- + Transferred by the subscriber shareholders of ACO, namely Ng Ching Huwai and Ong Soo Mei to Kompas by share transfer forms dated on 23 August 2019 which became effective on 19 September 2019 upon completion of stamping and registration of the transfer pursuant to the Act.
- * Negligible.
- ** Deemed interested by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.

3.8 USE OF PROCEEDS

The total gross proceeds from the Public Issue amounting to RM16,240,000 are intended to be used in the following manner:-

Purposes	RM	%	Estimated time frame for use of proceeds (from the listing date)
Setting up of new sales outlets and lighting concept store	4,200,000	25.86	Within 24 months
Setting up of new head office and distribution centre in Johor	2,500,000	15.39	Within 30 months
Purchasing of new trucks and upgrading of IT system	2,000,000	12.32	Within 12 months
Working capital	4,240,000	26.11	Within 12 months
Estimated listing expenses	3,300,000	20.32	Within 3 months
Total	16,240,000	100.00	

There is no minimum subscription to be raised from the IPO. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

The Offer for Sale will raise gross proceeds of approximately RM7.00 million. All the proceeds from the Offer for Sale will be credited to the Offerors and we will not receive any part of the proceeds. The Offerors shall bear all the expenses on a pro-rated basis including registration and transfer fees, placement fees and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to approximately RM0.18 million.

The pro forma impact of the use of proceeds on our Pro Forma Consolidated Statements of Financial Position as at 30 November 2019 is reflected in Section 11.9 of this Prospectus.

In addition, we intend to secure financing from financial institution for the setting up of new head office and distribution centre in Johor. In the event that the said financing had been effected as at 30 November 2019, our gearing ratio would have increased from 0.57 times to 0.92 times. Please refer to Section 8.1.6 of this Prospectus for further details on the risk factor and Section 11.3.5 of this Prospectus for the pro forma illustration of our Group's gearing ratio.

3.9 FINANCIAL HIGHLIGHTS

The key financial highlights of our historical audited combined statements of comprehensive income for the FYE 28 February 2017 to 2019 and FPE 30 November 2019 are set out below:-

	<-----Audited-----> <-----FYE 28 February----->			Unaudited	Audited
	2017	2018	2019	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	114,509	124,193	134,373	95,670	104,084
Cost of sales	(97,095)	(104,517)	(112,155)	(80,566)	(84,511)
GP	17,414	19,676	22,218	15,104	19,573
PBT	5,771	6,612	9,167	5,398	7,968
PAT	4,454	5,003	7,416	4,336	6,044
PAT attributable to:-					
- Owners of the Group	3,836	4,333	6,871	3,849	5,927
- Non-controlling interests	618	670	545	487	117
GP margin ⁽¹⁾ (%)	15.21	15.84	16.53	15.79	18.81
PBT margin ⁽²⁾ (%)	5.04	5.32	6.82	5.64	7.66
PAT margin ⁽³⁾ (%)	3.89	4.03	5.52	4.53	5.81

Notes:-

- (1) GP margin is calculated based on GP divided by revenue.
- (2) PBT margin is calculated based on PBT divided by revenue.
- (3) PAT margin is calculated based on PAT divided by revenue.

Please refer to Section 11.1 of this Prospectus for further discussion on our historical audited combined financial information.

3.10 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group. Notwithstanding, our Group presently does not have a fixed dividend policy.

Further details on our dividend policy are disclosed in Section 11.8 of this Prospectus.

4. PARTICULARS OF THE IPO

4.1 DETAILS OF THE IPO

4.1.1 Listing Scheme

Our Listing Scheme in conjunction with and as an integral part of the listing of and quotation for our entire enlarged issued share capital on the ACE Market involves the following:-

- (a) Internal Reorganisation Exercise;
- (b) Public Issue;
- (c) Offer for Sale;
- (d) Share Transfer to Kompas; and
- (e) Listing.

(a) Internal Reorganisation Exercise

(i) Acquisition of ACO Holdings

On 2 August 2019, our Company entered into a conditional share sale agreement to acquire the entire issued share capital of ACO Holdings of RM2,500,000 comprising 2,500,000 ordinary shares from the ACO Holdings Vendors for a purchase consideration of RM35,320,350 (excluding the non-controlling interests). The said purchase consideration was entirely satisfied by the issuance of 235,469,000 new Shares at an issue price of RM0.15 per Share.

The abovementioned 235,469,000 new Shares were issued to the ACO Holdings Vendors as follows:-

ACO Holdings Vendors	No. of ACO Holdings ordinary shares acquired	Shareholdings held in ACO Holdings (%)	Purchase consideration (RM)	No. of ACO Shares issued
Ir. Tang Pee Tee @ Tan Chang Kim	2,000,000	80.00	28,256,280	188,375,200
Jin Siew Yen	250,000	10.00	3,532,035	23,546,900
Tan Yushan	250,000	10.00	3,532,035	23,546,900
Total	2,500,000	100.00	35,320,350	235,469,000

The purchase consideration of RM35,320,350 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of ACO Holdings as at 28 February 2019 of approximately RM35.32 million (excluding the non-controlling interests). The above purchase consideration includes the capital contribution of RM5,000,000 in aggregate from Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan to ACO Holdings. The Acquisition of ACO Holdings was completed on 22 January 2020 and ACO Holdings became a wholly-owned subsidiary of our Company.

4. PARTICULARS OF THE IPO (Cont'd)**(ii) Acquisitions of the Non-Controlling Interests**

On 2 August 2019, ACO, ACO Holdings and the respective vendors in the table below entered into three (3) conditional share sale agreements to acquire the remaining shares not already owned by ACO Holdings in Electric Master, Voltage Master and Maylec from the respective shareholders below with the objective of consolidating Electric Master, Voltage Master and Maylec as wholly-owned subsidiaries of ACO Holdings. The purchase consideration for these subsidiaries' shares were fully satisfied by the issuance of ACO Shares to the respective vendors of Electric Master, Voltage Master and Maylec as below:-

	No. of ordinary shares acquired	Shareholdings held in companies (%)	Purchase consideration (RM)	No. of ACO Shares issued
<u>Vendor of Electric Master</u>				
Gan Bee Hong	80,001	20.00	684,750	4,565,000
<u>Vendor of Voltage Master</u>				
Goh Bee Tin	15,000	7.50	131,250	875,000
<u>Vendor of Maylec</u>				
Woo Yoong Eng	55,500	10.00	163,500	1,090,000

The purchase consideration for the remaining 20.00% of the issued share capital of Electric Master of RM684,750 was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA position of Electric Master as at 28 February 2019 of approximately RM3.41 million (based on proportionate share of 20.00% of the audited NA of approximately RM0.68 million). The acquisition of Electric Master was completed on 22 January 2020.

The purchase consideration for the remaining 7.50% of the issued share capital of Voltage Master of RM131,250 was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA position of Voltage Master as at 28 February 2019 of approximately RM1.73 million (based on proportionate share of 7.50% of the audited NA of approximately RM0.13 million). The acquisition of Voltage Master was completed on 22 January 2020.

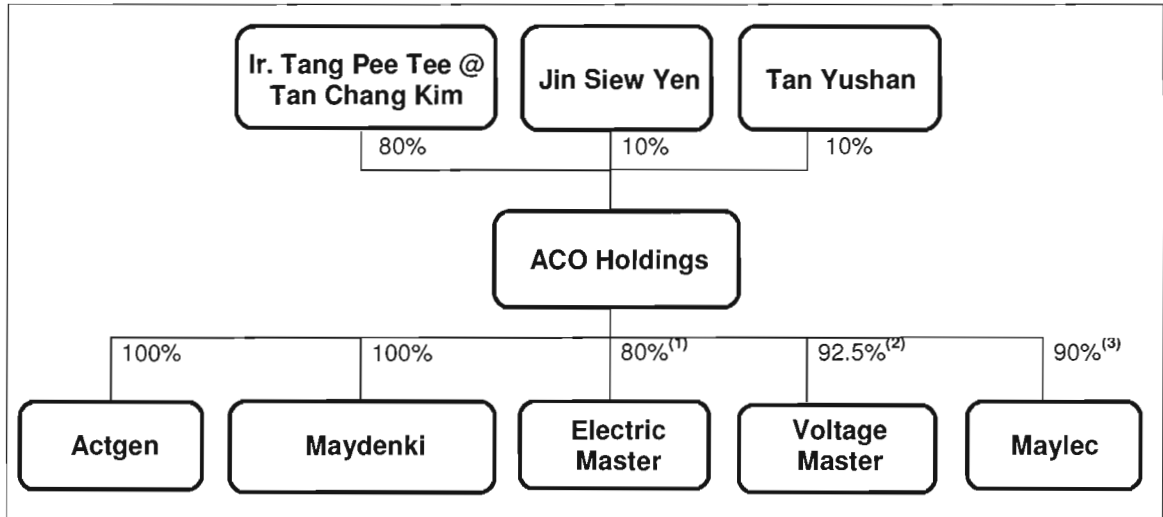
The purchase consideration for the remaining 10.00% of the issued share capital of Maylec of RM163,500 was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA position of Maylec as at 28 February 2019 of approximately RM1.62 million (based on proportionate share of 10.00% of the audited NA of approximately RM0.16 million). The acquisition of Maylec was completed on 22 January 2020.

4. PARTICULARS OF THE IPO (Cont'd)

Upon completion of the Acquisition of ACO Holdings and the Acquisitions of the Non-Controlling Interests, the issued share capital of our Company increased to RM36,300,850 comprising 242,000,000 Shares.

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

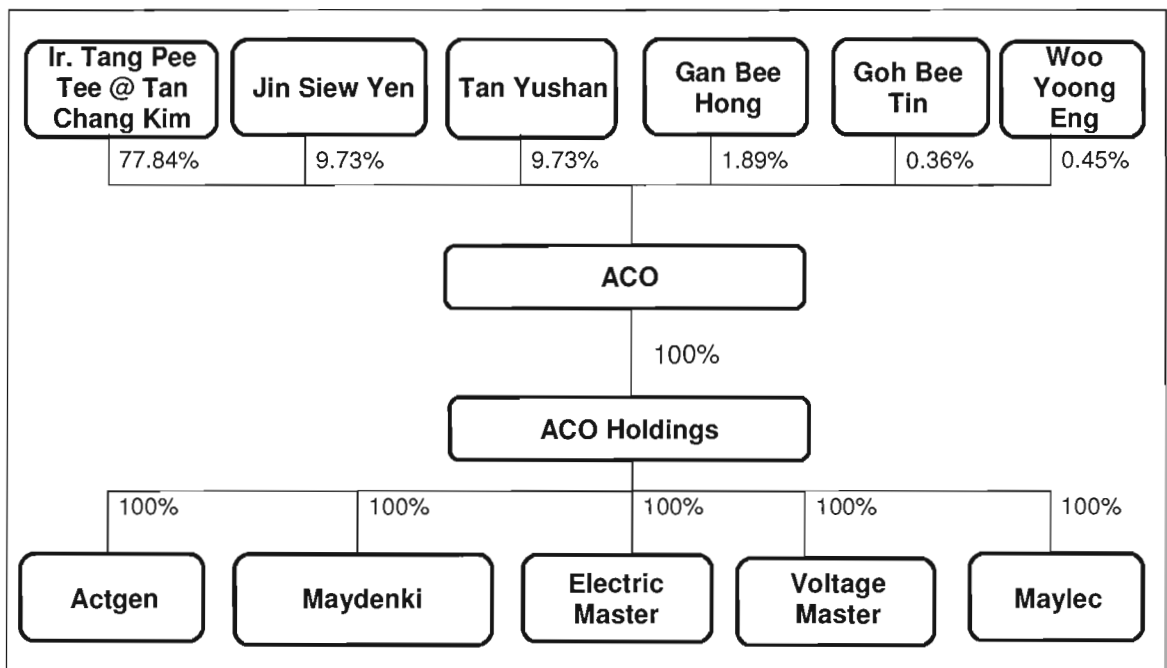
Before the Internal Reorganisation Exercise



Notes:-

- (1) The remaining 20.00% in Electric Master was held by Gan Bee Hong.
- (2) The remaining 7.50% in Voltage Master was held by Goh Bee Tin.
- (3) The remaining 10.00% in Maylec was held by Woo Yoong Eng.

After the Internal Reorganisation Exercise



4. PARTICULARS OF THE IPO (Cont'd)

(b) Public Issue

The Public Issue of 58,000,000 new ACO Shares, representing approximately 19.33% of our enlarged issued share capital upon Listing, at the IPO Price, is payable in full on Application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:-

(i) Malaysian Public

15,000,000 new ACO Shares, representing 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public via balloting, of which at least 50.00% is to be set aside strictly for Bumiputera investors.

Any Issue Shares under the Malaysian Public balloting portion which are not fully subscribed for by the Malaysian Public will be made available for subscription by the following persons as follows:-

- (a) Firstly, by other eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Allocation as described in Section 4.1.1(b)(ii) of this Prospectus;
- (b) Secondly, by our identified investors as described in Section 4.1.1(b)(iii) of this Prospectus; and
- (c) Lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

(ii) Eligible Directors, employees and persons who have contributed to the success of our Group

9,000,000 new ACO Shares, representing 3.00% of our enlarged issued share capital, will be made available for application by our eligible Directors, employees and persons who have contributed to the success of our Group.

We will allocate the Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group in the following manner:-

Eligibility	No. of persons	Aggregate number of Issue Shares allocated
Directors of ACO ⁽¹⁾	4	1,000,000
Employees ⁽²⁾	159	5,400,000
Persons who have contributed to the success of our Group ⁽³⁾	14	2,600,000
Total	177	9,000,000

Notes:-

- (1) The criteria of allocation to our eligible Directors are based on, among others, their respective roles and responsibilities in our Group.

4. PARTICULARS OF THE IPO (Cont'd)

- (2) The criteria of allocation to the eligible employees of our Group (as approved by our Board) are based on, inter-alia, the following factors:-
- (i) The employee must be a full time employee and on the payroll of our Group; and
 - (ii) The number of Issue Shares allocated to the eligible employees is based on their seniority, their length of service and their past performance/contribution as well as other factors deemed relevant by our Board.
- (3) The Issue Shares to be allocated to the persons who have contributed to the success of our Group, comprising our business contacts, suppliers and customers, shall be based on their contribution to our Group and as approved by our Board.

The number of Issue Shares to be allocated to our Directors is as follows:-

Name	Designation	Number of Issue Shares allocated
Chai Poh Choo	Executive Director	400,000
Yap Koon Roy	Independent Non-Executive Chairman	200,000
Dr. Teh Chee Ghee	Independent Non-Executive Director	200,000
Ir. Dr. Ng Kok Chiang	Independent Non-Executive Director	200,000
Total		1,000,000

Any Issue Shares reserved under the Pink Form Allocation which are not taken up will be made available for subscription by the following persons as follows (subject always to the availability of the Issue Shares):-

- (a) Firstly, by other eligible Directors, employees and persons who have contributed to the success of our Group;
- (b) Secondly, by the Malaysian Public and our identified investors as described in Sections 4.1.1(b)(i) and 4.1.1(b)(iii) of this Prospectus respectively; and
- (c) Lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

As at the LPD, save as disclosed in this Section 4.3 of the Prospectus, to the extent known to our Company:-

- (a) there are no substantial shareholder(s), Directors, or key senior management of our Company who have indicated to our Company that they intend to subscribe for the IPO Shares; and
- (b) there are no person(s) who have indicated to our Company that they intend to subscribe for more than 5.00% of the IPO Shares.

4. PARTICULARS OF THE IPO (Cont'd)

(iii) Private placement to identified investors

4,000,000 new ACO Shares, representing approximately 1.33% of our enlarged issued share capital, will be made available by way of private placement to identified investors.

The Issue Shares reserved under the private placement to identified investors are not underwritten as written irrevocable undertakings to subscribe for these Issue Shares have been/will be obtained from the respective identified investors.

(iv) Private placement to Bumiputera investors approved by the MITI

30,000,000 new ACO Shares, representing 10.00% of our enlarged issued share capital to be allocated by way of private placement to Bumiputera investors approved by the MITI.

Any new ACO Shares reserved under the private placement to the MITI approved Bumiputera investors are not underwritten as written irrevocable undertakings to subscribe for these Issue Shares have been/will be obtained from the respective MITI approved Bumiputera investors.

In the event of under-subscription by the MITI approved Bumiputera investors and subject to a corresponding oversubscription by the Malaysian Public or oversubscription by identified investors, the remaining portion will be clawed-back and be placed to identified investors under Section 4.1.1(b)(iii) of this Prospectus (whom are institutional investors) and/or allocated first, to the Bumiputera public investors under Section 4.1.1(b)(i) of this Prospectus, and thereafter to the other public investors under Section 4.1.1(b)(i) of this Prospectus to increase the participation of retail investors.

The basis of allocation shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening the shareholding base of our Company to meet the public spread requirements, and to establish a liquid and adequate market in the Shares. Applicants will be selected on a fair and equitable manner.

There is no over-allotment or "greenshoe" option that will result in an increase in the amount of Issue Shares.

The salient terms of the Underwriting Agreement are set out in Section 4.6 of this Prospectus.

(c) Offer for Sale

25,000,000 Offer Shares, representing approximately 8.33% of the enlarged issued share capital, are offered by our Offerors to identified investors by way of private placement at the IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus.

4. PARTICULARS OF THE IPO (Cont'd)

The details of our Offerors and their relationship with our Group are as follows:-

Name	Address	Nature of relationship	<-----Before IPO / As at the LPD----->		<-----Offer for Sale----->		<-----After IPO and the Share Transfer to Kompas----->	
			<-----Direct-----> No. of Shares % ⁽¹⁾	<-----Indirect-----> No. of Shares % ⁽¹⁾	<-----Direct-----> No. of Shares % ⁽²⁾	<-----Indirect-----> No. of Shares % ⁽²⁾	<-----Direct-----> No. of Shares % ⁽²⁾	<-----Indirect-----> No. of Shares % ⁽²⁾
Ir. Tang Pee Tee @ Tan Chang Kim	B1-23-07 Molek Pine Tower 3 Jalan Molek 1/27 Taman Molek 81100 Johor Bahru, Johor	Promoter, substantial shareholder and Group Managing Director	188,375,200 77.84	47,094,800 ^a 19.46 ^a #	20,000,000 6.67	5,000,000 ^a 1.66 ^a	-	210,470,000 ^a 70.16 ^a
Jin Siew Yen	B1-23-07 Molek Pine Tower 3 Jalan Molek 1/27 Taman Molek 81100 Johor Bahru, Johor	Promoter	23,546,900 9.73	211,923,100 ^a 87.57 ^a #	2,500,000 0.83	22,500,000 ^a 7.50 ^a	-	210,470,000 ^a 70.16 ^a
Tan Yushan	B1-23-07 Molek Pine Tower 3 Jalan Molek 1/27 Taman Molek 81100 Johor Bahru, Johor	Promoter and Executive Director	23,546,900 9.73	211,923,100 ^a 87.57 ^a #	2,500,000 0.83	22,500,000 ^a 7.50 ^a	-	210,470,000 ^a 70.16 ^a

4. PARTICULARS OF THE IPO (Cont'd)

Notes:-

- (1) Based on our issued share capital of 242,000,000 Shares before the IPO.
- (2) Based on our enlarged issued share capital of 300,000,000 Shares after the IPO.
- @ Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.
- α Deemed interested by virtue of her spouse Ir. Tang Pee Tee @ Tan Chang Kim's and her son Tan Yushan's direct shareholdings in ACO.
- ∞ Deemed interested by virtue of his parents Ir. Tang Pee Tee @ Tan Chang Kim's and Jin Siew Yen's direct shareholdings in ACO.
- # Deemed interested in 1,000 Shares held by Kompas by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.
- ** Deemed interested by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.

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4. PARTICULARS OF THE IPO (Cont'd)

(d) Share Transfer to Kompas

During the prescription period (one day after the launching date of the Prospectus up to a period of 30 days), our Offerors will transfer their remaining shareholdings in conjunction with the IPO amounting to 210,469,000 Shares to Kompas for a purchase consideration of RM58,931,320. Further details of the Share Transfer to Kompas are set out below:-

Offerors	No. of Shares held before Share Transfer to Kompas	No. of ACO Shares to be transferred to Kompas	No. of ACO Shares held after Share Transfer to Kompas	%
Ir. Tang Pee Tee @ Tan Chang Kim	168,375,200	168,375,200	-	-
Jin Siew Yen	21,046,900	21,046,900	-	-
Tan Yushan	21,046,900	21,046,900	-	-
Total	210,469,000	210,469,000	-	-

Kompas is an investment holding company held by Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan with equity interest of 80.00%, 10.00% and 10.00%, respectively.

Please refer to Section 5.1.2 of this Prospectus for further details on Kompas.

(e) Listing

The admission of ACO to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM52,540,850 comprising 300,000,000 Shares on the ACE Market have been approved by Bursa Securities.

	No. of Shares	Share capital (RM)
Issued share capital as at the date of this Prospectus	242,000,000	36,300,850
New Shares to be issued pursuant to the Public Issue	58,000,000	16,240,000
Enlarged issued share capital upon Listing	300,000,000	52,540,850
Offer for Sale*	25,000,000	7,000,000
IPO Price		0.28
- Pro forma consolidated NA per Share as at 30 November 2019 <i>(based on our enlarged issued share capital after the IPO and after deducting the estimated listing expenses of approximately RM3.30 million)</i>		RM 0.19
- Market capitalisation upon Listing <i>(based on the IPO Price and our enlarged issued share capital after the IPO)</i>		84,000,000

Note:-

* Our Offer for Sale will not have any effect on our share capital.

4. PARTICULARS OF THE IPO (Cont'd)

The IPO Price is payable in full upon Application.

We only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued share capital, including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of allotment of our Issue Shares.

Our Offer Shares rank equally in all respects with our existing issued share capital, including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of transfer of our Offer Shares.

Subject to special rights attaching to any Share which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed among the shareholders in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, or by a proxy, or by his/its representative under the instrument of proxy or certificate of appointment of corporate representative or power of attorney. On a show of hands, each present shareholder (either in person, or by a proxy, or by his/its representative under the instrument of proxy or certificate of appointment of corporate representative or power of attorney) shall have one (1) vote. On a poll, each present shareholder (either in person, or by a proxy, or by his/its representative under the instrument of proxy or certificate of appointment of corporate representative or power of attorney) shall have one (1) vote for each Share held. A proxy may but need not be a shareholder of our Company.

4.2 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and AIBB, as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, had determined and agreed upon the IPO Price, after taking into consideration the following factors:-

(i) Financial and operating history

Based on the historical audited combined statements of profit or loss and other comprehensive income of our Group for the FYE 28 February 2019, we recorded a PAT of RM7.42 million representing a basic EPS of 3.06 sen (based on the existing issued share capital of 242,000,000 Shares) and 2.47 sen (based on the enlarged issued share capital of 300,000,000 Shares upon Listing) resulting in net PE Multiple of 9.15 times and 11.34 times respectively. This basis was adopted to determine the IPO Price after taking into consideration the completion of the Acquisitions of the Non-Controlling Interests.

For information, our Group recorded a PAT of RM6.04 million for the FPE 30 November 2019. Our detailed operating and financial history is outlined in Sections 6 and 11 of this Prospectus, respectively.

(ii) Business strategies and plans

The business strategies and plans of our Group are outlined in Section 6.10 of this Prospectus.

(iii) Competitive advantages and key strengths and industry overview

Our competitive advantages and key strengths and the industry overview are outlined in Sections 6.1.2 and 7 of this Prospectus, respectively.

4. PARTICULARS OF THE IPO (Cont'd)**(iv) Pro forma consolidated NA**

The pro forma consolidated NA per Share as at 30 November 2019 of RM0.19 based on the enlarged issued share capital of 300,000,000 Shares in our Company upon Listing and after use of proceeds.

You should also note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 8 of this Prospectus before deciding to invest in our Shares.

4.3 DILUTION

Dilution is the amount by which the IPO Price to be paid by applicants for our Issue/Offer Shares exceeds our NA per Share after IPO and is as follows:-

	RM
IPO Price	0.28
Pro forma consolidated NA per Share as at 30 November 2019 before Public Issue	0.17
Pro forma consolidated NA per Share as at 30 November 2019 after the Public Issue and use of proceeds	0.19
Increase in NA per Share attributable to existing shareholders	0.02
Dilution in NA per Share to new investors	0.09
Dilution in NA per Share as a percentage of the IPO Price	32.14%

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4. PARTICULARS OF THE IPO (Cont'd)

Save as disclosed below, there is no acquisition of any existing equity securities in our Company by our Promoters, substantial shareholders, Directors and/or key senior management, or persons connected with them from the date of our incorporation to the date of this Prospectus, or which they have the right to acquire:-

Promoters, substantial shareholders, Directors and/or key senior management or persons connected with them	No. of Shares held before Listing ^α	No. of Shares held from Listing*	Total consideration RM	Effective cash cost per share RM
Promoter and substantial shareholder				
Kompas	1,000	210,469,000 [#]	58,932,320	0.28
Jin Siew Yen [^]	21,046,900	-	3,157,035	0.15
Promoter, substantial shareholder and Director				
Ir. Tang Pee Tee @ Tan Chang Kim [^]	168,375,200	-	25,256,280	0.15
Tan Yushan [^]	21,046,900	-	3,157,035	0.15
Other Directors				
Chai Poh Choo	-	400,000	112,000	0.28
Yap Koon Roy	-	200,000	56,000	0.28
Dr. Teh Chee Ghee	-	200,000	56,000	0.28
Ir. Dr. Ng Kok Chiang	-	200,000	56,000	0.28
Key senior management				
Ooi Gin Hui	-	235,000	65,800	0.28
Chong Su Yee	-	200,000	56,000	0.28
Lim Lee Hua	-	200,000	56,000	0.28
Low Swee Ching	-	200,000	56,000	0.28
Foong Kah Hong	-	200,000	56,000	0.28
Person connected to Director				
Chiang Sing Kuan	-	100,000	28,000	0.28
Public Investors				
Public Issue	-	58,000,000 [@]	16,240,000	0.28
Offer for Sale	-	25,000,000	7,000,000	0.28

Notes:-

α After the Offer for Sale.

* Assuming that all Pink Form Allocations are fully subscribed.

[^] Deemed interested in 1,000 Shares by virtue of Section 8(4) of the Act held through Kompas' shareholdings.

[#] After the Share Transfer to Kompas.

[@] Prior to netting off the Pink Form Allocations.

4. PARTICULARS OF THE IPO (Cont'd)

4.4 USE OF PROCEEDS FROM THE IPO

The total gross proceeds from the Public Issue will amount to RM16,240,000 based on the IPO Price. We expect the proceeds to be used in the following manner:-

Purposes	RM	%	Estimated time frame for use (from the Listing date)
Setting up of new sales outlets and lighting concept store	4,200,000	25.86	Within 24 months
Setting up of new head office and distribution centre in Johor	2,500,000	15.39	Within 30 months
Purchasing of new trucks and upgrading of IT system	2,000,000	12.32	Within 12 months
Working capital	4,240,000	26.11	Within 12 months
Estimated listing expenses	3,300,000	20.32	Within 3 months
Total	16,240,000	100.00	

Pending the eventual use of proceeds raised from the Public Issue, the proceeds will be placed in interest bearing short-term deposits or money market instruments with licensed financial institution.

(1) Setting up of new sales outlets and lighting concept store

We intend to allocate RM4.20 million, representing approximately 25.86% of the proceeds from our Public Issue, for the setting up of new sales outlets and lighting concept store in the manner as follows. We plan to use this sum within 24 months from the date of our Listing.

(a) New sales outlets

From the RM4.20 million (or 25.86%), we plan to use approximately RM3.00 million (or 18.47%) to establish three (3) additional sales outlets in Batu Pahat, Kluang and Mersing in Johor commencing progressively from 2020 to 2021.

We anticipate that the total costs required to set up each new sales outlet in Batu Pahat, Kluang and Mersing is approximately RM1.00 million, which will mainly cover the following:-

	Total estimated cost RM million
Renovation and interior fit-outs	0.40
Purchase and installation of:-	0.52
- Racking system	
- Security systems	
- Electrical and telecommunications wiring	
- Office furniture and equipment	
- IT related hardware	
Cable cutting machine	0.08
Total	1.00

Please see Section 6.10.1(i) of this Prospectus for further details of our business plans and strategies in relation to the setting up of new sales outlets.

4. PARTICULARS OF THE IPO (Cont'd)

(b) New lighting concept store in Kuala Lumpur

We also plan to set up an additional lighting concept store in Kuala Lumpur by 2022. The estimated size for this store will range approximately from 18,000 to 24,000 sq. ft. We intend to rent and set up a standalone premise for this purpose but as at the LPD, we have yet to identify a suitable premise.

We plan to use RM1.20 million (or 7.39%) from IPO proceeds to fund the cost of setting-up the Kuala Lumpur lighting concept store which will mainly cover the following within 24 months upon Listing:-

	Total estimated cost RM million
Renovation and interior fit-outs	0.50
Purchase and installation of:-	0.70
- Security systems	
- Electrical and telecommunications wiring	
- Office equipment	
- IT related hardware	
Total	1.20

Please see Section 6.10.1(ii) of this Prospectus for further details of our business plans and strategies in relation to the setting up of new lighting concept stores.

In the event the proceeds for setting up of the additional three (3) new sales outlets and one (1) lighting concept store above is lower than estimated, the excess will be reallocated for the setting up of our other additional sales outlets as set out in Section 6.10.1(i) of this Prospectus. Any excess cost required will be funded by internally generated funds and/or bank borrowings.

(2) Setting up of new head office and distribution centre in Johor

We plan to purchase a 2.29 acres industrial land together with a three (3)-storey corporate office and distribution centre in Taman Perindustrian Cemerlang, Ulu Tiram, Johor from the developer for a total price of RM17.96 million. Please refer to Section 6.10.1(iii) of this Prospectus for further information on this said new head office and distribution centre.

In view of the above, we plan to use RM2.50 million (or 15.39%) from our IPO proceeds to fund part of the additional mezzanine floor and related facilities for this said new head office and distribution centre.

4. PARTICULARS OF THE IPO (Cont'd)

The total estimated cost is approximately RM6.00 million which will mainly cover the following:-

	Total estimated cost RM million
Mezzanine floor (including foundation)	2.90
Interior fit-outs	0.40
Purchase and installation of:-	1.93
- Overhead crane and hoist	
- Racking system	
- Passenger lift	
- Security systems	
- Electrical and telecommunications wiring	
- Office furniture and equipment	
- IT related hardware	
Forklift	0.61
Cable cutting machines	0.16
Total	6.00

The remaining RM3.50 million and any costs in excess of the above estimate will be funded via bank borrowings and/or internally generated funds.

In the event if we are unable to proceed with the property acquisition identified above, we will look for other suitable locations in Johor and the proceeds earmarked above will be allocated for the same purpose.

(3) Purchasing of new trucks and upgrading of IT system**(a) Purchasing of new trucks**

We plan to use approximately RM1.00 million (or 6.16%) from our IPO proceeds to purchase additional three (3) 16-tonne trucks with hoist to load and unload bulky items such as HDPE pipe conduits, armoured cables and lighting poles by the first half of 2020. We anticipate the estimated cost for each truck to be approximately RM0.38 million. Any excess cost required will be funded by internally generated funds and/or bank borrowings.

(b) Upgrading of IT System

We plan to upgrade our IT system by second quarter of 2020 as follows:-

(i) Upgrading ERP system

We plan to upgrade our ERP system to a new version which will provide us with added functionalities and features such as:-

- Ability to access our ERP system remotely through internet based website as well as through mobile devices. This will enable our sales personnel to access our inventory system to facilitate sales anywhere as long as there is access to internet; and
- Increase the number of users to our ERP system.

4. PARTICULARS OF THE IPO (Cont'd)**(ii) Upgrading online ordering system**

As part of our future plans, we plan to upgrade *Accura*, one of our online ordering systems for selected cables and wires presently, to include other range of electrical products.

We plan to include electrical appliances and accessories such as lightings and fittings, fans, air-conditioners, water heaters, and switches and power outlets into *Accura's* system. This will allow our customers to view product specifications, stock availability and pricing for a wider range of electrical products and accessories. In line with our plans to launch additional lighting concept stores, this online ordering system would assist our customers to check on the availability and pricing of our products as well as place orders.

The cost of upgrading our IT system which covers software and related hardware is estimated at RM1.00 million (or 6.16%) of which we plan to use IPO proceeds within 12 months from our Listing to fund the entire cost of this plan. Any excess cost required will be funded by internally generated funds.

Please see Section 6.10.2 of this Prospectus for further details of this business plan and strategy.

(4) Working capital

We have set aside RM4.24 million (or 26.11%) of our IPO proceeds as working capital to finance our Group's future operations mainly in respect of expanding our new product range (to include other types of electrical products and accessories which are not carried by our Group currently) and purchase of inventories (electrical products and accessories carried by our Group currently) which is in tandem with the growth of our business. We expect to use this amount within 12 months from our Listing. Please see Section 6.10.3 of this Prospectus for further details of our plans to expand our range of electrical products and accessories.

(5) Estimated listing expenses

Our listing expenses are estimated to be RM3.30 million (or 20.32%) of our IPO proceeds, details which are as follows:-

Description	Total RM
Professional fees*	2,111,000
Fees to authorities	67,000
Estimated underwriting, placement and brokerage fees	507,000
Printing and advertisement	150,000
Contingencies^	465,000
Total	3,300,000

4. PARTICULARS OF THE IPO (Cont'd)

Notes:-

- * Includes advisory fees for, among others, Principal Adviser, Solicitors, Reporting Accountants and IMR.
- ^ Other incidental or related expenses in connection with the IPO, which includes translators, media related expenses, IPO event expenses, etc.

If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes to finance our Group's future operations mainly in respect of expanding our new product range and purchase of inventories.

The Offerors shall bear all the expenses on a pro-rated basis including registration and transfer fees, placement fees and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to approximately RM0.18 million.

There is no minimum subscription to be raised from the IPO.

The financial impact of the use of proceeds on our Pro Forma Consolidated Statements of Financial Position as at 30 November 2019 is reflected in Section 11.9 of this Prospectus.

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4. PARTICULARS OF THE IPO (Cont'd)

4.5 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.5.1 Brokerage

We will bear the brokerage fees to be incurred on the issue of the 24,000,000 Issue Shares pursuant to the IPO under Sections 4.1.1(b)(i) and 4.1.1(b)(ii) of this Prospectus at the rate of 1.00% of the IPO Price in respect of successful Applications which bear the stamp of AIBB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4.5.2 Underwriting commission

AIBB, as our Sole Underwriter has agreed to underwrite 24,000,000 Issue Shares as set out in Sections 4.1.1(b)(i) and 4.1.1(b)(ii) of this Prospectus. We will pay our Sole Underwriter an underwriting commission at the rate of 2.25% of the total value of the Shares underwritten at the IPO Price.

4.5.3 Placement fee

AIBB, as our Placement Agent, has agreed to place out 34,000,000 Issue Shares and 25,000,000 Offer Shares available under the placement to identified investors as well as identified Bumiputera investors approved by the MITI as set out in Sections 4.1.1(b)(iii) and 4.1.1(b)(iv) of this Prospectus respectively, at the rate of up to 2.25% of the IPO Price for each Issue Share/Offer Share to be placed out by the Placement Agent.

The placement fees to be incurred on the sale of 25,000,000 Offer Shares will be fully borne by the Offerors.

4.6 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We had on 3 February 2020 entered into the Underwriting Agreement with the Sole Underwriter, whereby the Sole Underwriter has agreed to underwrite 25,000,000 Issue Shares ("**Underwritten Shares**"), upon the terms and subject to the conditions as set out in the Underwriting Agreement.

A summary of the salient terms of the Underwriting Agreement are as follows:-

- 4.6.1 The obligations of the Sole Underwriter are conditional on, amongst others, the following:-
- (a) the approvals referred to in Section 2.1 of this Prospectus remaining valid and have not been revoked or amended and all the conditions imposed therein which have to be complied by the Company prior to Listing, have been complied by the Company;
 - (b) the receipt by the Sole Underwriter of all relevant documentation and placement monies in respect of the Offer for Sale;
 - (c) all other necessary approvals and consents required in relation to the IPO and the IPO Shares including but not limited to governmental approvals having been obtained and are in full force and effect;
 - (d) the issue of the IPO Shares having been approved by the shareholders of the Company in an extraordinary general meeting;

4. PARTICULARS OF THE IPO (Cont'd)

- (e) the issue and subscription of the IPO Shares in accordance with the provisions of the Underwriting Agreement is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
 - (f) the Prospectus having been lodged with the ROC and registered with the SC together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations;
 - (g) there having been, on or prior to the last date and time for the receipt of applications and payment for the Issue Shares in accordance with the Prospectus or such late date as the Company and the Sole Underwriter may mutually agree upon consultation with the SC ("**Closing Date**") or the extended closing date for the receipt of applications and payment for the Issue Shares pursuant to the Public Issue which will be notified in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia ("**Extended Closing Date**"), as the case may be, no material breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect;
 - (h) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Sole Underwriter, is or will be material in the context of the Public Issue and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering materially inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company contained in the Underwriting Agreement;
 - (i) the Sole Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board approving the Listing, the Prospectus and the Underwriting Agreement, the issue and offer of the IPO Shares and authorizing a person or persons to sign the Underwriting Agreement on behalf of the Company; and
 - (j) the Sole Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in the Underwriting Agreement.
- 4.6.2 The Sole Underwriter may terminate, cancel or withdraw its commitment before the Closing Date or the Extended Closing Date, if:-
- (a) the approval of Bursa Securities and other relevant authorities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Sole Underwriter;
 - (b) there is any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;
 - (c) there is a material failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;

4. PARTICULARS OF THE IPO (Cont'd)

- (d) there is withholding of information of a material nature from the Sole Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO or Listing, or the distribution or sale of the IPO Shares;
- (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;
- (f) the Listing does not take place within three (3) months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Sole Underwriter;
- (g) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market of Bursa Securities due to exceptional financial circumstances which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the IPO Shares;
- (h) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:-
 - (i) on or after the date of the Underwriting Agreement; and
 - (ii) prior to the close of the offering of the Public Issue,

lower than eighty-five per centum (85%) of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or
- (i) there shall have occurred, or happened any of the following circumstances:-
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Sole Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole or the success of the IPO or Listing which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

4. PARTICULARS OF THE IPO (Cont'd)

In the event that the Underwriting Agreement is terminated pursuant to Section 4.6.2 above, the Sole Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of the Underwriting Agreement and entering into a new underwriting agreement accordingly, but neither the Sole Underwriter nor the Company shall be under any obligation to enter into a fresh agreement;

4.6.3 Upon any such notice(s) being given pursuant to Section 4.6.2 above, the Sole Underwriter shall be released and discharged from their obligations under the Underwriting Agreement whereupon the following shall take place within three (3) Market Days of the receipt of such notice:-

- (a) the Company shall make payment of Underwriting Commission to the Sole Underwriter in accordance with the Underwriting Agreement;
- (b) the Company shall pay or reimburse to the Sole Underwriter the costs and expenses referred to in the Underwriting Agreement; and
- (c) each party shall return all other monies (in the case of the Sole Underwriter, after deducting the Underwriting Commission due and owing to the Sole Underwriter under the Underwriting Agreement) including but not limited to the subscription monies paid to the other under the Underwriting Agreement (except for monies paid by the Company for the payment of the expenses as provided under the Underwriting Agreement),

and thereafter, the Underwriting Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and/or substantial shareholders' shareholdings

The details of our Promoters and/or substantial shareholders, and their respective shareholdings in our Company before and after the IPO are as follows:-

	Place of incorporation/ Nationality	Before the IPO / As at the LPD			After the Public Issue		
		<-----Direct-----> No. of Shares	<-----Indirect-----> No. of Shares	<-----Indirect-----> % ⁽¹⁾	<-----Direct-----> No. of Shares	<-----Indirect-----> No. of Shares	<-----Indirect-----> % ⁽²⁾
Promoters and substantial shareholders							
Kompas [^]	Malaysia	1,000 ⁺	-	*	1,000 ⁺	-	-
Ir. Tang Pee Tee @ Tan Chang Kim	Malaysian	188,375,200	47,094,800 ^{@#}	19.46 ^{@#}	188,375,200	47,094,800 ^{@#}	15.70 ^{@#}
Jin Siew Yen	Malaysian	23,546,900	211,923,100 ^{a#}	87.57 ^{a#}	23,546,900	211,923,100 ^{a#}	70.64 ^{a#}
Tan Yushan	Malaysian	23,546,900	211,923,100 ^{o#}	87.57 ^{o#}	23,546,900	211,923,100 ^{o#}	70.64 ^{o#}
Promoters and substantial shareholders							
Kompas [^]	Malaysia	1,000 ⁺	-	*	210,470,000	-	-
Ir. Tang Pee Tee @ Tan Chang Kim	Malaysian	168,375,200	42,094,800 ^{@#}	14.04 ^{@#}	-	210,470,000 [~]	70.16 ^{**}
Jin Siew Yen	Malaysian	21,046,900	189,423,100 ^{c#}	63.14 ^{c#}	-	210,470,000 [~]	70.16 ^{**}
Tan Yushan	Malaysian	21,046,900	189,423,100 ^{o#}	63.14 ^{o#}	-	210,470,000 [~]	70.16 ^{**}

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:-

- (1) Based on our issued share capital of 242,000,000 Shares after the Internal Reorganisation Exercise, but before the IPO.
- (2) Based on our enlarged issued share capital of 300,000,000 Shares after the Public Issue, Offer for Sale and Share Transfer to Kompas pursuant to the IPO.
- @ Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.
- α Deemed interested by virtue of her spouse Ir. Tang Pee Tee @ Tan Chang Kim's and her son Tan Yushan's direct shareholdings in ACO.
- ∞ Deemed interested by virtue of his parents Ir. Tang Pee Tee @ Tan Chang Kim's and Jin Siew Yen's direct shareholdings in ACO.
- ^ Kompas is held by Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan with equity interest of 80.00%, 10.00% and 10.00%, respectively.
- # Deemed interested in 1,000 Shares held by Kompas by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.
- + Transferred by the subscriber shareholders of ACO, namely Ng Ching Huwai and Ong Soo Mei to Kompas by share transfer forms dated on 23 August 2019 which became effective on 19 September 2019 upon completion of stamping and registration of the transfer pursuant to the Act.
- * Negligible.
- ** Deemed interested by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.1.2 Profile of Promoters and/or substantial shareholders

Ir. Tang Pee Tee @ Tan Chang Kim

Promoter, Substantial shareholder and Group Managing Director

Ir. Tang Pee Tee @ Tan Chang Kim, Malaysian, aged 73, is our Group Managing Director. He was appointed to our Board on 5 August 2019. He graduated from the University of Malaya, Malaysia with a Bachelor of Electrical Engineering in 1972. He is a registered member of the Board of Engineers Malaysia as a Professional Engineer since 1974 and Professional Engineer with Practising Certificate (Electrical) since 2016.

He has extensive experience in electrical products industry with a career that started in 1972 as an Electrical Engineer with the Public Works Department in Johor and was promoted to Senior Electrical Engineer in 1974. In 1979, he left the Public Works Department and joined ITEC Electric (M) Sdn Bhd (“ITEC”) as a director, a company involved in the distribution of electrical products with one (1) sales outlet in Taman Sentosa in Johor Bahru. He became a shareholder of ITEC in July 1980. He resigned as a director of ITEC in May 2019 and disposed of his entire shareholdings of 61.75% in ITEC in June 2019.

Between 1990 and 1997, he established Maylec, Maydenki, Electric Master, Actgen, Voltage Master and ACO Holdings. As our Group Managing Director, he has been instrumental and played a key role in contributing to the growth and development of our Group. Since we started in 1990 with one (1) sales outlet in Johor, he has expanded the overall operations of our Group within Peninsular Malaysia with a presence in Johor, Selangor and Melaka through the opening of eight (8) sales outlets, one (1) lighting concept store and two (2) distribution centres. He is responsible for the overall strategic direction of our Group and development of our business strategy.

He also holds directorships in several private companies. Please see Section 5.2.4 of this Prospectus. He is the spouse of our Promoter and substantial shareholder, Jin Siew Yen and father of our Promoter, substantial shareholder and Executive Director, Tan Yushan.

Jin Siew Yen

Promoter and Substantial shareholder

Jin Siew Yen, Malaysian aged 74 is our Promoter.

In 1971, she completed her nursing training at the Stockport School of Nursing, England. In 1972, she was registered as a Registered Nurse by The Nursing Board Federation of Malaya. She also completed her training as a midwife in 1972 at the Stockport School of Midwifery, Stepping Hill Hospital, England. Upon her return to Malaysia, from 1973 to 1984 she worked at Hospital Sultanah Aminah, Johor as a Staff Nurse.

She is a director in each of our Group subsidiaries namely ACO Holdings, Actgen, Maydenki, Electric Master, Voltage Master and Maylec, but is not involved in the day-to-day operations of our Group.

She is the spouse of our Promoter, substantial shareholder and Group Managing Director, Ir. Tang Pee Tee @ Tan Chang Kim and mother of our Promoter, substantial shareholder and Executive Director, Tan Yushan.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Tan Yushan

Promoter, Substantial shareholder and Executive Director

Tan Yushan, Malaysian, aged 35, is our Executive Director of the Corporate & Group Operations. He was appointed to our Board on 5 August 2019. He graduated from The University of Western Australia with a Bachelor of Commerce in 2007. He has been admitted as a full member of Certified Practising Accountant (CPA) Australia since 2010 and was admitted as a Chartered Accountant of the Malaysian Institute of Accountants since 2012.

He began his career in 2007 with KPMG Malaysia as an Audit Associate. In 2010, he left KPMG Malaysia as an Audit Semi Senior and joined Actgen as Finance Manager where he was mainly responsible for finance related matters as well as budget planning and supporting the executive management team. He was also involved in assisting the management to review and assess potential business opportunities. In 2015, he was promoted as Chief Financial Officer of Actgen where he was responsible for overseeing finance and accounting functions. In 2019, he was redesignated as Marketing Manager of Actgen, and also concurrently appointed as Operations Director in Maydenki. He was also appointed as a director of ACO Holdings in 2016, a position he still holds to-date.

As our Executive Director, he is responsible for managing the overall day-to-day operations and business development of our Group, as well as implementation of our Group's business strategy. He is the son of our Promoter, substantial shareholder and Group Managing Director, Ir. Tang Pee Tee @ Tan Chang Kim and our Promoter and substantial shareholder, Jin Siew Yen.

Kompas

Promoter and substantial shareholder

Kompas was incorporated in Malaysia under the Companies Act 1965 on 28 January 1994 and deemed registered under the Act as a private limited liability company under the name of Kompas Electrical Distributor Sdn Bhd. On 14 May 2019, it changed its name to its present name, Kompas Realty Sdn Bhd.

As at the LPD, the issued share capital of Kompas is RM500,000 comprising 500,000 ordinary shares. The principal activity of Kompas is property investment and investment holding.

As at the LPD, the directors and shareholders and their respective shareholdings in Kompas are as follows:-

Directors and shareholders	Direct interest in Kompas	
	No. of shares	%
Ir. Tang Pee Tee @ Tan Chang Kim	400,000	80.00
Jin Siew Yen	50,000	10.00
Tan Yushan	50,000	10.00

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.1.3 Changes in our Promoters' and/or substantial shareholders' shareholdings

The changes in our Promoters' and/or substantial shareholders' shareholdings in our Company since incorporation to the LPD are as follows:-

	As at 11 June 2019 (Date of incorporation)			As at 29 July 2019			As at LPD		
	<---Direct-----> No. of Shares	% No. of Shares	<--Indirect--> No. of Shares	<---Direct-----> No. of Shares	% No. of Shares	<--Indirect--> No. of Shares	<---Direct-----> No. of Shares	% No. of Shares	<--Indirect--> No. of Shares
Substantial shareholders									
Ng Ching Huwai	1	50.00	-	500	50.00	-	-	-	-
Ong Soo Mei	1	50.00	-	500	50.00	-	-	-	-
Promoters and substantial shareholders									
Kompas [^]	-	-	-	-	-	-	1,000 ⁺	*	-
Ir. Tang Pee Tee @ Tan Chang Kim	-	-	-	-	-	-	188,375,200	77.84	47,094,800 ^{@#}
Jin Siew Yen	-	-	-	-	-	-	23,546,900	9.73	211,923,100 ^{a#}
Tan Yushan	-	-	-	-	-	-	23,546,900	9.73	211,923,100 ^{a#}

Notes:-

- [^] Kompas is held by Ir. Tang Pee Tee @ Tan Chang Kim, Jin Siew Yen and Tan Yushan with equity interest of 80.00%, 10.00% and 10.00%, respectively.
- [#] Deemed interested in 1,000 Shares held by Kompas by virtue of his/her shareholdings in Kompas pursuant to Section 8(4) of the Act.
- [@] Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.
- ^a Deemed interested by virtue of her spouse Ir. Tang Pee Tee @ Tan Chang Kim's and her son Tan Yushan's direct shareholdings in ACO.
- [∞] Deemed interested by virtue of his parents Ir. Tang Pee Tee @ Tan Chang Kim's and Jin Siew Yen's direct shareholdings in ACO.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

+ Transferred by the subscriber shareholders of ACO, namely Ng Ching Huwai and Ong Soo Mei to Kompas by share transfer forms dated on 23 August 2019 which became effective on 19 September 2019 upon completion of stamping and registration of the transfer pursuant to the Act.

* Negligible.

As at the LPD, our Promoters and/or substantial shareholders have the same voting rights with the other shareholders of our Group and there is no arrangement between ACO and its shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of ACO.

5.1.4 Promoters and/or substantial shareholders' remuneration and benefits

Save for the dividends to be paid or proposed to be paid, if any, to our Promoters and/or substantial shareholders and the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and/or substantial shareholders for services rendered to our Group in all capacities for the FYE 29 February 2020 and FYE 28 February 2021 as set out in Section 5.4.1 of this Prospectus, there are no other amount or benefits that has been paid or intended to be paid to our Promoters and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

5.2 DIRECTORS AND KEY SENIOR MANAGEMENT

5.2.1 Directors

Our Board comprises the following members:-

Name	Age	Nationality	Date of appointment	Designation
Yap Koon Roy (M)	58	Malaysian	5 August 2019	Independent Non-Executive Chairman
Ir. Tang Pee Tee @ Tan Chang Kim (M)	73	Malaysian	5 August 2019	Group Managing Director
Tan Yushan (M)	35	Malaysian	5 August 2019	Non-Independent Executive Director
Chai Poh Choo (F)	48	Malaysian	5 August 2019	Non-Independent Executive Director
Dr. Teh Chee Ghee (M)	54	Malaysian	5 August 2019	Independent Non-Executive Director
Ir. Dr. Ng Kok Chiang (M)	39	Malaysian	5 August 2019	Independent Non-Executive Director

Notes:-

(M) Male.

(F) Female.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.2 Profile of Directors

The profiles of the Directors of our Group are as follows:-

Yap Koon Roy

Independent Non-Executive Chairman

Yap Koon Roy, Malaysian, aged 58, is our Independent Non-Executive Chairman. He was appointed to our Board on 5 August 2019.

He graduated with a Bachelor of Laws Honours from the University of Malaya, Malaysia in 1986 and was called to the Malaysian Bar in 1987. He also obtained an Associate Qualification in Islamic Finance from the Islamic Banking & Finance Institute of Malaysia in 2015.

His career started in 1987 when he joined the legal firm Messrs. Nordin & Phua. He was made partner of the firm in 1991. He then left the firm in 1997 to set up his own practice, Messrs. Yap Koon Roy & Associates in the same year. He has more than 31 years of experience in legal practice, mainly advising on commercial, estate, property and banking matters.

He has been appointed since 2009 as an Independent Non-Executive Director of Hock Heng Stone Industries Berhad, a company listed on the Main Market of Bursa Securities, a position he still holds to date. He had also served as an Independent Non-Executive Director of Perfect Food Industries Berhad (presently MK Land Holdings Berhad) from 1994 to 1999 and Golsta Synergy Berhad (presently known as HCK Capital Group Berhad) from 1999 to 2004. He also holds several directorships in private companies. Please refer to Section 5.2.4 of this Prospectus for further details.

Ir. Tang Pee Tee @ Tan Chang Kim

Group Managing Director

Please refer to Section 5.1.2 of this Prospectus for his profile.

Tan Yushan

Executive Director

Please refer to Section 5.1.2 of this Prospectus for his profile.

Chai Poh Choo

Executive Director

Chai Poh Choo, Malaysian, aged 48, is our Executive Director of the Industrial User Division. She was appointed to our Board on 5 August 2019.

She completed her secondary education in 1990 from the Nan Hwa High School in Ayer Tawar, Perak. She started her career as a Production Clerk in 1991 at Pacific Peninsula Textiles Sdn Bhd. She left in 1992 to join Bee Bee Garment Sdn Bhd as a Merchandiser. In 1993 she joined ITEC as a Sales Assistant. She was promoted to Sales Executive in 1996 and subsequently promoted to Senior Sales Executive in 1998. Her role then involved sales of electrical products and accessories. In 2000, she left ITEC to join Actgen and took up the position as Assistant Branch Manager before she was promoted to Branch Manager in 2002. She was then responsible for managing the operations of the sales outlet in Selangor. In 2010, she was promoted as General Manager of Actgen, a position she still holds to-date, and has since been responsible in overseeing the day-to-day business operations of the industrial user division of our Group. She has played a significant role in the growth of Actgen particularly in the setting up of our branch sales outlet in Semenyih, Selangor. She also continues to manage the operations and sales growth of Actgen. Her role and contribution is important to our business, particularly in the growth of our business in the Central region of Peninsular Malaysia and the expansion of our Group's product range.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Dr. Teh Chee Ghee

Independent Non-Executive Director

Dr. Teh Chee Ghee, Malaysian, aged 54, is our Independent Non-Executive Director. He was appointed to our Board on 5 August 2019.

He is currently a Senior Lecturer in Accounting and Finance in the School of Business, Monash University Malaysia. He holds a Doctor of Philosophy degree in Credit Management, obtained in 2010, a Master of Business Administration degree obtained in 2001, and a Bachelor of Accounting (Honours) degree obtained in 1990, all from University of Malaya. He is currently a Council Member of the Malaysian Institute of Certified Public Accountants ("**MICPA**") and a fellow member of the Association of Chartered Certified Accountants ("**ACCA**") since 1993 and the Chartered Tax Institute of Malaysia ("**CTIM**") since 1993 till current. He has also been a member of the Malaysian Institute of Accountants ("**MIA**") since 1993 till to-date.

He commenced his career in Arthur Andersen-HRM (Management Services) Sdn Bhd as an Associate Consultant from April 1990 to November 1990. He then served in the audit and business advisory division of Arthur Andersen & Co. from November 1990 to February 1994. He left Arthur Andersen & Co. to join CWS Hygiene Sdn Bhd ("**CWS**") as the Finance & Administration Manager in February 1994 and when the Zuellig Group acquired CWS in 1995, he was appointed the Regional Financial Controller of Gold Coin Feedmills (M) Sdn Bhd. After he left Gold Coin Feedmills Sdn Bhd in July 1996, he joined Engtex Sdn Bhd as the Group Financial Controller in August 1996, a position he held till 2003. He was appointed as Personal Assistant ("**PA**") to the Group Managing Director of Engtex Group Berhad ("**Engtex**") from January 2000 and Company Secretary of Engtex from September 2002, and he held both positions until May 2006. After leaving Engtex, Dr. Teh served TH Group Berhad from June 2006 to October 2010 as the PA to the Group Managing Director of TH Group Berhad. He was also the Acting Chief Operating Officer of Nilai Medical Centre (owned by Asiaprise Biotech Sdn Bhd, a wholly-owned subsidiary of TH Group Berhad) from February 2010 to October 2010. He left TH Group Berhad group of companies in October 2010 and took up the position of General Manager - Strategic Planning and Operations of TSH Resources Berhad, a position he held until October 2012.

Subsequently, he joined Monash University Malaysia in October 2012. He was also the Deputy Director of Research of the School of Business, Monash University Malaysia from January 2013 to January 2014, the Deputy Director of MBA Program from 2017 to 2018, and the Deputy Director - Development & External Engagement of the Entrepreneurship and Innovation Hub (eiHub) of the School of Business since 2018 till July 2019.

Dr Teh has been appointed as the Head of Research of the Socio-Economic Research Centre, operating under SERC Sdn Bhd, an independent think tank initiated by the Associated Chinese Chambers of Commerce and Industry of Malaysia ("**ACCCIM**") under a paid outside work retainer arrangement with Monash University Malaysia from January 2014 to February 2016.

He is currently the Chairman – Senior Independent Non-Executive Director of Engtex, a position he has held since August 2018. Prior to his appointment as the Chairman of Engtex, he had been an Independent Non-executive Director of Engtex since January 2009. He has also held directorships in various public listed companies such as being an Independent Non-executive Director of Fiamma Holdings Berhad from the year 2001 until 2018 and Cybertowers Berhad (now known as Parlo Berhad) from the year 2015 until 2018.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**Ir. Dr. Ng Kok Chiang***Independent Non-Executive Director*

Ir. Dr. Ng Kok Chiang, Malaysian, aged 39, is our Independent Non-Executive Director. He was appointed to our Board on 5 August 2019.

He graduated from The University of Western Australia, Australia with a Bachelor of Engineering (Electrical and Electronic Engineering) with first class honours in 2005 and Bachelor of Commerce in the same year majoring in Accounting, Finance (Investment), and Managerial Accounting. After his graduation, he pursued his Doctorate of Philosophy in Chemical Engineering (Research) and obtained the same from The University of Nottingham, United Kingdom in 2009.

He is a Professional Engineer with Practicing Certificate (Electrical) registered with the Board of Engineers Malaysia since 2011, a Corporate Member (Electrical) of The Institution of Engineers Malaysia since 2011. He is also a Chartered Engineer registered with the Engineering Council of United Kingdom since 2014, and a Chartered Engineer with The Institution of Engineering and Technology, United Kingdom since 2014. He has been a Professional Member of the Malaysia Green Building Confederation (now known as the Malaysia Green Building Council) since 2012, and since 2012 registered as a Green Building Index Facilitator with the Green Building Index Accreditation Panel of Malaysia.

From 2010 to 2011, he took up the role of Consulting Engineer in ZED-G&P Sdn Bhd, an engineering consultancy company involved in green technology and building consultancy. After leaving ZED-G&P Sdn Bhd in 2011, he joined MyBig Sdn Bhd, an engineering services company, as a Technical Consultant. In 2012, he was appointed as the Chief Technology Officer of MyBig Sdn Bhd, a position he still holds to-date, where he is responsible for the management of research projects, creation and protection of the company's intellectual properties, implementation of new innovations in the development of prototypes, and supervision of engineers and researchers under his care. He is also a director and shareholder of MyBig Sdn Bhd as at the LPD. In 2016, he was also appointed as director of Wee Engineers, an engineering consultancy firm (registered with the Board of Engineers Malaysia). In 2018, he was appointed a director of Wee Consulting Engineers Sdn Bhd, an engineering consultancy company, where he oversees and manages electrical engineering projects for new and existing housing and high-rise developments. He continues to hold both directorships in Wee Engineers and Wee Consulting Engineers Sdn Bhd till current.

He was the Chairman of the Consulting Engineers Special Interest Group in the Institution of Engineers, Malaysia from 2017 to 2018 and the Honorary Auditor of the Institution of Engineering and Technology United Kingdom from 2016 to 2018. He is also an Industrial Advisory Board Member of the Heriot Watt University, Malaysia Campus since 2017 till current, an Industrial Advisory Board Member of The University of Nottingham, Malaysia Campus since 2013 till current, and the Assistant Honorary Secretary of the Electrical and Electronics Association of Malaysia for the term of 2019 to 2021.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.3 Directors' shareholdings

The direct and indirect shareholdings of our Directors as at the LPD and after the IPO are as follows:-

Directors	Nationality	As at the LPD			After the IPO ⁽³⁾		
		<-----Direct----->	% ⁽¹⁾	No. of Shares	<-----Direct----->	% ⁽²⁾	No. of Shares
Yap Koon Roy	Malaysian	-	-	-	200,000	0.07	-
Ir. Tang Pee Tee @ Tan Chang Kim	Malaysian	188,375,200	77.84	47,094,800 ^{@#}	-	-	210,470,000 [^]
Tan Yushan	Malaysian	23,546,900	9.73	211,923,100 ^{o#}	-	-	210,470,000 [^]
Chai Poh Choo	Malaysian	-	-	-	400,000	0.13	-
Dr. Teh Chee Ghee	Malaysian	-	-	-	200,000	0.07	-
Ir. Dr. Ng Kok Chiang	Malaysian	-	-	-	200,000	0.07	-

Notes:-

- (1) Based on our issued share capital of 242,000,000 Shares after the Internal Reorganisation Exercise, but before the IPO.
 - (2) Based on our enlarged issued share capital of 300,000,000 Shares after the Public Issue, Offer for Sale and Share Transfer to Kompas pursuant to the IPO.
 - (3) Assuming that all Pink Form Allocation is fully subscribed.
- @ Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.
- o Deemed interested by virtue of his parents Ir. Tang Pee Tee @ Tan Chang Kim's and Jin Siew Yen's direct shareholdings in ACO.
- # Deemed interested in 1,000 Shares held by Kompas by virtue of his direct shareholdings in Kompas pursuant to Section 8(4) of the Act.
- ^ Deemed interested by virtue of his direct shareholdings in Kompas pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.4 Principal business activities and directorships in other corporations for the past five (5) years

The principal business activities outside our Group performed by our Directors as at the LPD and the directorships of our Directors outside our Group at present and in the past five (5) years preceding the LPD are as follows:-

Director	Company	Position held	Date appointed as Director	Date resigned as Director	Direct and indirect equity interest (%)	Principal activities
Yap Koon Roy	Hock Heng Stone Industries Berhad [^]	Independent Non-Executive Director	21 October 2009	-	-	Investment holding of companies principally engaged in manufacturing, selling, distribution of dimension stones and related products and, property development
	Straits Delight Sdn Bhd	Director / Shareholder	10 March 2015	-	Direct: 49.00	Property investment
	Straits Heritage Palace Sdn Bhd	Director / Shareholder	31 December 2013	-	Direct: 12.50	Property investment
Ir. Tang Pee Tee @ Tan Chang Kim	ITEC	Director	1 September 1979	15 May 2019	-	Electrical suppliers and installation*
	ITEC Electric (KL) Sdn Bhd ("ITEC KL")	Director	6 August 1992	15 May 2019	-	Wholesaler of electrical goods**
	K.E. Electric Sdn Bhd.	Director	20 November 1993	19 January 2017	-	Sale and distribution of electrical, electronic and plastic instruments
	Kompas	Director / Shareholder	28 January 1994	-	Direct: 80.00 Indirect: 100.00@	Property investment and investment holding (shares)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Company	Position held	Date appointed as Director	Date resigned as Director	Direct and indirect equity interest (%)	Principal activities
Chai Poh Choo	ITEC KL	Director	1 January 2003	15 May 2019	-	Wholesaler of electrical goods**
Dr. Teh Chee Ghee	Engtex Berhad [^] Group	Independent Non-Executive Director	20 January 2009	-	-	Investment holding of companies principally engaged in the wholesale and distribution of general hardware products and construction materials, manufacturing and sale of steel related products, property development and hospitality
	Fiamma Holdings Berhad [^]	Independent Non-Executive Director	4 July 2001	28 December 2018	-	Investment holding of companies principally engaged in the distribution and servicing of electrical home appliances, property development and property investment
	Parlo Berhad [#]	Independent Non-Executive Director	20 March 2015	30 May 2018	-	Investment holding of companies principally engaged in the travel management and services
	The Malaysian Institute of Certified Public Accountants ^o	Director / Council Member	13 June 2015	-	-	Advancement of the accountancy profession in Malaysia

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Company	Position held	Date appointed as Director	Date resigned as Director	Direct and indirect equity interest (%)	Principal activities
Ir. Dr. Ng Kok Chiang	MyBIG Sdn Bhd	Director Shareholder	19 July 2012	-	Direct: 25.00	<ol style="list-style-type: none"> 1. Trade as engineering services; 2. Medical biotech; and 3. Automation engineering.
	Wee Engineer	Director	14 January 2016	-	-	Engineering consultancy firm (registered with the Board of Engineers Malaysia)
	Wee Consulting Engineers Sdn Bhd	Director	19 July 2018	-	-	<ol style="list-style-type: none"> 1. Engineering services; 2. Other architectural and engineering activities and related technical consultancy not expressly classified; and 3. Research and development on engineering and technology

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:-

- [^] A company listed on the Main Market of Bursa Securities.
- [#] A company listed on the ACE Market of Bursa Securities.
- ^α A company limited by guarantee incorporated under the then Companies Ordinance 1940 – 1946.
- ^{*} Ir. Tang Pee Tee @ Tan Chang Kim was a shareholder of ITEC from 15 July 1980 to 12 June 2019 and Jin Siew Yen was a shareholder of ITEC from 2 November 1993 to 12 June 2019. Ir. Tang Pee Tee @ Tan Chang Kim was a director of ITEC from 1 September 1979 to 15 May 2019 and Jin Siew Yen was a director of ITEC from 21 August 2003 to 15 May 2019. Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen disposed of their entire equity interest in ITEC on 12 June 2019 to non-related parties.
- ^{**} Ir. Tang Pee Tee @ Tan Chang Kim was a shareholder of ITEC KL from 14 August 1992 to 12 June 2019. Chai Poh Choo was a shareholder of ITEC KL from 1 January 2003 to 12 June 2019. Ir. Tang Pee Tee @ Tan Chang Kim and Chai Poh Choo disposed of their entire equity interest in ITEC KL on 12 June 2019 to non-related parties.
- [@] Deemed interested by virtue of his spouse Jin Siew Yen's and his son Tan Yushan's direct shareholdings in ACO.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.5 Involvement of our Executive Directors in other businesses or corporations

Save as disclosed in Section 5.2.4 of this Prospectus, our Executive Directors are not involved in other businesses or corporations. The involvements of our Executive Directors in other businesses or corporations are not expected to affect the operations of our Group as our Executive Directors are principally involved in the day-to-day operations of our Group.

In addition, the other businesses or corporations in which our Executive Directors are also the directors are investment holding companies. Hence, this would not affect their performance in our Group.

5.2.6 Key Senior Management

Our key senior management comprises the following:-

Name	Age	Nationality	Date of appointment to current position	Designation
Ooi Gin Hui (F)	40	Malaysian	1 November 2018	Chief Financial Officer
Chong Su Yee (F)	35	Malaysian	1 July 2019 ⁽¹⁾	Head of Human Resource
Lim Lee Hua (F)	55	Malaysian	1 April 2015 ⁽²⁾	Head of Procurement
Low Swee Ching (F)	50	Malaysian	1 January 2019 ⁽³⁾	Head of Operations
Foong Kah Hong (M)	40	Malaysian	1 November 2018 ⁽⁴⁾	Head of Business Development

Notes:-

(M) Male.

(F) Female.

(1) Chong Su Yee first joined our Group on 20 June 2011 as Account Executive of Actgen.

(2) Lim Lee Hua first joined our Group on 1 August 2001 as Purchasing Executive of Actgen.

(3) Low Swee Ching first joined our Group on 1 December 1999 as Sales Coordinator of Actgen.

(4) Foong Kah Hong first joined our Group on 1 January 2016 as Marketing Executive of Maidenki.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.7 Key senior managements' shareholdings

The details of our key senior management and their direct and indirect shareholdings in our Company as at the LPD and after the IPO are as follows:-

Key senior management	Designation	Nationality	Before the IPO / As at the LPD			After the IPO ⁽³⁾		
			<-----Direct----->	<-----Indirect----->	<-----Indirect----->	<-----Direct----->	<-----Indirect----->	<-----Indirect----->
			No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Ooi Gin Hui	Chief Financial Officer	Malaysian	-	-	235,000	0.08	-	-
Chong Su Yee	Head of Human Resource	Malaysian	-	-	200,000	0.07	-	-
Lim Lee Hua	Head of Procurement	Malaysian	-	-	200,000	0.07	-	-
Low Swee Ching	Head of Operations	Malaysian	-	-	200,000	0.07	-	-
Foong Kah Hong	Head of Business Development	Malaysian	-	-	200,000	0.07	-	-

Notes:-

- (1) Based on our issued share capital of 242,000,000 Shares after the Internal Reorganisation Exercise, but before the IPO.
- (2) Based on our enlarged issued share capital of 300,000,000 Shares after the Public Issue, Offer for Sale, and Share Transfer to Kompas pursuant to the IPO.
- (3) Assuming that all Pink Form Allocation is fully subscribed.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.8 Profile of key senior management

The profiles of the key senior management of our Group are as follows:-

Ooi Gin Hui

Chief Financial Officer

Ooi Gin Hui, Malaysian, aged 40, is our Chief Financial Officer. She is responsible for overseeing our Group's accounting and finance functions, including financial planning, management of financial risks, record-keeping, and financial reporting.

She obtained a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College, Malaysia in 2001, and a Bachelor of Commerce (Honours) in Accounting from University Tunku Abdul Rahman in 2006.

Her career started in 2006 when she joined Leslie Yap & Co, an audit firm as an Audit Trainee where she was involved in providing audit services. She left in June 2009 as an Audit Senior and joined GHL Systems Berhad ("GHL") (a company listed on the Main Market of Bursa Securities) in July 2009 as an Assistant Accountant where she was responsible for finance related functions. In 2010, she was promoted as Finance Manager where she was responsible for managing the GHL group finance and corporate affairs as well as supporting executive management team. She also assisted in maintaining and enhancing the GHL group's internal controls and procedures. Subsequently in 2012, she left GHL to join Tanco Holdings Berhad (a company listed on the Main Market of Bursa Securities) as Finance Manager and rose through the ranks to be appointed as Group Financial Controller in 2014 where she was responsible in managing the overall accounting and finance functions, financial planning, and corporate planning exercises. Subsequently, she left Tanco Holdings Berhad in September 2018 before joining our Group as Chief Financial Officer in November 2018.

Chong Su Yee

Head of Human Resource

Chong Su Yee, Malaysian, aged 35, is our Head of Human Resource. She is responsible for overseeing and managing the overall human resource and administration functions of our Group.

She obtained a Diploma in Accounting (LCCI) in 2005.

Her career started in 2006 when she joined Syarikat C.H. Kam, an audit firm as a Senior Audit/Tax Executive where she was involved in providing audit and tax computation services. She then left the company in 2011 and joined Actgen in the same year as an Account Executive. In 2014, she was redesignated and being tasked to join the Human Resource Department as a Senior Human Resource Executive where she assisted in implementation of human resource functions, documentation of records, implementing payroll systems, and recruitment planning. In 2016, she was promoted to Assistant Human Resource Manager and subsequently in 2019, she was promoted to Head of Human Resource of our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Lim Lee Hua

Head of Procurement

Lim Lee Hua, Malaysian, aged 55, is our Head of Procurement. She is responsible for establishing, maintaining and negotiation with suppliers, item sourcing, bulk ordering and also provides procurement services to the Industrial User Division and Distribution Division of our Group.

After completing her secondary education in 1983, she started her career in 1984 as an Audit Clerk in Chan & Co. She left Chan & Co in 1987 to join Matsushita Electronic Components (S) Pte Ltd as a Production Clerk where she was responsible for administration tasks and support tasks for production lines of electronic components. In 1989, she left this position to join Capetronic (M) Corp Sdn Bhd as a Line Supervisor where she managed and supervised production lines.

In 1991, she joined ITEC as a Purchasing Coordinator and subsequently promoted to Purchasing Executive in 1995. She then left the company in 2001 to join Actgen in the same year as a Purchasing Executive. In 2007, she was promoted to Senior Purchasing Executive before she was promoted to Purchasing Manager in 2011. In 2015, she assumed her current role as Head of Procurement. She brings with her approximately 29 years of experience in purchase and procurement in the electrical industry.

Low Swee Ching

Head of Operations

Low Swee Ching, Malaysian, aged 50, is our Head of Operations.

She is responsible for overseeing the day-to-day operations of our Group's Distribution Division, the key functions of which include operating of our distributorship functions, servicing our Group's customers who are resellers, processing customers' orders and planning and monitoring sales growth.

She completed her secondary education in 1989 from Sekolah Menengah Jenis Kebangsaan Nan Hwa in Sitiawan, Perak.

Her career started in 1989 when she joined Teck Tung Furniture in Singapore as a General Clerk. In 1993 she joined Soon Aik Hardware (Pte) Ltd, a hardware trading company in Singapore as a Sales Coordinator. She then left the company in 1999 and joined Actgen in the same year as a Sales Coordinator. In 2004, she was promoted to the position of Sales Executive before she was promoted to Senior Sales Executive in 2007 and subsequently to Unit Manager in 2012 where she was then responsible for identifying potential customers, and sales growth opportunities, as well as managing business relationships with customers. In 2019, she assumed her current role as Head of Operations. To-date, she has built up 21 years of working experience in the electrical appliances industry with our Group.

Foong Kah Hong

Head of Business Development

Foong Kah Hong, Malaysian, aged 40, is our Head of Business Development. He leads the Industrial Products Division which is dedicated to providing sales, services and solutions for electrical distribution, protection and control devices range of products. He is responsible for securing new customers as well as maintaining good working relationship with key customers in respect of such product range.

He obtained his Diploma in Electronic Engineering from Minghsin Institution of Technology (now known as Minghsin University of Science and Technology), Taiwan in 2001.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He started his career in January 2003 when he joined Epson Precision Johor Sdn Bhd, a manufacturer of electronic components, as an Electrical Technician where he was involved in maintenance and repair of factory machinery and equipment. He left in December 2003 and joined KVC Industrial Supplies Sdn Bhd in 2004 as a Product Technical Support where he was responsible for providing product and onsite technical support internally. Subsequently in 2007, he left KVC Industrial Supplies Sdn Bhd and joined Avemax International Sdn Bhd in August 2008, a supplier of industrial tools, components and materials, as a Project Manager where he was involved in information and communications technology testing as well as design and supply of jig and fixture for production of air circulation products. He left the company in December 2008. In 2009, he joined ABB Malaysia Sdn Bhd as a Sales Engineer where he was involved in sales development and planning. Subsequently he left ABB Malaysia Sdn Bhd in 2015 before joining our Group in 2016, as a Marketing Executive where he was responsible for conducting market research to address new opportunities for potential markets and customers. In November 2018 he assumed his current role as Head of Business Development.

5.2.9 Involvement of our key senior management in other businesses/corporations

None of our key senior management have any principal business activities outside our Group as at the LPD, nor do they have directorships outside our Group at present and in the past five (5) years preceding the LPD.

5.3 BOARD PRACTICES

5.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name	Designation	Date of expiration of the current term of office	No. of years in office
Yap Koon Roy	Independent Non-Executive Chairman	At our first AGM	Less than one (1) year
Ir. Tang Pee Tee @ Tan Chang Kim	Group Managing Director	At our first AGM	Less than one (1) year
Tan Yushan	Executive Director	At our first AGM	Less than one (1) year
Chai Poh Choo	Executive Director	At our first AGM	Less than one (1) year
Dr. Teh Chee Ghee	Independent Non-Executive Director	At our first AGM	Less than one (1) year
Ir. Dr. Ng Kok Chiang	Independent Non-Executive Director	At our first AGM	Less than one (1) year

In accordance with the Company's Constitution, all the Directors shall retire from office at the first AGM and 1/3 of our Board will retire by rotation at every AGM of our Company. Each Director shall retire at least once in every three (3) years and shall be eligible for re-election. Any Director appointed within the year shall hold office only until the next AGM and shall then be eligible for re-election.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 22 August 2019 and its members are appointed by our Board. Our Audit and Risk Management Committee comprises the following members:-

Name	Designation	Directorship
Dr. Teh Chee Ghee Yap Koon Roy Ir. Dr. Ng Kok Chiang	Chairman Member Member	Independent Non-Executive Director Independent Non-Executive Chairman Independent Non-Executive Director

The main functions of the Audit and Risk Management Committee include among others:-

- (a) to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- (b) to review the annual performance assessment, including the suitability and independence of the external auditors in accordance with the external auditors policy;
- (c) to review with the external auditors before the audit commences, the nature and scope of the audit and their audit plan;
- (d) to review the assistance given by the Company to the internal and/or external auditors;
- (e) to review the quarterly and annual results of the Company and the Group, prior to the approval of the Board, focusing particularly on:-
 - any changes in accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- (f) to review the external auditors' evaluation of the Group's system of internal controls;
- (g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (h) to review the external auditors' management letter and management's response;
- (i) to do the following in relation to the internal audit function:-
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of internal auditor; and
- take cognizance of the resignation of the internal auditor and to provide the resigning internal auditor an opportunity to submit his/her reason(s) for resigning;
- (j) to consider any related party transactions or conflict of interests that may arise within the Company or Group;
- (k) to consider the major finding of internal investigations and management's response;
- (l) to report promptly to Bursa Securities on matters reported by the Audit and Risk Management Committee to the Board, which have not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- (m) to review and recommend risk management strategies, policies and risk tolerance levels for Board's approval;
- (n) to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively; and
- (o) to review disclosures statements relating to management of sustainability, risk management and internal control in the annual report of the Company.

5.3.3 Remuneration Committee

Our Remuneration Committee was established on 22 August 2019 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Ir. Dr. Ng Kok Chiang	Chairman	Independent Non-Executive Director
Yap Koon Roy	Member	Independent Non-Executive Chairman
Dr. Teh Chee Ghee	Member	Independent Non-Executive Director

The main functions of the Remuneration Committee include among others:-

- (a) to recommend to the Board regarding the remuneration packages of all Executive Directors in all forms inclusive of cash and non-cash benefits, options and privileges granted by the Company. The remuneration packages should be sufficient to attract and retain the Director needed to run the Company successfully;
- (b) to review and recommend on an annual basis, all benefits and entitlements of all Executive Directors;
- (c) to establish a formal and transparent procedure for developing policy on executive remuneration for fixing the remuneration packages of individual directors;
- (d) to oversee any major changes in employee remuneration and benefit structures throughout the Group; and
- (e) to review policies governing the remuneration and promotion of key senior management of the Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.3.4 Nomination Committee

Our Nomination Committee was established on 22 August 2019 and its members are appointed by our Board. Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Yap Koon Roy	Chairman	Independent Non-Executive Chairman
Dr. Teh Chee Ghee	Member	Independent Non-Executive Director
Ir. Dr. Ng Kok Chiang	Member	Independent Non-Executive Director

The main functions of the Nomination Committee include among others:-

- (a) to nominate and recommend to the Board, candidates to be appointed as Directors of the Company after considering the required mix, skills, knowledge, experience and other core competencies, expertise, professionalism and integrity which the Directors should bring to the Board;
- (b) to consider in making its recommendations, candidates for directorships proposed by the Group Managing Director and within the bounds of practicability, by the existing Directors, senior management staff, major shareholders, independent search firms and/or other independent sources;
- (c) to recommend to the Board, directors to fill the seats on Board committees;
- (d) to assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board;
- (e) to review the succession plans of the Board, the Audit and Risk Management Committee, Executive Directors and the senior management;
- (f) to assist the Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director on an annual basis;
- (g) to recommend to the Board for the continuation or discontinuation in service of Directors as an Executive Directors or Non-Executive Directors;
- (h) to recommend Directors who are retiring by rotation to be put forward for re-election; and
- (i) to determine the independence of each Director annually and the independent director can bring independence and objective judgement to board deliberations.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4 REMUNERATION OF DIRECTORS AND KEY SENIOR MANAGEMENT

5.4.1 Directors' Remuneration and Benefits

The details of the remuneration and benefits paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 29 February 2020 and FYE 28 February 2021 are as follows:-

FYE 29 February 2020	Fees^	Salary	Bonus	Allowances	Statutory Contributions (EPF, SOCSO and EIS)	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors							
Ir. Tang Pee Tee @ Tan Chang Kim	-	260	160	-	19	17	456
Tan Yushan	-	224	120	37	41	-	422
Chai Poh Choo	-	100	6	19	10	3	138
Independent Directors							
Yap Koon Roy	32	-	-	-	-	-	32
Dr. Teh Chee Ghee	32	-	-	-	-	-	32
Ir. Dr. Ng Kok Chiang	21	-	-	-	-	-	21

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

FYE 28 February 2021 (Proposed)	Fees	Salary	Bonus	Allowances	Statutory Contributions (EPF, SOCSO and EIS)	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors							
Ir. Tang Pee Tee @ Tan Chang Kim	-	260	160 [#]	-	65	17	502
Tan Yushan	-	230	120 [#]	37	50	-	437
Chai Poh Choo	-	120	50 [#]	20	25	3	218
Independent Directors							
Yap Koon Roy	60	-	-	8	-	-	68
Dr. Teh Chee Ghee	60	-	-	8	-	-	68
Ir. Dr. Ng Kok Chiang	48	-	-	8	-	-	56

Note:-

[^] Based on their respective appointment dates as our Directors on 5 August 2019 up to 28 February 2020.

[#] The finalised bonus will be determined later based on the individual's performance as well as our Group's cash flows and business performance at the time of assessment.

The remuneration which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by the Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees and/or benefits must be further approved by our shareholders at a general meeting.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4.2 Key senior management's remuneration and benefits

The aggregate remuneration and benefits paid and proposed to be paid to our key senior management for services rendered to our Group in all capacities for the FYE 29 February 2020 and FYE 28 February 2021 are as follows:-

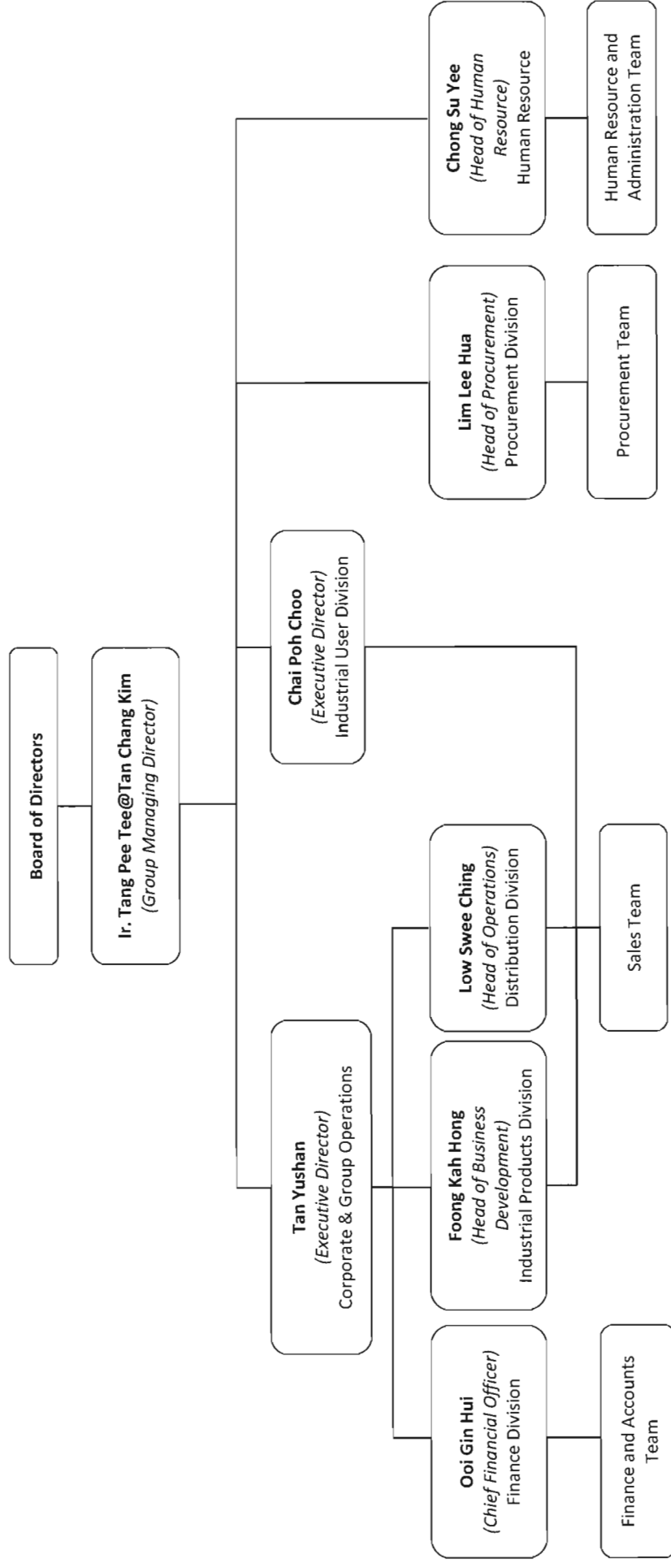
Key senior management	Remuneration band	
	FYE 29 February 2020 RM'000	Proposed for the FYE 28 February 2021 RM'000
Ooi Gin Hui	200 – 250	250 – 300
Chong Su Yee	100 – 150	150 – 200
Lim Lee Hua	100 – 150	150 – 200
Low Swee Ching	100 – 150	150 – 200
Foong Kah Hong	100 – 150	150 – 200

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.5 MANAGEMENT REPORTING STRUCTURE

The management reporting structure of our Group is as follows:-



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.6 DECLARATIONS BY EACH PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and key senior management is or was involved in any of the following events, whether within or outside Malaysia:-

- (i) A petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he was a partner, or any corporation of which he was a director or member of key senior management in the last 10 years;
- (ii) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) Charged or convicted in a criminal proceeding, or is a named subject of a pending criminal proceedings in the last 10 years;
- (iv) Any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market in the last 10 years;
- (v) The subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market in the last 10 years;
- (vi) The subject of any order, judgment or ruling of any court, government, or regulatory authority or body, temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) The subject of any current investigation or disciplinary proceeding, or has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency in the last 10 years; or
- (viii) Any unsatisfied judgment against him.

5.7 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Saved as disclosed below, there are no family relationships and associations among our Promoters, substantial shareholders, Directors and key senior management:-

- (i) Ir. Tang Pee Tee @ Tan Chang Kim, our Promoter, substantial shareholder and Group Managing Director, is the father of Tan Yushan and spouse of Jin Siew Yen;
- (ii) Jin Siew Yen, our Promoter and substantial shareholder, is the spouse of Ir. Tang Pee Tee @ Tan Chang Kim and mother of Tan Yushan; and
- (iii) Tan Yushan, our Promoter, substantial shareholder and Executive Director, is the son of Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen.

5.8 SERVICE AGREEMENTS

As at the LPD, none of our Directors and/or key senior management have any existing or proposed service agreement with our Group.

6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR GROUP

6.1.1 Overview and History

ACO (201901020410 (1329739-A)) was incorporated in Malaysia under the Act on 11 June 2019 as a private limited company under the name of ACO Group Sdn Bhd. Our Company subsequently converted to a public limited company on 8 August 2019.

Our Company is an investment holding company. Through our subsidiaries, we are primarily involved in distribution of electrical products and accessories.

The table below sets out the key events in the history and development of our Group and business:-

Year	Key Events and Milestones
1991	<ul style="list-style-type: none"> Maydenki, incorporated in 1990, (formerly known as Citilec Sdn Bhd) commenced operations in 1991 as a distributor of electrical products and accessories in Taman Johor Jaya, Johor Bahru, Johor focusing on electrical distribution, protection and control devices.
1993	<ul style="list-style-type: none"> Maylec, incorporated in 1990, commenced operations in 1993 as a distributor of electrical products and accessories in Taman Johor Jaya, Johor Bahru, Johor mainly to serve the Public Works Department (“JKR”) related infrastructure projects. Maylec became inactive in 2002 and later resumed operations in 2010 in Taman Perindustrian Kempas Utama, Johor Bahru, Johor.
1995	<ul style="list-style-type: none"> Electric Master, incorporated in 1994, (formerly known as Bellink Trading Sdn Bhd), commenced operations in 1995 as a distributor of electrical products and accessories in Kuala Lumpur. Electric Master became inactive in 1999 and later resumed operations in 2006 in Taman Malim Jaya, Melaka before moving to Taman IKS Merdeka, Batu Berendam, Melaka.
1997	<ul style="list-style-type: none"> Maydenki secured distributorship for <i>Schneider Electric's</i> range of electrical distribution, protection and control devices. Incorporation and commencement of Voltage Master as a distributor of electrical products and accessories in Taman Sinn, Semabok, Melaka.
2000	Actgen, incorporated in 1996, commenced operations in 2000 as a distributor of electrical products and accessories in Cheras, Kuala Lumpur.
2002	<ul style="list-style-type: none"> Maydenki secured distributorship for <i>Omron's</i> range of electrical distribution, protection and control devices. Actgen relocated its operations from Cheras, Kuala Lumpur to Johor with a sales outlet in Taman Johor Jaya, Johor Bahru, Johor.
2004	<ul style="list-style-type: none"> Actgen secured distributorship for <i>KDK's</i> range of electrical appliances, namely fans.
2005	<ul style="list-style-type: none"> Actgen commenced distribution of cables and wires.
2008	<ul style="list-style-type: none"> Actgen secured distributorship for <i>Hager's</i> range of electrical distribution, protection and control devices, and electrical accessories namely switches and power outlets. Maydenki secured distributorship for <i>ABB's</i> range of electrical distribution, protection and control devices.
2009	<ul style="list-style-type: none"> Actgen established a distribution centre in Taman Perindustrian Sri Plentong, Masai, Johor and commenced distribution of electrical products and accessories to resellers including distributors and retailers.

6. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Events and Milestones
2010	<ul style="list-style-type: none"> Actgen secured distributorship for <i>Panasonic's</i> range of electrical appliances, namely fans and water heaters.
2011	<ul style="list-style-type: none"> Watt Energy, incorporated in 1997 (now known as ACO Holdings) commenced operations in 2011 initially as a distributor of electrical appliances and accessories, namely air-conditioners in Taman Johor Jaya, Johor Bahru, Johor.
2012	<ul style="list-style-type: none"> Actgen established a sales outlet in Jalan Sungai Abong, Muar, Johor.
2014	<ul style="list-style-type: none"> Actgen secured distributorship for <i>Maxguard's</i> range of electrical distribution, protection and control devices. Actgen launched its own brand of control and instrumentation, and communications cables under <i>Multi5</i> brand. Maydenki secured distributorship for <i>Yaskawa's</i> and <i>Siemen's</i> range of electrical distribution, protection and control devices. Maydenki launched its own brand of LV transformer for metering devices under <i>Sonico</i> brand (later rebranded to <i>Sonko</i>). We started providing cut-to-length cables and wires for selected types of power and communication cables. Additionally, we established an online ordering system namely <i>Accura</i> focusing on cables and wires to enable customers to check availability of cable length and pricing.
2015	<ul style="list-style-type: none"> Actgen launched its own brand of lightings and fittings under <i>Hikari</i> (later rebranded to <i>Afg</i>).
2016	<ul style="list-style-type: none"> Actgen secured distributorship for <i>Ledvance</i> range of electrical accessories, namely lightings and fittings, as well as <i>Schneider Electric</i> range of electrical wiring devices and final distribution products. Electrical wiring devices refers to switches and power outlets, while final distribution products refer to electrical distribution, protection and control devices, in the context of this Prospectus. Actgen established a sales outlet in Taman Industri Pandan Indah, Selangor.
2017	<ul style="list-style-type: none"> Reorganisation of Actgen, Maydenki, Maylec, Voltage Master and Electric Master where Watt Energy became the investment holding company before changing its name to ACO Holdings. Maydenki established an online ordering system namely <i>Maydenki-mart</i> focusing on electrical distribution, protection and control devices to enhance customer service and convenience. Actgen established a sales outlet (Semenyih Sentral) and distribution centre (Kawasan Perindustrian Lekas) in Semenyih, Selangor.
2019	<ul style="list-style-type: none"> Actgen opened its first lighting concept store in Eco Business Park 1, Johor Bahru, Johor. Incorporation of ACO, our investment holding company.

6. INFORMATION ON OUR GROUP (Cont'd)**Key Awards, Certifications and Recognitions**

Our key awards, achievements and recognitions from 2016 and up to the LPD are as follows:-

Year	Subsidiary	Key Awards and Recognition
2016	Maydenki	Exemplary Performance Award from ABB in recognition and appreciation of continuous partnership.
		25 th Year Anniversary Appreciation Award from Omron in recognition of our commitment and valuable contributions over the years.
		Sales Achievement Award from Omron in recognition of achieving distributor sales target for year 2015.
		Achievers Awards from Siemens.
	Actgen	Silver Achiever Award for Electrical Construction Material Partner from Panasonic for year 2016 to 2017.
2017	Actgen	Circle of Excellent Award from Hager.
	Maydenki	Sales Achievement Award from Omron in recognition of achieving distributor sales target for year 2016.
		Achiever Award from Siemens.
2018	Actgen	Platinum Club Award from KDK for achieving sales of RM7 million and above from April 2017 to March 2018.
		Top Growth Award from Ledvance.
	Maydenki	Distributor Excellence Achievement from ABB in recognition and appreciation of continuous partnership.
		Sales Achievement Award from Omron in recognition of achieving distributor sales target for year 2017.
2019	Actgen	Gold Achiever Award for Electrical Construction Material Partner from Panasonic for 2018 to 2019.
		Diamond Club Award from KDK for achieving sales of RM8 million and above from April 2018 to March 2019.
		Certificate of Gold from Ledvance in recognition of achieving sales target for year 2018 to 2019.
	Maydenki	Sales Achievement Award from Omron in recognition of achieving distributor sales target for year 2018.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.2 Our competitive advantages and key strengths

Our competitive advantages and key strengths will provide us with the platform to grow our business. These are as follows:

(a) We have an established track record of 29 years for our business

We have an established track record as a distributor of electrical products and accessories with a history that spans approximately 29 years since the commencement of our business with Maydenki in 1991. Throughout our 29 years of operations, we have established business relationships with our suppliers, some of whom we have authorised distributorships. This provides us with the platform to gain access to product training and seminars to increase our knowledge on their respective electrical products and accessories including product applications and installation techniques.

As a further testament of our track record and performance, we have obtained various awards and recognition from our suppliers including among others, "25th Year Anniversary Appreciation Award" from Omron Electronics Sdn Bhd in 2016 in recognition of our commitment and valuable contributions over the years, and "Distributor Excellence Achievement" from ABB Malaysia Sdn Bhd in 2018 in recognition and appreciation of continuous partnership.

In addition, our long number of years in business has helped us build our customer base comprising electrical contractors, factory and business owners, electrical product manufacturers and resellers. Our established track record provides us with the platform to compete effectively and grow our business.

(b) We carry a wide range of electrical products and accessories to meet the needs of our customers

We carry a wide range of electrical products and accessories across the different product categories including, among others, cables, wires and accessories; electrical distribution, protection and devices; and electrical appliances and accessories. We also provide our existing customers with a selection of brands to meet their diverse requirements as well as the basis to attract new customers. As at the LPD, we have 88 brands of electrical products and accessories whereby out of these 88 brands, our Group has consistently made at least one (1) sale transactions for 70 brands in each of the past three (3) financial years and financial period under review.

This convenience will enhance customer loyalty to generate recurrent sales from our existing customers. Our customer loyalty is substantiated by the fact that two (2) out of our top five (5) customers for FYE 28 February 2019 have been dealing with us for at least 10 years.

Please refer to Section 6.4.2 of this Prospectus for the range of electrical products and accessories of our Group.

6. INFORMATION ON OUR GROUP (Cont'd)

(c) We are an authorised distributor for 10 brands of electrical products and accessories

We are an authorised distributor for 10 brands of electrical distribution, protection and control devices; electrical appliances and accessories; and lightings namely *Schneider Electric, KDK, Hager, Omron, ABB, Panasonic, Ledvance, Maxguard, Siemens and Yaskawa*. As an authorised distributor of the above brands of electrical products and accessories, our business benefits from their brand equity and customer loyalty to sustain and grow our business. For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue derived from these authorised distributorships alone accounted for 36.74%, 36.92%, 34.64% and 36.11% of our Group's total revenue respectively.

As an authorised distributor for these brands, we are able to gain access to product training and seminars for product applications and installation techniques, as well as technical assistance. In addition, we also enjoy incentives, rebates and payment discounts upon achieving certain key performance targets such as quantity purchased and repayment period.

(d) We have experienced Executive Directors and key senior management team

The experience of our Directors and key senior management personnel forms a key strength for our Group in terms of our market understanding and knowledge, as well as established customer and supplier relationships.

We have an experienced management team headed by our Group Managing Director, Ir. Tang Pee Tee @ Tan Chang Kim, a Professional Engineer in the Electrical Engineering field, who has at least 40 years of experience in the distribution of electrical products and accessories. He is supported by our Executive Directors, Tan Yushan and Chai Poh Choo. Tan Yushan has approximately 13 years of experience in finance and accounting including four (4) years of experience in managing the day-to-day business operations and implementation of strategies for our Group. Meanwhile, Chai Poh Choo has approximately 27 years of experience in distribution of electrical products and accessories, as well as managing day-to-day business operations at the sales outlets in our Group.

They are supported by our key senior management team which include:-

- Ooi Gin Hui, Chief Financial Officer, who brings with her approximately 14 years of experience in finance and accounting;
- Low Swee Ching, Head of Operations, who brings with her approximately 27 years of experience in the distribution of electrical products and accessories as well as managing day-to-day operations of the sales outlets;
- Lim Lee Hua, Head of Procurement, who brings with her approximately 29 years of experience in procurement as well as maintaining supplier relationships;
- Foong Kah Hong, Head of Business Development, who brings with him approximately 17 years of experience in dealing with electrical products, as well as 11 years of experience in sales and marketing of electrical products and accessories; and
- Chong Su Yee, Head of Human Resource, who brings with her approximately six (6) years of experience in managing human resource and administrative functions.

6. INFORMATION ON OUR GROUP (Cont'd)

Their technical knowledge and experience have been and will continue to be instrumental to the success, growth and development of our Group.

(e) We provide customer convenience and facilitate timely delivery

We provide customer convenience as well as facilitate timely delivery of goods to our customers. In turn, this would help create a loyal customer base to generate recurrent sales from existing customers. This is facilitated by the following:-

- We have two (2) distribution centres, eight (8) sales outlets and one (1) lighting concept store located in Johor, Melaka, and Selangor which provides convenience and access for customers with the option of collecting their goods. This also enables timely delivery of goods to our customers located within reasonable distance from these distribution centres and sales outlets;
- As at the LPD, we have a fleet of 17 trucks for delivery of goods to customers, of which 11 trucks are stationed in Johor, four (4) trucks are stationed in Melaka, and two (2) trucks are stationed in Selangor to enable timely delivery of goods to customers;
- We supplement our logistics services by using external logistics service provider for delivery of goods to customers located in the East coast and Northern regions of Peninsular Malaysia;
- We have two (2) online ordering systems, one (1) system operating under *Accura* for selected cables and wires while the other is under *Maydenki-mart* for our range of electrical distribution, protection and control devices. These systems enable our customers to place their orders online. The online ordering system allow customers to view the availability of products and pricing enabling them to make quick and informed decisions when placing an order.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.1.3 Share capital and changes in share capital

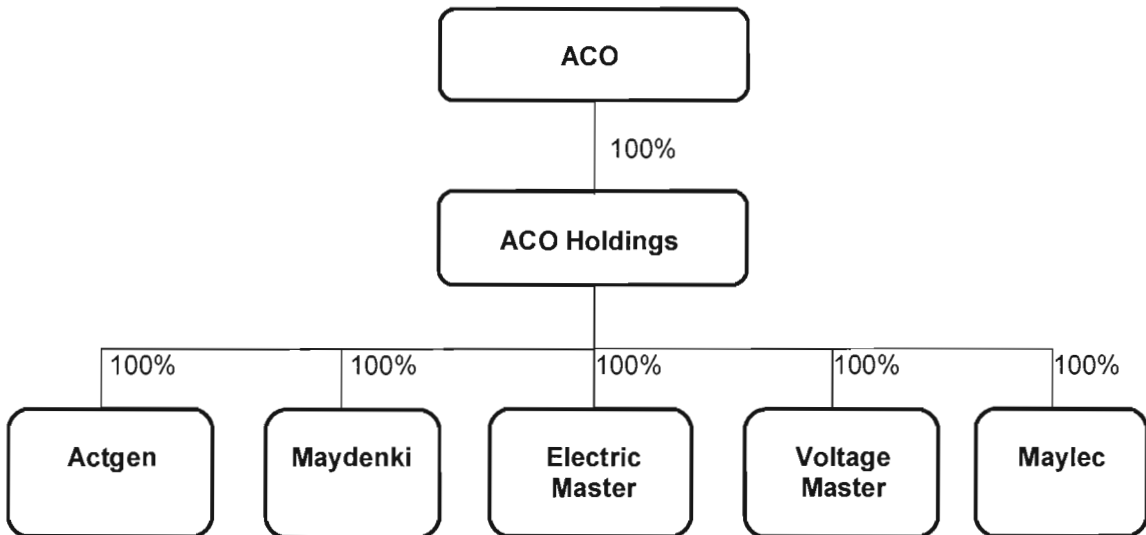
As at the LPD, our issued share capital is RM36,300,850 comprising 242,000,000 ordinary shares.

The details of the changes in our issued share capital since incorporation up to the LPD are as follows:-

Date of allotment	No. of Shares allotted	Consideration	Nature of transaction	Cumulative issued share capital (RM)
11 June 2019	2	Cash	Subscribers' shares	2
29 July 2019	998	Cash	Allotment of shares	1,000
22 January 2020	241,999,000	Otherwise than cash	Allotment of shares pursuant to the Internal Reorganisation Exercise	36,300,850

6.1.4 Subsidiaries

Our corporate Group structure is as follows:-



6. INFORMATION ON OUR GROUP (Cont'd)

Details of our subsidiaries are set out below:-

Subsidiaries	Date and place of incorporation	Principal place of business	Date of commencement of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
ACO Holdings 199701005489 (420985-P)	26 February 1997 / Malaysia	Malaysia	2011	2,500,000	100	Investment holding
Subsidiaries of ACO Holdings						
Actgen 199601002817 (375163-T)	24 January 1996 / Malaysia	Malaysia	2000	7,000,000	100	Distribution of electrical products and accessories ⁽¹⁾
Maydenki 199001017811 (209480-P)	13 December 1990 / Malaysia	Malaysia	1991	2,000,000	100	Distribution of electrical products and accessories ⁽²⁾
Electric Master 199401027481 (313163-H)	25 August 1994 / Malaysia	Malaysia	1995	800,000	100	Distribution of electrical products and accessories ⁽³⁾
Voltage Master 199701004820 (420316-K)	20 February 1997 / Malaysia	Malaysia	1997	200,000	100	Distribution of electrical products and accessories ⁽³⁾
Maylec 199001017166 (208835-T)	30 November 1990 / Malaysia	Malaysia	1993	555,500	100	Distribution of electrical products and accessories ⁽⁴⁾

Notes:-

- (1) Mainly focusing on the distribution of electrical appliances, and cables, wires and accessories with two (2) sales outlets in Johor, two (2) sales outlets in Selangor, one (1) distribution centre in Selangor, one (1) distribution centre in Johor, and one (1) lighting concept store in Johor.
- (2) Mainly focusing on the distribution of electrical distribution, protection and control devices with one (1) sales outlet in Johor.
- (3) Mainly focusing on the distribution of electrical appliances, and cables, wires and accessories with one (1) sales outlet in Melaka.
- (4) Mainly focusing on the distribution of electrical appliances, and cables, wires and accessories with one (1) sales outlet in Johor.

6. INFORMATION ON OUR GROUP (Cont'd)**6.2 INFORMATION ON OUR SUBSIDIARIES****6.2.1 ACO HOLDINGS****(a) Background, history and principal activities**

ACO Holdings was incorporated on 26 February 1997 in Malaysia under the Companies Act 1965 as a private limited company under the name of Watt Energy Sdn Bhd and deemed registered under the Act. It subsequently changed its name to its present name on 22 June 2017.

ACO Holdings commenced operations in August 2011 as a distributor of electrical appliances and accessories. On 26 July 2019, ACO Holdings changed its business activity and is currently an investment holding company.

(b) Share capital

As at the LPD, the issued share capital of ACO Holdings is RM2,500,000 comprising 2,500,000 ordinary shares.

The changes in the issued share capital of ACO Holdings since its incorporation up to the LPD are as follows:-

Date of allotment	No. of ACO Holdings shares allotted	Consideration	Cumulative issued share capital RM	No. of shares
26 February 1997	2	Cash	2	2
1 February 2016	99,998	Otherwise than cash	100,000	100,000
28 February 2017	2,400,000	Otherwise than cash	2,500,000	2,500,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, ACO Holdings does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Substantial shareholder

As at the LPD, ACO Holdings is a wholly-owned subsidiary of our Company.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the shareholders and their shareholdings in ACO for the past three (3) financial years up to the LPD are as follows:-

Name	As at 29 February 2016		As at 28 February 2017, 28 February 2018 and 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	80,000	80.0	2,000,000	80.0	-	-
Jin Siew Yen	10,000	10.0	250,000	10.0	-	-
Tan Yushan	10,000	10.0	250,000	10.0	-	-
ACO	-	-	-	-	2,500,000	100.0

(d) Subsidiary and associate company

As at the LPD, the direct subsidiaries of ACO Holdings are Actgen, Maydenki, Maylec, Voltage Master and Electric Master, details of which are set out in Section 6.2.2 of this Prospectus, respectively. As at the LPD, ACO Holdings does not have any associate or joint venture.

6.2.2 ACO HOLDINGS' SUBSIDIARIES**(i) ACTGEN****(a) Background, history and principal activities**

Actgen was incorporated on 24 January 1996 in Malaysia under the Companies Act 1965 as a private limited company and deemed registered under the Act.

Actgen commenced operations in March 2000. Actgen is currently involved in distribution of electrical products and accessories.

(b) Share capital

As at the LPD, the issued share capital of Actgen is RM7,000,000 comprising 2,000,000 ordinary shares. The share capital consists of RM2,000,000 from the issuance of ordinary shares and the remaining RM5,000,000 from the redemption of the Redeemable Non-Cumulative Preference Shares issued to ACO Holdings ("RPS") into the other capital account.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued share capital of Actgen since its incorporation up to the LPD are as follows:-

Ordinary Shares				
Date of allotment	No. of Actgen shares allotted	Consideration	Cumulative issued share capital RM	No. of shares
24 January 1996	2	Cash	2	2
1 June 2001	99,998	Cash	100,000	100,000
3 April 2003	200,000	Otherwise than cash	300,000	300,000
2 September 2008	200,000	Cash	500,000	500,000
8 July 2014	1,500,000	Otherwise than cash	2,000,000	2,000,000
Total ordinary shares			2,000,000	2,000,000

RPS				
Date of allotment/ redemption	No. of RPS	Consideration	RM	No. of outstanding RPS
28 February 2017 (allotment)	2,500,000 (allotted)	Otherwise than cash	5,000,000 (consideration for RPS)	2,500,000
28 February 2019 (redemption)	1,500,000 (redeemed out of profits)	Not applicable	3,000,000 (redemption sum)	1,000,000
29 July 2019 (redemption)	1,000,000 (redeemed out of profits)	Not applicable	2,000,000 (redemption sum)	Nil

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, Actgen does not have any outstanding warrants, options, convertible securities or uncalled capital.

6. INFORMATION ON OUR GROUP (Cont'd)

(c) Substantial shareholder

As at the LPD, Actgen is a wholly-owned subsidiary of ACO Holdings.

The changes in the shareholders and their shareholdings in Actgen for the past three (3) financial years up to the LPD are as follows:

Name	As at 29 February 2016		As at 28 February 2017 and 28 February 2018		As at 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	1,999,999	100.0	-	-	-	-	-	-
Jin Siew Yen	1	*	-	-	-	-	-	-
ACO Holdings	-	-	2,000,000 (ordinary shares)	100.0	2,000,000 (ordinary shares)	100.0	2,000,000 (ordinary shares)	100.0
			2,500,000 (RPS)	-	1,000,000 (RPS)	-	-	-

Note:-

* Negligible

(d) Subsidiary and associate company

As at the LPD, Actgen does not have any subsidiary, associate or joint venture.

(ii) MAYDENKI

(a) Background, history and principal activities

Maydenki was incorporated on 13 December 1990 in Malaysia under the Companies Act 1965 as a private limited company under the name of Citilec Sdn Bhd and deemed registered under the Act. It subsequently changed name to its present name on 3 June 1991.

Maydenki commenced operations in October 1991. Maydenki is currently involved in the distribution of electrical products and accessories.

(b) Share capital

As at the LPD, the issued share capital of Maydenki is RM2,000,000 comprising 2,000,000 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued share capital of Maydenki since its incorporation up to the LPD are as follows:-

Date of allotment	No. of Maydenki shares allotted	Consideration	Cumulative issued share capital	
			RM	No. of shares
13 December 1990	4	Cash	4	4
11 November 1998	50,000	Cash	50,004	50,004
11 July 2001	149,996	Cash	200,000	200,000
15 December 2003	50,000	Otherwise than cash	250,000	250,000
10 March 2016	250,000	Otherwise than cash	500,000	500,000
5 June 2017	500,000	Cash	1,000,000	1,000,000
4 July 2017	1,000,000	Otherwise than cash	2,000,000	2,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, Maydenki does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Substantial shareholder

As at the LPD, Maydenki is a wholly-owned subsidiary of ACO Holdings.

The changes in the shareholders and their shareholdings in Maydenki for the past three (3) financial years up to the LPD are as follows:-

Name	As at 29 February 2016		As at 28 February 2017		As at 28 February 2018		As at 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	175,000	70.0	-	-	350,000	17.5	-	-	-	-
Lim May Hoon	75,000	30.0	150,000	30.0	600,000	30.0	-	-	-	-
ACO Holdings	-	-	350,000	70.0	1,050,000	52.5	2,000,000	100.0	2,000,000	100.0

6. INFORMATION ON OUR GROUP (Cont'd)**(d) Subsidiary and associate company**

As at the LPD, Maydenki does not have any subsidiary, associate or joint venture.

(iii) ELECTRIC MASTER**(a) Background, history and principal activities**

Electric Master was incorporated on 25 August 1994 in Malaysia under the Companies Act 1965 as a private limited company under the name of Bellink Trading Sdn Bhd and deemed registered under the Act. It subsequently changed name to its present name on 10 July 2006.

Electric Master commenced operations in August 1995. Electric Master is currently involved in the distribution of electrical products and accessories.

(b) Share capital

As at the LPD, the issued share capital of Electric Master is RM800,000 comprising 400,005 ordinary shares.

The changes in the issued share capital of Electric Master since its incorporation up to the LPD are as follows:-

Date of allotment	No. of Voltage Master shares allotted	Consideration	Cumulative issued share capital RM	No. of shares
25 August 1994	2	Cash	2	2
7 November 2014	8	Cash	10	10
21 June 2017	399,995	Otherwise than cash	800,000	400,005

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, Electric Master does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Substantial shareholder

Electric Master is a wholly-owned subsidiary of ACO Holdings.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the shareholders and their shareholdings in Electric Master for the past three (3) financial years up to the LPD are as follows:-

Name	As at 29 February 2016		As at 28 February 2017		As at 28 February 2018 and 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	6	60.0	-	-	-	-	-	-
Jin Siew Yen	2	20.0	-	-	-	-	-	-
Gan Bee Hong	2	20.0	2	20.0	80,001	20.0	-	-
ACO Holdings	-	-	8	80.0	320,004	80.0	400,005	100.0

(d) Subsidiary and associate company

As at the LPD, Electric Master does not have any subsidiary, associate or joint venture.

(iv) VOLTAGE MASTER

(a) Background, history and principal activities

Voltage Master was incorporated on 20 February 1997 in Malaysia under the Companies Act 1965 as a private limited company and deemed registered under the Act.

Voltage Master commenced operations in April 1997. Voltage Master is currently involved in the distribution of electrical products and accessories.

(b) Share capital

As at the LPD, the issued share capital of Voltage Master is RM200,000 comprising 200,000 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued share capital of Voltage Master since its incorporation up to the LPD are as follows:-

Date of allotment	No. of Voltage Master shares allotted	Consideration	Cumulative issued share capital	
			RM	No. of shares
20 February 1997	2	Cash	2	2
8 June 1999	3	Cash	5	5
20 November 2002	49,995	Otherwise than cash	50,000	50,000
29 August 2018	50,000	Otherwise than cash	100,000	100,000
11 December 2018	100,000	Cash	200,000	200,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, Voltage Master does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Substantial shareholder

Voltage Master is a wholly-owned subsidiary of ACO Holdings.

The changes in the shareholders and their shareholdings in Voltage Master for the past three (3) financial years up to the LPD are as follows:-

Name	As at 29 February 2016		As at 28 February 2017 and 28 February 2018		As at 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	35,000	70.0	-	-	-	-	-	-
Goh Bee Tin	15,000	30.0	15,000	30.0	15,000	7.5	-	-
ACO Holdings	-	-	35,000	70.0	185,000	92.5	200,000	100.0

6. INFORMATION ON OUR GROUP (Cont'd)**(d) Subsidiary and associate company**

As at the LPD, Voltage Master does not have any subsidiary, associate or joint venture.

(v) MAYLEC**(a) Background, history and principal activities**

Maylec was incorporated on 30 November 1990 in Malaysia under the Companies Act 1965 as a private limited company and deemed registered under the Act.

Maylec commenced operations in August 1993. Maylec is currently involved in distribution of electrical products and accessories.

(b) Share capital

As at the LPD, the issued share capital of Maylec is RM555,500 comprising 555,500 ordinary shares.

The changes in the issued share capital of Maylec since its incorporation up to the LPD are as follows:-

Date of allotment	No. of Maylec shares allotted	Consideration	Cumulative issued share capital RM	No. of shares
30 November 1990	2	Cash	2	2
9 March 1996	49,998	Cash	50,000	50,000
6 January 2016	5,500	Otherwise than cash	55,500	55,500
1 March 2018	500,000	Cash	555,500	555,500

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments.

As at the LPD, Maylec does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Substantial shareholder

Maylec is a wholly-owned subsidiary of ACO Holdings.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the shareholders and their shareholdings in Maylec for the past three (3) financial years up to the LPD are as follows:-

Name	As at 29 February 2016		As at 28 February 2017 and 28 February 2018		As at 28 February 2019		As at LPD	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Ir. Tang Pee Tee @ Tan Chang Kim	33,333	60.0	-	-	-	-	-	-
Jin Siew Yen	16,667	30.0	-	-	-	-	-	-
Woo Yoong Eng	5,500	10.0	5,500	10.0	55,500	10.0	-	-
ACO Holdings	-	-	50,000	90.0	500,000	90.0	555,500	100.0

(d) Subsidiary and associate company

As at the LPD, Maylec does not have any subsidiary, associate or joint venture.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.3 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURES**

Our Group's material capital expenditure or investments for the FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD are as follows:-

	Transaction value				
	<-----FYE 28 February----->			FPE 30 November 2019 RM'000	1 December 2019 up to the LPD RM'000
	2017 RM'000	2018 RM'000	2019 RM'000		
Freehold lands	-	-	2,020	-	-
Leasehold lands	-	1,270	-	-	-
Freehold buildings	165	-	1,993	-	-
Leasehold buildings	-	2,200	-	-	-
Computers and software	39	451	112	71	2
Furniture and fittings	88	104	99	331	-
Motor vehicles	400	425	426	10	-
Office equipment	197	269	442	220	8
Renovation	310	584	2,090	692	122
ROU	-	-	-	1,572	-
Total	1,199	5,303	7,182	2,896	132

Our material capital expenditure during the FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD comprised capital expenditure on lands and buildings, computer and software, motor vehicles, office equipment, renovation and ROU.

During the FYE 28 February 2017, our Group's capital expenditure incurred for motor vehicles amounting to RM0.40 million was mainly due to purchase of two (2) trucks, one (1) forklift and one (1) car for our operational requirement. In addition, our Group's capital expenditure incurred for renovation amounting to RM0.31 million was mainly due to the renovation for one (1) of our sales outlets in Johor Bahru.

During the FYE 28 February 2018, our Group acquired leasehold lands and buildings in Melaka to be used as sales outlets amounting to RM3.47 million. In addition, our Group's capital expenditure incurred for computer and software amounting to RM0.45 million was mainly due to the purchase of two (2) new units of servers and one (1) backup server as part of our Group's internal system upgrade requirement. Our Group also purchased additional four (4) trucks for our operational requirement amounting to RM0.43 million. Our Group also incurred RM0.58 million for the renovation for one (1) of our sales outlets in Johor Bahru.

During the FYE 28 February 2019, our Group acquired two (2) pieces of freehold lands with buildings in Muar and Johor Bahru to be used as new sales outlets amounting to RM4.01 million. In addition, our Group purchased additional two (2) forklifts and one (1) motor vehicle for our operational requirement amounting to RM0.43 million. Our Group's capital expenditure incurred for office equipment amounting to RM0.44 million was mainly due to the installation of solar system for one (1) of our sales outlets in Johor Bahru. Our Group also incurred renovation cost amounting to RM2.09 million, mainly due to the renovation for our newly purchased sales outlets in Muar and Johor Bahru as well as replacement of new roofing for our distribution centre and investment property in Johor during the FYE 28 February 2019.

6. INFORMATION ON OUR GROUP (Cont'd)

During the FPE 30 November 2019, our Group recognised the ROU amounting to RM1.57 million which was attributed to the rental of properties as well as purchase of three (3) units of trucks and one (1) car for our operational requirement pursuant to MFRS16. In addition, our Group incurred RM0.69 million for the renovation for our lighting concept store and one (1) of our sales outlets in Johor Bahru. Our Group also purchased new furniture and fittings for our head office amounting to RM0.33 million. Our Group's capital expenditure incurred for office equipment amounting to RM0.22 million was mainly due to the installation of security systems and electrical and telecommunication wiring for our lighting concept store.

Our Group's material capital divestments for the FYE 28 February 2017 to FYE 28 February 2019, FPE 30 November 2019 and up to the LPD are as follows:-

	Cost value				
	<-----FYE 28 February----->			FPE 30 November 2019	1 December 2019 up to the LPD
	2017 RM'000	2018 RM'000	2019 RM'000	RM'000	RM'000
Investments					
Freehold lands	-	-	-	1,200	-
Freehold buildings	-	-	-	737	-
Total	-	-	-	1,937	-

Our Group had no material divestment for the FYE 28 February 2017 to FYE 28 February 2019.

During the FPE 30 November 2019 and up to the LPD, our Group's material capital divestment was due to the disposal of a sales outlet in Johor Bahru with a cost value amounting to RM1.94 million.

Save for the above and the proposed use of proceeds from our IPO for our expansion of operational facilities, we do not have any other capital expenditures and divestures that is currently in progress.

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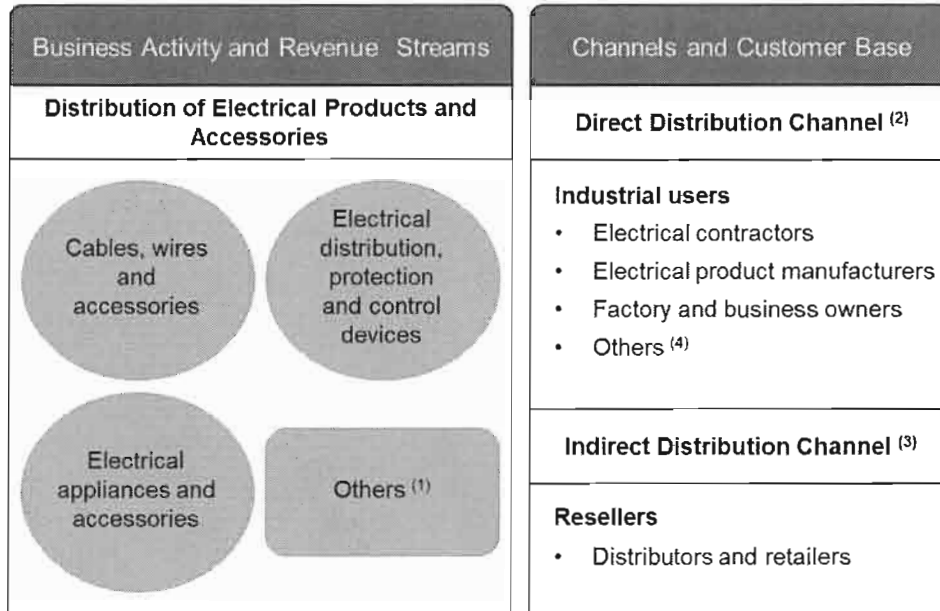
6. INFORMATION ON OUR GROUP (Cont'd)

6.4 BUSINESS OVERVIEW

6.4.1 Our Business Model

6.4.1.1 Overview

Our business model is depicted as follows:-



Notes:-

- (1) Others include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.
- (2) Direct distribution channel involves selling our products directly to end-users which includes people who purchase our products to carry out their work; for use as input materials to manufacture other electrical products; and/or for their own use.
- (3) Indirect distribution channel involves selling our products to intermediaries who will resell our products to their respective customers.
- (4) Other industrial users include architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

6.4.1.2 Business Activities and Revenue Stream

We are a distributor of electrical products and accessories specialising in cables, wires and accessories; electrical distribution, protection and control devices; and electrical appliances and accessories. Our other products include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.

6. INFORMATION ON OUR GROUP (Cont'd)

We serve the market in Peninsular Malaysia where our market reach extends from our base in the Southern region of Peninsular Malaysia, namely Johor and Melaka, to cover the Central region including Kuala Lumpur and Selangor. In this respect, we are supported by eight (8) sales outlets, of which four (4) are located in Johor, two (2) in Melaka and two (2) in Selangor. We also have two (2) distribution centres located in Johor and Selangor, as well as one (1) lighting concept store in Johor.

6.4.1.3 Distribution Channels and Customer Base

We mainly use direct distribution channels to sell our products to industrial users. Industrial users are commercial, institutional, government, professionals or other groups but not to the general public. Some of the industrial users that buy our products are electrical contractors, electrical product manufacturers, and factory and business owners.

We also use indirect distribution channel where we sell our products to resellers who are distributors and retailers. They in turn, would resell our products to their respective network of customers.

For FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue from industrial users accounted for 73.17%, 66.83%, 71.11% and 74.46% of our Group's total revenue respectively. The remaining revenue were derived from resellers which accounted for 26.83%, 33.17%, 28.89% and 25.54% of our Group's total revenue for FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively.

Revenue Breakdown by Types of Customers

Revenue from	FYE 28 February 2017		FYE 28 February 2018		FYE 28 February 2019		FPE 30 November 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Industrial Users	83,785	73.17	83,002	66.83	95,559	71.11	77,501	74.46
Electrical contractors	54,183	47.32	54,530	43.91	63,447	47.21	48,056	46.17
Electrical product manufacturers	9,599	8.38	8,641	6.95	12,269	9.13	12,355	11.87
Factory and business owners	6,504	5.68	6,297	5.07	5,845	4.35	6,120	5.88
Others ⁽¹⁾	13,499	11.79	13,534	10.90	13,998	10.42	10,970	10.54
Resellers	30,724	26.83	41,191	33.17	38,814	28.89	26,583	25.54
TOTAL	114,509	100.00	124,193	100.00	134,373	100.00	104,084	100.00

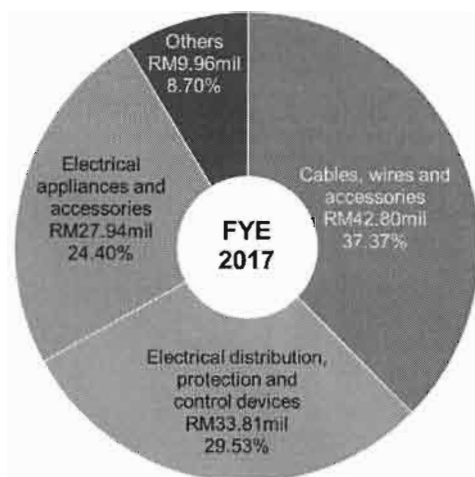
Note:-

- (1) Others include architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

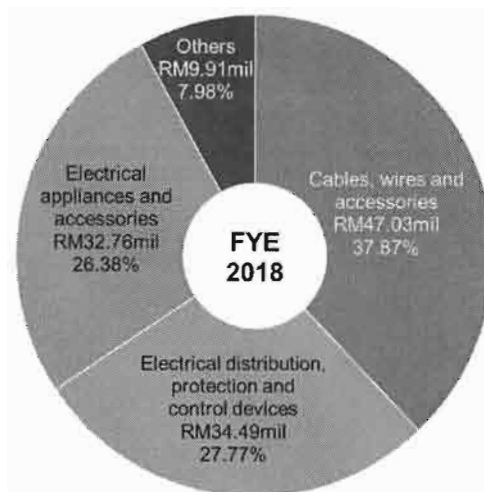
6. INFORMATION ON OUR GROUP (Cont'd)

6.4.1.4 Our Revenue Streams by Product Category

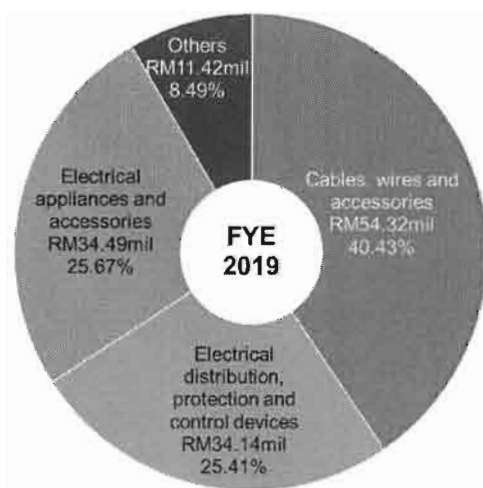
Our sales are mainly based on purchase orders. Our revenue streams for the past three (3) financial years and FPE 30 November 2019 segmented by product category are as follows:-



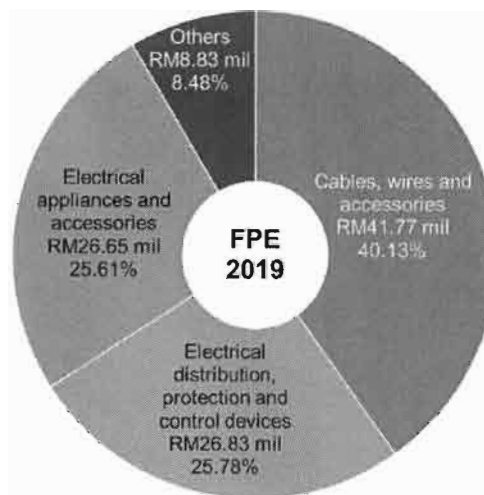
Total revenue = RM114.51 million



Total revenue = RM124.19 million



Total revenue = RM134.37 million



Total revenue = RM104.08 million

Note:-

“Others” include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems. For the purposes of the above chart, “FPE 2019” refers to the 9-month financial period commencing 1 March 2019 to 30 November 2019.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2 Overview of Products and Brands

We are a distributor of electrical products and accessories specialising in three (3) main product categories as follows:-

- (a) cables, wires and accessories including power and communications cables and wires used externally and internally within buildings, as well as power cables for connection to industrial plants, equipment and machineries;
- (b) electrical distribution, protection and control devices for the distribution of power, protection of property, machineries and lives, and control of electricity flow as well as monitoring and measurement devices; and
- (c) electrical appliances and accessories including lightings and fittings, air movement equipment such as fans and air-conditioners, water heaters, as well as switches and power outlets.

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

Our distribution of electrical products and accessories encompasses third party brands as well as our own brands. The following section covers the specific products under each category.

6.4.2.1 Cables, Wires and Accessories

For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, cables, wires and accessories represented 37.37%, 37.87%, 40.43% and 40.13% of our Group's total revenue respectively. The types of cables, wires and accessories that we distribute can be broadly categorised into the following:-

- Cables and wires used for the following products:-
 - power (MV and LV);
 - communications; and
 - control and instrumentation.
- Cable and wire accessories include:-
 - cable management systems;
 - wiring connection and termination accessories;
 - overhead and underground cable and wiring accessories; and
 - earthing and lightning protection accessories.

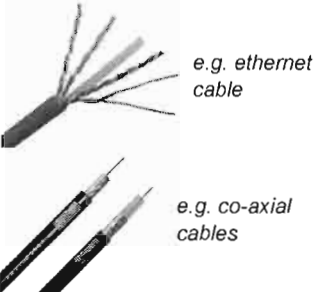

6. INFORMATION ON OUR GROUP (Cont'd)

(a) Cables and Wires

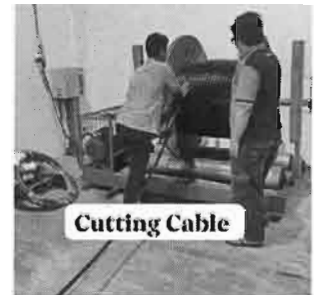
The following are the range of cables and wires that we distribute and their respective applications and specifications/types:-

Cables and wires	General Applications	Some of the specifications/types
<p>MV power cables and wires</p>  <p><i>e.g. Al/PVC non-armoured cable</i></p>  <p><i>e.g. Ariel bundled cables</i></p>	<ul style="list-style-type: none"> - Power distribution networks: to deliver power from the primary distribution substations to other secondary substations that serves industrial, commercial, institutional and residential areas. - Industrial applications: to link power distribution network directly to major power users (e.g. railway systems, airports, water and sewerage treatment plants, as well as manufacturing and processing plants) that require direct supply of MV power for its operations. 	<ul style="list-style-type: none"> - Medium Voltage rating of 3.6/6kV and 6.35/11kV; - Aluminium conductor; - XLPE insulation; - Single or multiple core (up to 3 cores); - Non-armoured and armoured.
<p>LV power cables and wires</p>  <p><i>e.g. Cu/PVC armoured cable</i></p>  <p><i>e.g. Fire-resistant cable</i></p>	<ul style="list-style-type: none"> - Secondary power distribution networks: installed from secondary distribution substations to run overhead or underground along and outside of light industrial, commercial and residential premises. - Connecting premises: to connect the secondary power distribution substations directly to individual premises. - Inside buildings: for cabling and wiring within buildings. 	<ul style="list-style-type: none"> - Low Voltage rating of 300/500V, 450/750V, 600/1000V; - Copper conductor; - PVC or XLPE insulation; - Single or multiple core (up to 48 cores); - Non-armoured and armoured; - Flexible, fire resistant, flame retardant options.
<p>Communications cables and wires</p>  <p><i>e.g. outdoor telephone cable</i></p>	<ul style="list-style-type: none"> - Telecommunication networks: includes trunk and wide area network linking networks over large distances as well as local area networks connecting devices such as computers, routers, printers, storage devices and hubs within a relatively small and contained area. 	<ul style="list-style-type: none"> - Indoor and outdoor telephone cables (single or multiple up to 200 pairs); - Ethernet cables; - Fibre optic cables; - Co-axial cables; - Alarm cables.

6. INFORMATION ON OUR GROUP (Cont'd)

Cables and wires	General Applications	Some of the specifications/types
 <p>e.g. ethernet cable</p> <p>e.g. co-axial cables</p>	<ul style="list-style-type: none"> - Others: including CCTV, security and alarm system and public address (PA) system. 	
<p>Control and instrumentation cables and wires</p> 	<ul style="list-style-type: none"> - Industrial and commercial automation systems: to connect equipment, devices and instruments such as switches, sensors, actuators, motor starters, programmable logic controllers, and distributed control systems within industrial plants and commercial buildings to facilitate automation. 	<ul style="list-style-type: none"> - Copper conductor; - PVC insulation; - Single or multiple core (up to 5 cores); - Non-armoured and armoured.

As a distributor of cables, we provide 'cut-to-length' service for some of the LV and MV power cables, and communications cable. This provides convenience to customers who are unable to fulfil the minimum order quantity from manufacturers or who requires cables on an urgent basis. In addition, many of our customers are contractors who work on a project basis and would frequently require odd lengths to complete each job. If they were to buy standard lengths directly from cable manufacturers, this would result in leftover cables and wires or wastage.



As at the LPD, our distribution centre in Kawasan Perindustrian Lekas, Semenyih as well as our sales outlets in Taman Perindustrian Kempas Utama, Johor Bahru, and Taman IKS Merdeka, Melaka are equipped with cable cutting machines for the 'cut-to-length' service.

Meanwhile, for the other types of cables and wires, we sell them in bundled packaging of fixed lengths ranging from 80 to 200 metres.




6. INFORMATION ON OUR GROUP (Cont'd)

Storage of our cables and wires




(b) Cable and wire accessories

We supply a variety of cable and wire accessories including the following:-

Cable and wire accessories	Description	Examples of Products
<p>Cable management systems</p>  <p><i>e.g. HDPE corrugated pipe (electrical conduit)</i></p>	<p>Accessories used to protect, conceal, secure, connect, support, insulate, fasten and organise cables and wires.</p>	<p>Electrical conduits; conduit fittings; trunking and ducting systems; channel support, tray and ladder systems; and cable ties or fastening system of metal, galvanised iron, plastic and composite materials.</p>
<p>Wiring connection and termination accessories</p>  <p><i>e.g. insulated male and female connector</i></p>	<p>Accessories used to connect the end of a cable or wire to a device such as equipment, panel or wall outlets.</p>	<p>Cable lug, cable link, non-insulated and insulated rings, insulated forks, insulated male and female connectors, PVC connector, terminal blocks, and cable joint kits.</p>
<p>Overhead and underground cable and wiring accessories</p>  <p><i>e.g. Dead-end clamp</i></p>	<p>Accessories used in the installation of overhead and underground electrical distribution lines.</p>	<p>Concrete marker, busbar support, pole clamp, line tape, suspension clamp, dead end clamp and accessories.</p>

6. INFORMATION ON OUR GROUP (Cont'd)

Cable and wire accessories	Description	Examples of Products
<p>Earthing and lightning protection accessories</p>  <p><i>e.g. Lightning arrester and preventor</i></p>	<p>Accessories used to protect properties, machineries and lives from lightning as well as electricity leakages caused by short circuits.</p>	<p>Copper and aluminium strips, copper rods and busbars, copper clamps, earthing accessories, earth chambers and lightning arrestors and preventors.</p>

6.4.2.2 Electrical Distribution, Protection and Control Devices

For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, electrical distribution, protection and control devices represented 29.53%, 27.77%, 25.41% and 25.78% of our Group's total revenue respectively. Power distribution is the final stage in the delivery of electricity to premises. We offer a wide range of electrical products and accessories to distribute, control, regulate, protect and automate power distribution. These devices are used in industrial, commercial, institutional and residential premises as well as plant, machinery and equipment. As at the LPD, our range of electrical distribution, protection and control devices are mainly for LV power distribution system.






The types of electrical distribution, protection and control devices that we carry can be broadly categorised into the following:-

- Electrical circuit protection devices;
- Power control and distribution devices; and
- Other related accessories

(a) Electrical circuit protection devices

The function of electrical circuit protection devices is to prevent overcurrent in an electrical circuit, thus protecting premises from fire, as well as protecting people and animals from electrocution, and plant, equipment and machineries from damage. Overcurrent includes both short circuits and overloading. For industrial, commercial, institutional and residential applications, we distribute a range of electrical circuit protection devices such as circuit breakers, residual current devices, surge protection devices, protection relays, switch-disconnectors and fuse protection. These are as follows:-






6. INFORMATION ON OUR GROUP (Cont'd)

Electrical circuit protection devices	Description	Examples of Products
<p>Circuit breakers</p>  <p><i>e.g. Miniature circuit breaker</i></p>	<p>Automatically operated electrical switch that would shut itself off (trips) and stop the flow of electricity if it detects an overcurrent. It is designed to protect against the risk of equipment and property from damage and fire.</p>	<p>Air circuit breakers, miniature circuit breakers, moulded case circuit breakers, moulded case switches, and motor protection circuit breakers.</p>
<p>Residual-current devices</p>  <p><i>e.g. Residual-current circuit breaker</i></p>	<p>Sensitive safety devices that would stop the flow of electricity if it detects any faults in the earthing. It is designed to protect against the risks of electrocution if a person happens to touch a live wire.</p>	<p>Residual-current circuit breakers, residual-current circuit breakers with overload protection and earth leakage relays.</p>
<p>Motor protection relay</p>  <p><i>e.g. thermal overload relay</i></p>	<p>Device that protects motors in the event of overload or phase failure. It is designed to cut off power when excessive current flows through the motor circuit.</p>	<p>Thermal overload relay, temperature protection relay and electronic overload protection.</p>
<p>Surge protection devices</p>  <p><i>e.g. surge protection devices</i></p>	<p>Device designed to protect electrical equipment and devices from voltage spikes, such as lightning strikes.</p>	<p>Surge protection device for various application and functions including photovoltaic and solar, neutral protection and street lighting.</p>
<p>Switch-disconnectors</p>  <p><i>e.g. Modular switch-disconnectors</i></p>	<p>Devices used to ensure that a circuit is completely powered down in order for it to be serviced or maintained.</p>	<p>Modular switch-disconnectors, and emergency-stop switch disconnectors.</p>

(b) Power control and distribution devices

Power control and distribution devices form part of the power distribution system. Our range of control and distribution devices includes the following:-

6. INFORMATION ON OUR GROUP (Cont'd)

Control and distribution devices	Descriptions	Examples of Products
<p>Motor control devices</p>  <p><i>e.g. magnetic contactor</i></p>	<p>Devices used to control the amount of electricity that flows into a motor to protect them from overcurrent.</p>	<p>Motor soft starters, magnetic contactors, and variable speed drives.</p>
<p>Power factor control devices</p>  <p><i>e.g. power factor controller and LV capacitor bank</i></p>	<p>Devices used to decrease the total amount of electricity demand to offset an inductive load, thus optimising and improving the power factor.</p>	<p>LV capacitor bank, power factor controller, and capacitor bank switching contactors.</p>
<p>Industrial automation and control devices</p>  <p><i>e.g. logic controller</i></p>	<p>Devices that integrate hardware and software to monitor and control the operation of machinery and associated devices in industrial environments.</p>	<ul style="list-style-type: none"> - Programmable logic controllers; - Gateways and routers; - Industrial automation software including supervisory control and data acquisition software and historian software.
<p>Control components</p>  <p><i>e.g. timers and time switches</i></p>	<p>Devices designed to provide control and condition monitoring of all types of equipment, processes and machinery.</p>	<p>Control relays, control and signaling devices such as push-button switches and limit switches, temperature controllers, timers, and counters.</p>
<p>Metering devices</p>  <p><i>e.g. LV current transformers and digital meters</i></p>	<p>Devices designed to measure the amount of electric energy that is being consumed by individual machine or an entire building.</p>	<p>Digital multi-meters, current transformers and transducers.</p>

(c) Other related accessories

Other related accessories include enclosure system and accessories, as well as switchboard accessories. An electrical enclosure is a cabinet to mount switches, circuit breakers, knobs and displays. It is designed to keep the electrical devices clean, dry and protected while also making the components accessible.

Types of Enclosures



6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2.3 Electrical Appliances and Accessories

For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, electrical appliances and accessories represented 24.40%, 26.38%, 25.67% and 25.61% of our Group's total revenue respectively. The range of electrical appliances and accessories that we supply include the following:-

- Lightings and fittings;
- Air movement equipment and accessories;
- Water heaters; and
- Switches and power outlets.

(a) Lightings and fittings

Lightings:

By types	Fluorescent, incandescent, light-emitting diode (LED)
By brightness and colour	Warm white, cool white, super daylight, coloured (red, green, blue, etc.), and ultraviolet.

Some of our range of lightings



Light fittings:

General light fittings	Fluorescent fittings, prismatic and acrylic diffuser fitting, louvre fitting, flood light, high bay shade, street lantern fitting and arm, down light (vertical, horizontal and surface), recessed light, spot light track, emergency light, and emergency exit sign.
Decorative light fittings	Wall lights, picture lights, ceiling lights, pendant lights, chandeliers, table lamps, bedside table lamps, lamp shades, floor-standing lamps and lanterns.

Some of our range of general light fittings



6. INFORMATION ON OUR GROUP (Cont'd)

Some of our range of decorative light fittings



(b) Air Movement Equipment and Accessories

The range of air movement equipment and accessories that we carry are as follows:-

Air Movement Equipment	Examples of Products
Fans	Ceiling fans, wall fans, air ventilation fans, industrial wall fans, air curtains.
Blowers	Portable blowers, hand-operated blowers
Air-conditioners	Inverter and non-inverter; 1 to 5 horsepower.
Air-conditioner accessories	Copper tubing, pipe and accessories, insulation pipe, aircon refrigeration gas, refrigeration compressor oil, drainage pump, cleaning chemicals, thermostat, PVC pipe and pipe accessories, tube cutter and brackets.

(c) Water heaters

We distribute home instant water heaters with and without jet pumps.

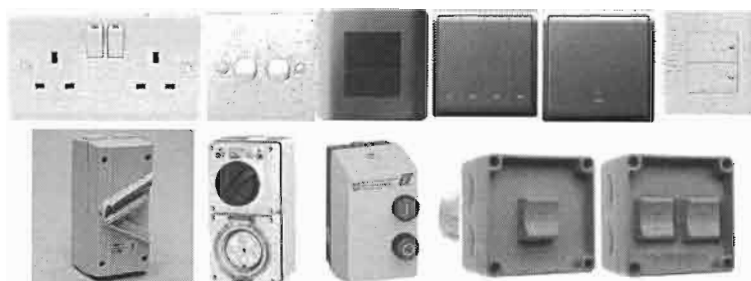
(d) Switches and Power Outlets

We carry a wide range of switches and power outlets for residential, commercial and industrial applications. This includes, among others:-

Switches and Power Outlets	Examples of Products
Domestic switches and power outlets	Flush switches, two-way switches, telephone socket outlets, data outlets, light dimmer switches, bell switches, co-axial socket outlet, metal clad switch, and its related accessories.
Industrial switches and power outlets	Weather proof isolators, weather proof switches, switch sockets and socket outlets, weather proof plug tops, sockets, connector sockets and plugs, industrial wall sockets, industrial connector sockets and industrial plugs.
Starters and fuses	Direct on line starters, plug top fuses, glass fuses, fuse carriers and bases.

6. INFORMATION ON OUR GROUP (Cont'd)

Some of our range of switches and power outlets

**6.4.2.4 Third Party Brands**

Our main business is in the distribution of third party brands of electrical products and accessories which contributed 96.78%, 96.69%, 95.44% and 93.61% of our Group's total revenue for FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively.

Out of all these third party brands, we are one of the authorised distributors (on a non-exclusive basis) of 10 brands of electrical distribution, protection and control devices, as well as electrical appliances and accessories such as switches, power outlets, lightings, fans and water heaters, where we have authorised distributorships with our principals. These brands include *Schneider Electric, KDK, Hager, Omron, ABB, Panasonic, Ledvance, Maxguard, Siemens* and *Yaskawa*. For FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue derived from these authorised distributorships alone accounted for 36.74%, 36.92%, 34.64% and 36.11% of our Group's total revenue respectively. The remaining 60.04%, 59.77%, 60.80% and 57.50% of our Group's total revenue for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively were derived from third party brands sourced from manufacturers or distributors.

As at the LPD, we distribute approximately 85 third party brands of electrical products and accessories as follows:-

Product Categories	Third Party Brands ⁽¹⁾
Cables, wires and accessories	
Cables and wires	<i>Central, DNF, Lapp, Master Tec, Mega, Multi Wire, Olympic, Sama, Southern, Tai Sin, Tonn, Universal Cable (UC), United MS (UMS), Utama</i>
Cables related accessories	<i>3M, Aurora, Barnier, CADDY, CP Lite, Cyber, FEEMA, FIGHTER, Globe, GP, HERO, Kawa, Koyor, KSS, Lan-Ric, MP, Nissen, PVC-Link, SAGA, SLS, Smart Tube, SUPER A, TC, Toyo, U-LI, Vinyl, WIRA, Wiralite, Wireman</i>
Electrical distribution, protection and control devices	
<i>ABB*, Fuji Electric, Hager*, Maxguard*, Omron*, Schneider Electric*, SIEMENS*, Yaskawa*</i>	
Electrical appliances and accessories	
Air movement equipment	<i>Casper, Daikin, KDK*, Khind, KoolMan, Midea, Mistral, Panasonic*</i>

6. INFORMATION ON OUR GROUP (Cont'd)

Product Categories	Third Party Brands ⁽¹⁾
Lightings and fittings	<i>BS Lite, Chiyoda, Econlite, FSL, GE, GL, GP, Khind, Ledvance*, Liko, Liyoda, Nikkon, NSC, Panasonic, Phillips, Phoenix, PNE, Rio, S/Saver, Sankyo, Schreder, YIVA, YLI, YME</i>
Switches and power outlets	<i>CEE, Crown, Hager*, Kawa, Legrand, MP, Schneider Electric*, Taian, UMS, Visiotech</i>

Notes:-

(1) Listed in alphabetical order within each product category

* We are one of the authorised distributors (on a non-exclusive basis) for these brands of electrical products and accessories.

6.4.2.5 Authorised Distributorship

For the FYE 28 February 2019, revenue derived from the authorised distributorships accounted for 34.64% of our Group's total revenue, which comprises *Schneider Electric* (14.76%), *KDK* (6.10%), *Hager* (2.56%), *Omron* (2.45%), *ABB* (2.40%), *Panasonic* (2.10%), *Ledvance* (1.43%), *Maxguard* (1.02%), *Siemens* (1.02%) and *Yaskawa* (0.80%). The following is a summary of our authorised distributorships with the respective principals:-

(a) Actgen

No	Principal	Product/Products Category Covered	Territory	Validity Period	Length of business relationship (years) [^]
(1)	Hager Engineering (M) Sdn Bhd	Electrical distribution, protection and control devices, and switches and power outlets.	Malaysia	1 January 2019 to 31 December 2019*	11
(2)	KDK Fans (M) Sdn Bhd	Fans	Southern Region of Peninsular Malaysia	1 April 2019 to 25 March 2020	15
(3)	Ledvance Sdn Bhd	Lightings and fittings	Malaysia	1 October 2018 to 30 September 2019*	3
(4)	Maxguard Switchgear Sdn Bhd	Electrical distribution, protection and control devices	Malaysia	1 January 2020 to 31 December 2020	5
(5)	Panasonic Malaysia Sdn Bhd	Fans and water heaters	Malaysia	1 April 2019 to 31 March 2020	9
(6)	Schneider Electric	Electrical distribution, protection and control devices, and switches and power outlets.	Malaysia	1 January 2020 to 31 December 2020	3

6. INFORMATION ON OUR GROUP (Cont'd)**(b) Maydenki**

No	Principal	Product/Products Category Covered	Territory	Validity Period	Length of business relationship (years)^
(1)	ABB Malaysia Sdn Bhd	Electrical distribution, protection and control devices	Malaysia	1 April 2019 to 31 March 2020	11
(2)	Omron Electronic Sdn Bhd	Electrical distribution, protection and control devices	Southern Region of Peninsular Malaysia	30 March 2019 to 31 March 2020	17
(3)	Schneider Electric	Electrical distribution, protection and control devices, and switches and power outlets.	Malaysia	1 January 2020 to 31 December 2020	22
(4)	Siemens Malaysia Sdn Bhd	Electrical distribution, protection and control devices	Southern Region of Peninsular Malaysia	1 October 2018 to 30 September 2020	5
(5)	Yaskawa Malaysia Sdn Bhd	Electrical distribution, protection and control devices	Malaysia	1 March 2019 to 28 February 2020	5

Notes:-

^ Length of business relationship is determined as at FPE 30 November 2019.

* We are in the midst of formalising the renewal of our authorised distributorships with these brand principals. As at the LPD, we continue to act as authorised distributors for these respective brands on the same prevailing terms pending formalisation of the respective renewals.

6.4.2.6 Own Brands

We also distribute our own brands of electrical products and accessories. For FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue from our own brands accounted for 3.22%, 3.31%, 4.56% and 6.39% of our Group's total revenue respectively.

Details of our own brands of products are as follows:-

Product Categories	Product Type	Brands
Cables and wires	Control and instrumentation, and communications cables and wires	<i>Multi5</i>
Electrical distribution, protection and control devices	LV transformers for metering devices	<i>Sonko</i>
Lightings and fittings	LED tubes, downlights and floodlights ⁽¹⁾	<i>Afg</i>

6. INFORMATION ON OUR GROUP (Cont'd)

Note:-

- (1) Our *Afg* brand of LED tubes and downlights have received the relevant approvals and certification from the Energy Commission of Malaysia and SIRIM. Meanwhile, our *Afg* brand of floodlights, our *Multi5* brand of control and instrumentation, and communication cables and wires, as well as our *Sonko* brand of LV transformers for metering devices are not listed under the regulated electrical equipment list by the Energy Commission of Malaysia, and therefore do not need certifications.

These products are sourced from local contract manufacturers and/or suppliers based on our specifications.

6.4.3 Our Operational and Logistic Facilities

As a distributor of electrical products and accessories, our operations are supported by:-

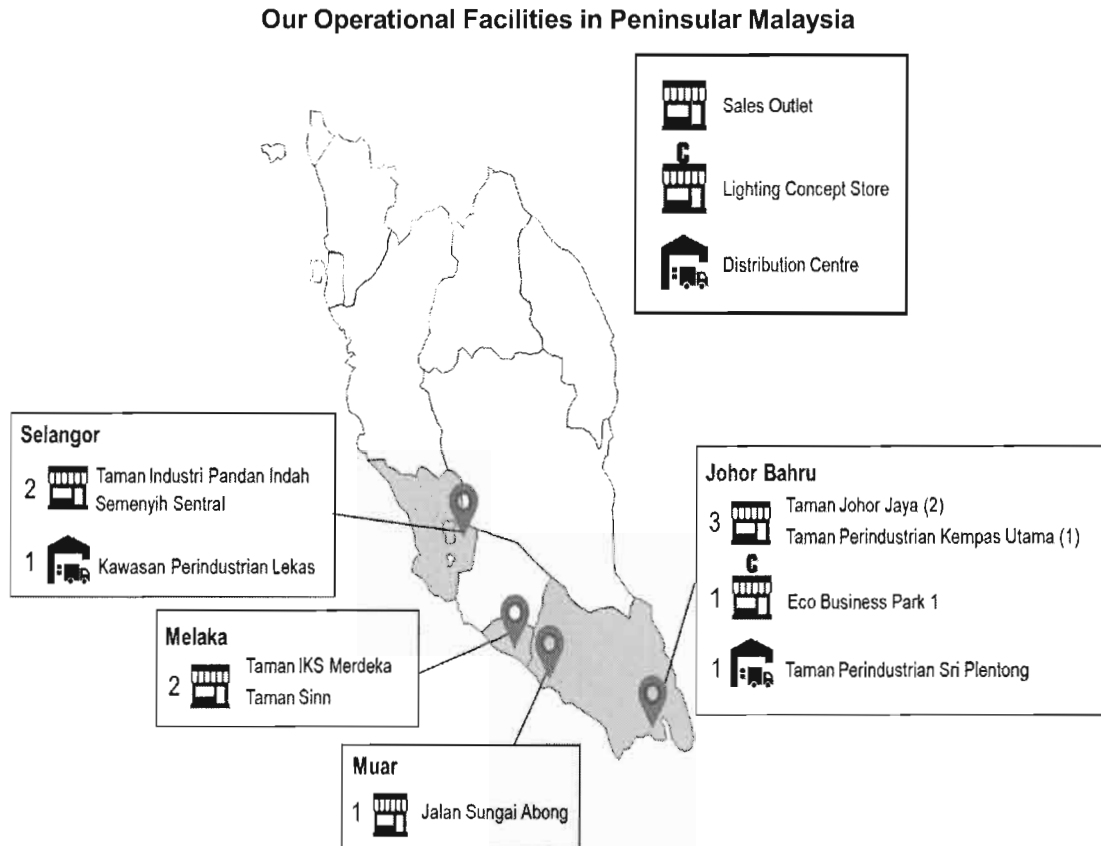
- Eight (8) sales outlets located in the following states:-

States	No.	Address	Type of properties
Johor	(1)	No. 10, Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Owned
		No. 7 (Ground Floor) & No.8 (Ground Floor and 1 st Floor), Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Rented
		No. 9 (Ground Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Rented
	(2)	No. 50, Jalan Seroja 45, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Owned
	(3)	No. 108, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Owned
		No. 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Owned
	(4)	No. 10, Jalan Kempas Utama 3/5, Taman Perindustrian Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim	Owned
Melaka	(5)	No. 1, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka	Owned
		No. 3, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka	Owned
	(6)	MT 255 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Rented
		MT 259 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Rented
		MT 260 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Rented
Selangor	(7)	No. 96, Jalan 4, Taman Industri Pandan Indah, Pandan Indah, 68000, Ampang, Selangor Darul Ehsan	Rented
	(8)	No. 3-G (Ground Floor), Jalan Semenyih Sentral 2, Semenyih Sentral, 43500 Semenyih, Selangor Darul Ehsan	Rented

6. INFORMATION ON OUR GROUP (Cont'd)

- One (1) lighting concept store in Johor.
- Two (2) distribution centres located in Johor and Selangor.

The following diagram depicts our operational facilities in Peninsular Malaysia:-



Our distribution centre in Johor Bahru provides support to our four (4) sales outlets in Johor. Meanwhile, our distribution centre in Semenyih provides support to our sales outlets in Selangor and Melaka. These distribution centres store goods especially bulky items such as cables and wires, air conditioners, fans, HDPE corrugated pipes and pipes for communications cables, to support our sales outlets.

As at the LPD, we have a fleet of 17 trucks to provide delivery services to our customers. Out of these 17 trucks, 11 serve our customers in Johor, four (4) serve our customers in Melaka, and two (2) serve our customers in Central region. We also use third party transportation services to deliver to other areas that we do not cover. This is to complement our internal logistic services.

6.4.4 Principal Market

Malaysia is our principal market which accounted for 100% of our Group's total revenue for the past three (3) financial years under review. During the FPE 30 November 2019, the Malaysia market accounted for approximately 98% of our Group's total revenue and Singapore market accounted for approximately 2% of our Group's total revenue.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.5 Sales and Marketing, and Distribution Channels

6.4.5.1 Sales and Marketing Strategies

Our marketing strategies are focused on meeting the requirements of customers who are mainly industrial users as well as resellers. As a distributor of electrical products and accessories, it is our vision to be a preferred centre for purchases of cables, wires and accessories; electrical distribution, protection and control devices; and electrical appliances and accessories.

As our market coverage is dependent on the number and locations of our sales outlets, part of our marketing strategy is to utilise our network of resellers to widen our geographic reach. Our network of resellers includes distributors and retailers, where some of them cover geographical areas where we do not have any sales outlets.

Our sales and market activities are supported by our sales network in the Southern and Central regions of Peninsular Malaysia comprising eight (8) sales outlets, two (2) distribution centres and one (1) lighting concept store. As at the LPD, we have 65 personnel focusing on sales and marketing activities. Our sales and marketing personnel are mainly involved in business development, establishing product presence in the market including replenishment of stocks, and implementation of promotion programmes.

In addition, we undertake joint-marketing activities with our principals to introduce new products and technologies to our customers, as well as undertake occasional sales promotions. Some of the joint-marketing activities that we participated in the past three (3) financial years and up to the LPD include the following:-

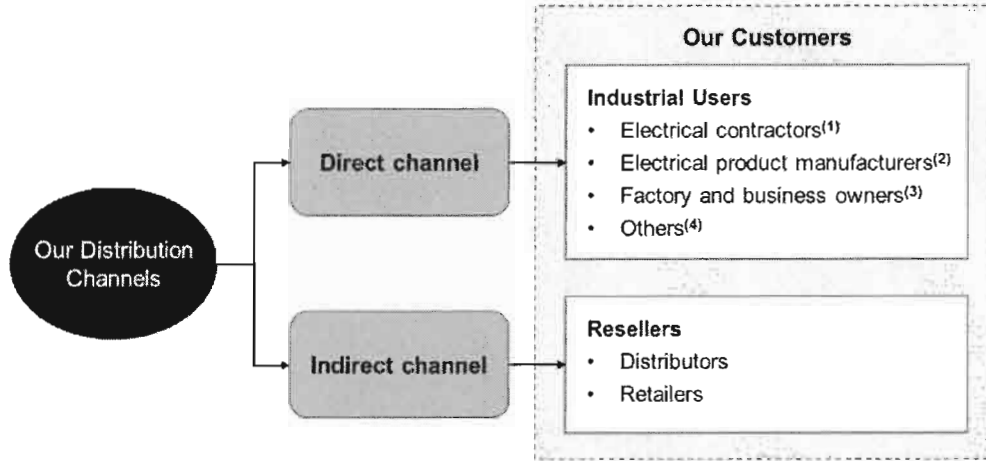
- *Life is On in Maydenki Night 2017*, an event which Maydenki and Schneider Electric jointly organise to introduce and educate Maydenki's customers about some of Schneider Electric's new products.
- *Actgen-Panasonic Fair 2018*, an event which Actgen and Panasonic jointly organise a promotional fair at Actgen's sales outlet in Taman Johor Jaya, Johor Bahru.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.4.5.2 Distribution Channel

We adopt both direct and indirect distribution channel strategies to reach our customers. Our distribution channel strategy is depicted in the diagram below:-



Notes:-

- (1) Involved in installation and repair works covering utilities, infrastructures, buildings, plants, equipment and machineries, as well as communications related works.
- (2) Including lightings, switchboard and switchgear manufacturers.
- (3) Purchases electrical products and accessories for their own maintenance, repair and expansion of plant facilities and premises.
- (4) Including architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

For the past three (3) financial years and financial period under review, our Group's revenue contribution by direct and indirect distribution channels are set out as follows:-

Revenue Breakdown by Direct and Indirect Distribution Channels

Revenue from	FYE 28 February 2017		FYE 28 February 2018		FYE 28 February 2019		FPE 30 November 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct Distribution Channel	83,785	73.17	83,002	66.83	95,559	71.11	77,501	74.46
Indirect Distribution Channel	30,724	26.83	41,191	33.17	38,814	28.89	26,583	25.54
TOTAL	114,509	100.00	124,193	100.00	134,373	100.00	104,084	100.00

6. INFORMATION ON OUR GROUP (Cont'd)

We adopt direct distribution channel where we sell our products to customers who are industrial users of the electrical products and accessories. This direct distribution channel is essential to help us to understand and meet the requirements and needs of our direct customers whom are industrial users. We serve various types of industrial users including electrical contractors, electrical product manufacturers, factory and business owners and others such as architects and interior designers, service provider of equipment and machinery repair and maintenance.

Furthermore, we also sell our products through indirect distribution channel namely resellers who are distributors and retailers. They resell the products to their customer base. The use of indirect distribution channel enables us to increase the sales of our products without the need for significant investments in sales outlets and logistics.

6.4.6 Production Output, Capacity and Utilisation

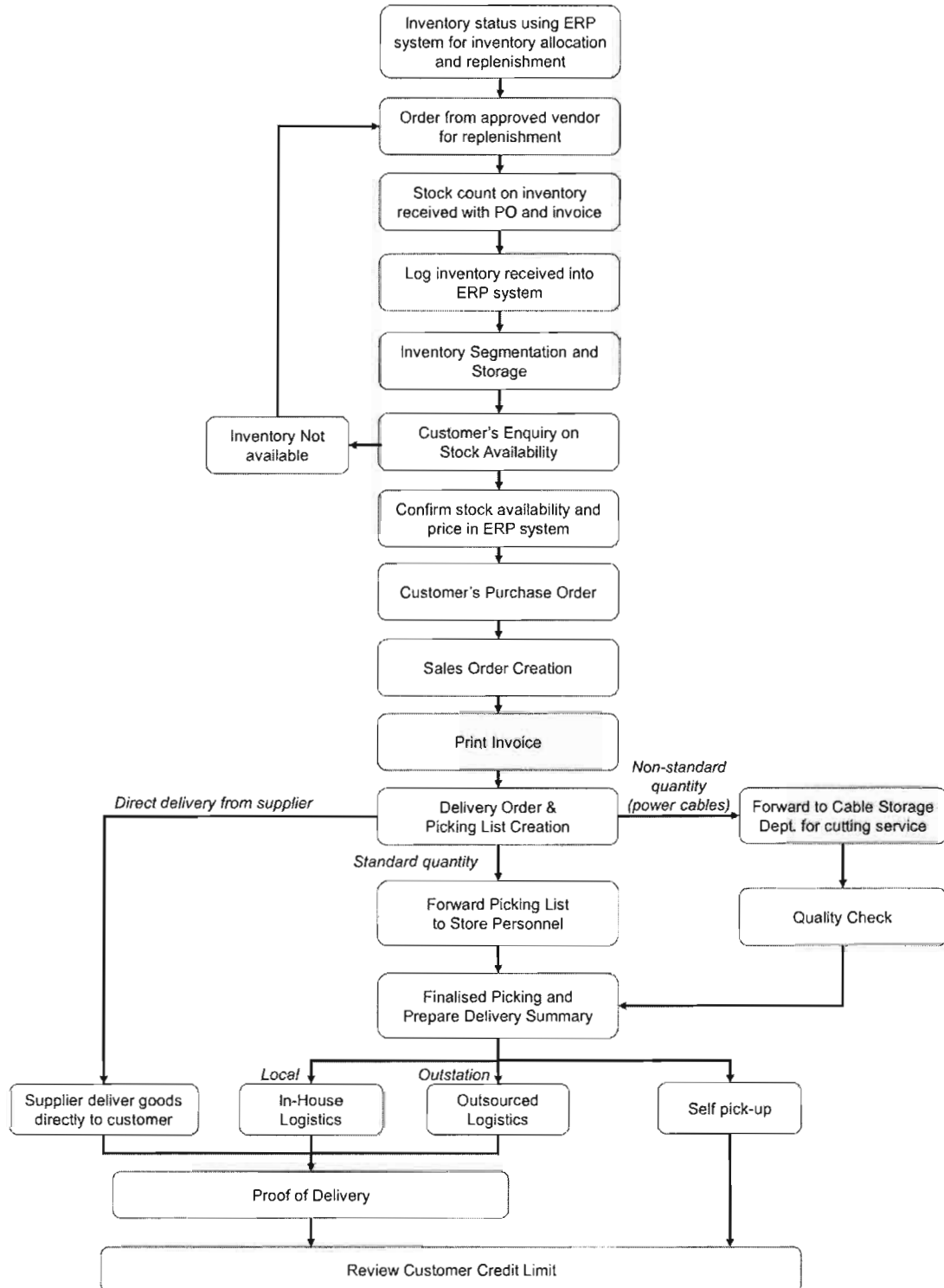
Our main business activity is in the distribution of electrical products and accessories. Therefore, production output, capacity and utilisation are not applicable to us.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.4.7 Our Business and Operational Processes

The following diagram depicts our operational processes for the supply of electrical products and accessories:-



6. INFORMATION ON OUR GROUP (Cont'd)

Our business and operational process begins by checking the status of our inventory using our ERP system for inventory allocation and replenishment. Inventories that require replenishment would then be ordered from our approved vendors. Once inventories are received, a stock count of the incoming inventories are conducted to ensure the quantity received is equivalent to the amount in the purchase order raised as well as invoice issued by supplier. The inventories received are then entered into our ERP system. This will allow us to keep track of inventory levels. The inventories are then segmented by its categories before they are stored in our sales outlets or distribution centres.

In terms of sales transaction, our customers would enquire on the availability of stock by contacting our sales department or walk-in customers would approach our sales outlet. For items that are not available, our procurement team would engage with our list of approved vendors for the requested item. In addition, customers are also able to use our two (2) online ordering systems to place order for selected cables and wires, and electrical distribution, protection and control devices respectively.

Upon confirmation of the availability of the stock and prices, we would request for the customer to issue a purchase order. We would then create the sales order at our end and send them to the sales outlet manager for approval. The respective sales personnel will then print out the sales invoices from our ERP system, which records outgoing inventory.

The next process involves the creation of an itemised list of electrical products and accessories in accordance to the invoice. For standard quantities, the picking list is forwarded to the respective sales outlet personnel. Products ordered by our customers are then picked out according to the itemised list either at our distribution centres or sales outlet. Meanwhile, for non-standard quantity items such as power and communications cables, the list is then forwarded to the cable storage department for the 'cut-to-length' service. These cables are then inspected to determine the processed length. As at the LPD, our distribution centre in Kawasan Perindustrian Lekas, Semenyih, as well as our sales outlets in Taman Perindustrian Kempas Utama, Johor Bahru and Taman IKS Merdeka, Melaka are equipped with cable cutting machines for the 'cut-to-length' service.

Selected items go through a final quantity check before a delivery summary order is generated from our ERP system for the outgoing goods. For local delivery, we would use our in-house fleet of 17 trucks to deliver the goods to our customers. In some cases, our customers may choose to pick up the goods themselves. Meanwhile, for outstation delivery outside of Johor Bahru, Muar, Melaka, Kuala Lumpur and Selangor, we would appoint a third-party logistics service provider to undertake the delivery of the products to the customer. Additionally, in some cases, we are able to arrange for our suppliers to deliver the goods to our customer's nominated sites, thus reducing the lead time of delivery to customers.

Upon delivery of the goods, the customer is required to sign and stamp the invoice as proof of delivery. The signed invoices are then returned to us for documentation and record-keeping purposes. As part of our internal control procedures, the respective accounts managers are tasked to manage the collections from our customers upon the due date. In addition, they are also tasked to perform reviews on our customers credit limit and terms twice a year.

6. INFORMATION ON OUR GROUP (Cont'd)**6.4.8 Key types, sources and availability of supplies**

The following are the major types of materials that we purchased for our business operations for FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019:-

Purchases of Materials for FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019

	FYE 28 February 2017		FYE 28 February 2018		FYE 28 February 2019		FPE 30 November 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cables, wires and accessories	38,941	37.42	41,997	38.34	49,197	41.79	37,552	41.94
Electrical distribution, protection and control devices	30,857	29.65	30,762	28.08	30,067	25.54	20,402	22.79
Electrical appliances and accessories	25,333	24.34	28,266	25.81	29,152	24.77	24,190	27.02
Others ⁽¹⁾	8,940	8.59	8,510	7.77	9,297	7.90	7,394	8.25
TOTAL	104,071	100.00	109,535	100.00	117,713	100.00	89,538	100.00

Note:-

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

As a distributor of electrical products and accessories, our purchases include electrical products and accessories.

Cables, wires and accessories amounted to the majority of our Group's total purchases which accounted for 37.42%, 38.34%, 41.79% and 41.94% of our Group's total purchases for FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively. Of these, all our purchases of cables, wires and accessories are from local suppliers including manufacturers or other distributors in Malaysia. Some of the products supplied by distributors include imported products.

Electrical distribution, protection and control devices contributed 29.65%, 28.08%, 25.54% and 22.79% of our Group's total purchases for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively. Of these, approximately 94.38%, 97.48%, 98.35% and 100.00% of our purchases of electrical distribution, protection and control devices in FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively were sourced from local manufacturers or their respective distributors in Malaysia. The remaining 5.62%, 2.52%, 1.65% and none of our purchases of electrical distribution, protection and control devices for FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, respectively were imported from foreign countries such as Singapore.

6. INFORMATION ON OUR GROUP (Cont'd)

Purchases of electrical appliances and accessories amounted to 24.34%, 25.81%, 24.77% and 27.02% of our Group's total purchases for the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019 respectively. Of these purchases, all of our purchases of electrical appliances and accessories were sourced from local manufacturers or distributors in Malaysia. Some of the products supplied by distributors include imported products.

As at the LPD, our Group has not encountered any interruptions in supply of materials for our business operations. As our business is in the distribution of electrical products and accessories, the volatility in the prices of raw materials is not relevant to our business operations.

6.4.9 Quality Assurance**(a) Third Party Brands**

As a distributor of electrical products and accessories, we adopt the following quality assurance approaches:-

- Visual inspection of products received from suppliers to ensure that the products are not damaged; and
- Visual inspection of selected items before delivery to our customers.

(b) Own Brands

We contract manufacture or source our own brands of electrical products and accessories namely cables and wires, LV transformers for metering devices, and lightings and fittings from local contract manufacturers and/or suppliers.

Part of our in-house procedures to qualify manufacturers as well as to maintain the quality of our own brands of electrical products, we undertake the following:-

- We conduct site visits to the respective manufacturer's production facilities before engaging them as our contract manufacturer;
- We require that they obtain recognised and industry quality certifications including among others, SIRIM and/or Certificate of Approval for relevant products listed by the Energy Commission of Malaysia;
- We obtain samples to assess the quality of finished products before the manufacturers undertake mass production; and
- Will conduct annual visits to the production plant to check on product quality or discuss on product improvements.

As a brand owner, we provide product warranty ranging between one (1) and two (2) years for any product defects or claims relating to our own brands of products. We have back to back arrangements with our contract manufacturers.

6.4.10 Research and Development

As the nature of our business involves the distribution of electrical products and accessories where we source from external manufacturers, suppliers and distributors, we do not undertake any research and development activities.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.11 Major approvals, licences and permits obtained

Details of major approvals, licences and permits applicable to our Group as at the LPD are as follows:-

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(1)	Actgen Address of licensed premises: No. 3-G (Ground Floor), Jalan Semenyih Sentral 2, Semenyih Sentral, 43500 Semenyih, Selangor Darul Ehsan	Business Licence Account No.: L-49005	Kajang Municipal Council	July 2019 / July 2020	This licence consists of the following: (a) Advertisement licence (1 unit); (b) Licence to wholesale and store electrical products (Electrical products storage); (c) Electrical shop licence; (d) Licence to sell and provide services (Office); and (e) Sticker.	Nil	Not applicable
(2)	Actgen Address of licensed premises: No. 1, Jalan 2, Kawasan Perindustrian Lekas 18, 43500 Semenyih, Selangor Darul Ehsan	Business Licence Account No.: LBUS-06200	Kajang Municipal Council	June 2019 / June 2020	This licence consists of the following: (a) Advertisement licence (1 unit); (b) Electrical products storage licence up to 500 square metres (Electronic, electrical and mechanical products); (c) Office licence up to 500 square metres (Electronic, electrical and mechanical products); and (d) Sticker.	Nil	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(3)	Actgen Address of licensed premises: No. 96, Jalan 4, Taman Industri Pandan Indah, Pandan Indah, 68000, Ampang, Selangor Darul Ehsan	Business Licence Licence No.: L0064422-6	Ampang Jaya Municipal Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to sell electrical products; (b) Advertisement licence; (c) Storage licence; (d) Office licence; and (e) Sticker.	Nil	Not applicable
(4)	Actgen Address of licensed premises: No. 10 (Ground Floor, 1 st Floor, and 2 nd Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Business Premise Licence Account No.: LMPM0002718	Muar Municipal Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence for wholesale, supply and distribution of electrical products (Ground Floor); (b) Licence for wholesale, supply and distribution of electrical products (1 st Floor); and (c) Licence for wholesale, supply and distribution of electrical products (2 nd Floor).	Nil	Not applicable
(5)	Actgen Address of licensed premises: No. 7 (Ground Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Business Premise Licence Account No.: L06704	Muar Municipal Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to sell electrical products; and (b) Advertisement licence (1 unit).	Nil	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(6)	Actgen Address of licensed premises: No. 8 (Ground Floor and 1 st Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Business Premise Licence Account No.: L06707	Muar Municipal Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence for wholesale, supply and distribution of electrical products; and (b) Advertisement licence (1 unit);	Nil	Not applicable
(7)	Actgen Address of licensed premises: No. 9 (Ground Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Business Premise Licence Account No.: L07349	Muar Municipal Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to sell electrical products; and (b) Advertisement licence (1 unit).	Nil	Not applicable
(8)	Actgen Address of licensed premises: No. 12, Jalan Sri Plentong 10, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2018L107377	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Storage licence; (b) Office licence; and (c) Advertisement licence (2 units).	Nil	Not applicable
(9)	Actgen Address of licensed premises: No. 50, Jalan Seroja 45, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2019L102536	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to supply electrical products; and (b) Advertisement licence (1 unit).	Nil	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(10)	Actgen Address of licensed premises: No. 2, Jalan Ekoperniagaan 2/5, Taman Ekoperniagaan, 81100 Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2019LI04075	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Decorative lights centre licence; and (b) Advertisement licence (1 unit).	Nil	Not applicable
(11)	Maydenki Address of licensed premises: No. 108 & 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2017LI04318	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence for wholesale of electronic and electrical products; and (b) Advertisement licence (1 unit).	Nil	Not applicable
(12)	Maydenki Address of licensed premises: No. 108 & 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2019LI06181	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Warehouse / storage licence; and (b) Advertisement licence (1 unit).	Nil	Not applicable
(13)	Electric Master Address of licensed premises: No. 1 and 3, Jalan IKS Merdeka 4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka Tengah, Melaka	Business Licence Account No.: L 001 MT L10477	Hang Tuah Jaya Municipal Council	28 November 2019 / 29 October 2020	This licence consists of the following: (a) Office licence (Electrical goods); and (b) Sticker.	Nil	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(14)	Electric Master Address of licensed premises: No. 1 and 3, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka	Business Licence Account No.: L 001 MT L07466	Hang Tuah Jaya Municipal Council	30 October 2019 / 29 October 2020	This licence consists of the following: (a) Licence to sell electrical products; and (b) Advertisement licence (4 units).	Nil	Not applicable
(15)	Voltage Master Address of licensed premises: MT255 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Business Licence Account No.: 4093849220198	Melaka Historic City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to supply electrical products; and (b) Sticker.	Nil	Not applicable
(16)	Voltage Master Address of licensed premises: MT259 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Business Licence Account No.: 409038073772003	Melaka Historic City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to sell electronic and electrical products; and (b) Sticker.	Nil	Not applicable
(17)	Voltage Master Address of licensed premises: MT260 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Business Licence Account No.: 409067131042018	Melaka Historic City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Licence to sell electrical products; (b) Advertisement licence (1 unit); and (c) Sticker.	Nil	Not applicable



6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company / Licensed Premises	Nature of Licence / Approval	Issuer / Authority	Effective Date / Date of Expiry	Licence Content	Major Conditions	Status of Compliance
(18)	Maylec Address of licensed premises: No. 10, Jalan Kempas Utama 3/5, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim	Business and Advertisement Licence Account No.: L2018L106885	Johor Bahru City Council	1 January 2020 / 31 December 2020	This licence consists of the following: (a) Storage licence; (b) Office licence; and (c) Advertisement licence (1 unit).	Nil	Not applicable


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6. INFORMATION ON OUR GROUP (Cont'd)


6.4.12 Intellectual property rights, patents, trademarks and registrations

No.	Company	Trademark	Class	Application number/ Trademark number	Application date	Approving authority	Status/ Registration validity
(1)	Actgen		Class 9: Flashing lights [luminous signals] / blinkers [signalling lights], lighting ballasts, light-emitting electronic pointers light dimmers [regulators], electric / light regulators [dimmers]; cell switches [electricity] / reducers [electricity]; power plug; electrical socket; alarm bells; neon signs; electric; electric plug and cables, chargers for electric batteries; batteries, electric, solar panels for the production of electricity; thermostats; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity.	TM2019000017	7 January 2019	Intellectual Property Corporation of Malaysia ("MyIPO")	Registered / 7 January 2019 to 7 January 2029
(2)	Actgen		Class 11: Apparatus for lighting, apparatus for water filtering, automatic installations for making coffee, chilled purified water dispensers, cookers, electric cooking apparatus and installations, coolers for furnaces, diffusers being parts of lighting apparatus, electric ceiling fans, electric fans for personal use, electric cooking utensils, electric kettles, extractor hoods for kitchens, filters for water purifiers, fluorescent lights, hair dryers, heating apparatus, hot plates, lamps, conditioner, fluorescent lights.	TM2019000587	7 January 2019	MyIPO	Registered / 7 January 2019 to 7 January 2029

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Trademark	Class	Application number/ Trademark number	Application date	Approving authority	Status/ Registration validity
(3)	Actgen	MULTI5	Class 9: Video CD player, stereo amplifier, radio cassette player, mini compo, cameras, digital cameras, television apparatus, television, television receivers, radio cassette recorder, camcorder, plasma display, antenna, materials for electricity mains [wires, cables], coaxial cables, cables, electrical sockets, plugs, sockets and other contacts [electrical connections not for aircond and ventilation goods].	TM2019015191	25 April 2019	MyIPO	Pending registration
(4)	Actgen	MULTI5	Class 11: Fluorescent lights, light fittings; instruments for lighting; lamps; electric lamps, electric fans for personal use, lamp reflectors, lamp shades, lanterns for lighting, electric light bulbs, light diffusers; parts and fittings thereof.	TM2019015193	25 April 2019	MyIPO	Pending registration
(5)	Maydenki		Class 11: Fluorescent lights, light fittings; instruments for lighting; lamps; electric lamps, electric fans for personal use, lamp reflectors, lamp shades, lanterns for lighting, electric light bulbs, light diffusers; parts and fittings thereof not for car and not for air conditioner and not for air ventilation product related.	TM2019015194	25 April 2019	MyIPO	Pending registration

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Trademark	Class	Application number/ Trademark number	Application date	Approving authority	Status/ Registration validity
(6)	Maydenki		Class 9: Video CD player, stereo amplifier, radio cassette player, mini compo, cameras, digital cameras, television apparatus, television, television receivers, radio cassette recorder, camcorder, plasma display, antenna, materials for electricity mains [wires, cables], coaxial cables, cables, electrical sockets, plugs, sockets and other contacts [electrical connections not for aircond and ventilation goods].	TM2019015195	25 April 2019	MyIPO	Pending registration

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6. INFORMATION ON OUR GROUP (Cont'd)

6.4.13 Material Dependency on Commercial Contracts / Agreements / Intellectual Property Rights / Licences or Permits / Business Processes

Save for the trademarks in Section 6.4.12, and major licences in Section 6.4.11 of this Prospectus and the agreements below, our Group's business or profitability is not materially dependent on any contracts, intellectual property rights, licences and permits, and business processes as at the LPD:-

- (i) A non-exclusive distribution agreement dated 1 January 2019 and extension letter dated 1 January 2020 between Schneider Electric as principal and Actgen as distributor whereby Schneider Electric grants Actgen the right to, among others, market and distribute certain "Schneider" brand products with a focus on switches and power outlets in Malaysia ("**Actgen-SE Distribution Agreement**"). The Actgen-SE Distribution Agreement validity period was for an initial period of one (1) year and further extended for another year from 1 January 2020. The Actgen-SE Distribution Agreement is subject to yearly renewal upon Schneider Electric having been satisfied with the performance of Actgen. The salient terms of the Actgen-SE Distributorship Agreement are as follows:-
 - (a) the agreement is effective for two (2) years from 1 January 2019 to 31 December 2020;
 - (b) either party may terminate the Actgen-SE Distribution Agreement if the other party is in breach of this Agreement and fails to remedy such breach within 30 days of notice; or the other party seeks relief under, or is involuntarily made subject to, any bankruptcy or insolvency law; or the other party commits a dishonest or fraudulent act;
 - (c) upon termination of the Actgen-SE Distribution Agreement, among others:-
 - (aa) Actgen may fulfil any orders for products that it has, prior to the date of termination, become legally obliged to fulfil. To the extent that such orders cannot be fulfilled from stocks held by Actgen, Schneider Electric shall supply Actgen with the stocks necessary for such orders;
 - (bb) all unsold stocks of the products held by Actgen shall remain its responsibility but may be sold by it to customers within Malaysia during a period of 6 months from the date of such termination; provided however, that Schneider Electric may at its option, repurchase such stocks at the same price and terms paid for them by Actgen or at their current value on the books of Actgen, whichever is less;
 - (cc) except as may be necessary to dispose of unsold stock or to fulfil outstanding orders, Actgen shall cease to represent to the trade that it is the distributor of the products and shall cease to promote, market or advertise the products or use any of Schneider Electric's intellectual property; and
 - (dd) Actgen shall give no claim against Schneider Electric for compensation for loss of distribution rights, loss of goodwill, loss of profits or any other similar loss;
 - (d) Schneider Electric's liability under the Actgen-SE Distribution Agreement for any direct damage arising out of or in any way related to this Actgen-SE Distribution Agreement or order (whether arising under tort, negligence, contract, warranty, strict liability or any other cause or combination of causes) shall in no event exceed the order amount giving rise to liability; and
 - (e) the Actgen-SE Distribution Agreement is governed by the laws of Malaysia.

6. INFORMATION ON OUR GROUP (Cont'd)

- (ii) A non-exclusive distribution agreement dated 1 January 2019 and extension letter dated 1 January 2020 between Schneider Electric as principal and Maydenki as distributor whereby Schneider Electric grants Maydenki the right to, among others, market and distribute certain "Schneider" brand products with a focus on electrical distribution, protection and control devices in Malaysia ("**Maydenki-SE Distribution Agreement**"). The Maydenki-SE Distribution Agreement validity period was for an initial period of one (1) year and further extended for another year from 1 January 2020. The Maydenki-SE Distribution Agreement is subject to yearly renewal upon Schneider Electric having been satisfied with the performance of Maydenki. The salient terms of the Maydenki-SE Distributorship Agreement are as follows:-
- (a) the agreement is effective for two (2) years from 1 January 2019 to 31 December 2020;
 - (b) either party may terminate the Maydenki-SE Distribution Agreement if the other party is in breach of this Agreement and fails to remedy such breach within 30 days of notice; or the other party seeks relief under, or is involuntarily made subject to, any bankruptcy or insolvency law; or the other party commits a dishonest or fraudulent act.
 - (c) upon termination of the Maydenki-SE Distribution Agreement, among others:-
 - (aa) Maydenki may fulfil any orders for products that it has, prior to the date of termination, become legally obliged to fulfil. To the extent that such orders cannot be fulfilled from stocks held by Maydenki, Schneider Electric shall supply Maydenki with the stocks necessary for such orders;
 - (bb) all unsold stocks of the products held by Maydenki shall remain its responsibility but may be sold by it to customers within Malaysia during a period of 6 months from the date of such termination; provided however, that Schneider Electric may at its option, repurchase such stocks at the same price and terms paid for them by Maydenki or at their current value on the books of Maydenki, whichever is less;
 - (cc) except as may be necessary to dispose of unsold stock or to fulfil outstanding orders, Maydenki shall cease to represent to the trade that it is the distributor of the products and shall cease to promote, market or advertise the products or use any of Schneider Electric's intellectual property; and
 - (dd) Maydenki shall have no claim against Schneider Electric for compensation for loss of distribution rights, loss of goodwill, loss of profits or any other similar loss;
 - (d) Schneider Electric's liability under the Maydenki-SE Distribution Agreement for any direct damage arising out of or in any way related to this Maydenki-SE Distribution Agreement or order (whether arising under tort, negligence, contract, warranty, strict liability or any other cause or combination of causes) shall in no event exceed the order amount giving rise to liability; and
 - (e) the Maydenki-SE Distribution Agreement is governed by the laws of Malaysia.

6.4.14 Interruptions to business and operations

Our Group has not experienced any interruption in business which had a significant effect on operations during the 12-month period prior to the date of this Prospectus.

6.4.15 Seasonality

We do not experience any material seasonality or cyclicity in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

6. INFORMATION ON OUR GROUP (Cont'd)

6.5 PROPERTIES, PLANT AND EQUIPMENT

6.5.1 Properties owned

A summary of the material land and buildings owned by our Group for our operations as at the LPD is as follows:-

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(1)	Actgen	H.S. (M) 9001, PT 35164, Sungai Purun, Mukim Semenyih, Daerah Hulu Langat, Negeri Selangor, bearing postal address of No. 1, Jalan 2, Kawasan Perindustrian Lekas 18, 43500 Semenyih, Selangor Darul Ehsan	Description: One and a half (1½) storey semi-detached factory Existing use: Distribution centre	Industrial / Freehold	Charged to Hong Leong Islamic Bank Berhad	26 April 2016	22 March 2013	Land area: 996.39 Built-up area: 492.75	3,576
(2)	Actgen	GM 10124, Lot 12636 Muar, Mukim Bandar, Daerah Muar, Negeri Johor, bearing postal address of No. 10, Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Description: Three storey office Existing use: Sales outlet	Building / Freehold	Restrictions: (a) This land shall not be sold or transferred in any way to a non-Malaysian or foreign entity without the consent of the state authority (b) In the event of a change of ownership of this land to a Bumiputera or Bumiputera entity this land shall not subsequently be sold, leased or transferred in any way to a non-Bumiputera or non-Bumiputera entity without the consent of the state authority	9 July 2018	24 January 2002	Land area: 145 Built-up area: 429.21	916

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(3)	Actgen	GRN 250553, Lot 182788, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 12, Jalan Sri Plentong 10, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim	Description: One and a half (1½) storey semi-detached factory Existing use: Distribution centre	Industrial / Freehold	/ Encumbrance: (a) Charged to HSBC Amanah Malaysia Berhad (b) Charged to HSBC Bank Malaysia Berhad Restriction: This land shall not be transferred in any way unless the earthworks for the medium industry factory has commenced in accordance with the plan approved by the relevant local authority / Encumbrance: Charged to HSBC Bank Malaysia Berhad	28 April 2009	11 May 2009	Land Area: 1,589 Built-up area: 992.76	2,054
(4)	Actgen	GRN 242081, Lot 51223, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 50, Jalan Seroja 45, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: Single storey terrace workshop ⁽¹⁾ Existing use: Sales outlet	Industrial / Freehold	Restriction: In the event of a change of ownership of this land to a Bumiputera, this land shall not subsequently be sold, leased or transferred in any way to a non- Bumiputera without the consent of the state authority /	12 May 2016	4 October 1992	Land Area: 463 Built-up area: 547.76	1,376

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(5)	Actgen	GRN 36093, Lot 13320, Mukim Pulai, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 62, Jalan Pendekar 18, Taman Ungku Tun Aminah, 81300 Skudai, Johor Darul Takzim	Description: Three storey shop office Existing use: Rental property	Building / Freehold	Encumbrance: Charged to Public Bank Berhad Encumbrance: Charged to Public Bank Berhad	9 March 2015	18 January 2016	Land Area: 143 Built-up area: 429.02	1,800
(6)	Actgen	GRN 250551, Lot 182787, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 14, Jalan Sri Plentong 10, Taman Perindustrian Sri Plentong, 81750, Masai, Johor Bahru, Johor Darul Takzim	Description: One and a half (1½) storey semi-detached factory ⁽²⁾ Existing use: Rental property	Industrial / Freehold	Restriction: This land shall not be transferred in any way unless the earthworks for the medium industry factory has commenced in accordance with the plan approved by the relevant local authority / Encumbrance: Charged to Public Bank Berhad	28 April 2009	11 May 2009	Land Area: 1,589 Built-up area: 990.91	2,800
(7)	Actgen	GRN 242093, Lot 51283, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 24, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: One (1) storey terrace workshop with mezzanine floor Existing use: Rental property	Building / Freehold	Nil / Encumbrance: Charged to Public Bank Berhad	3 June 2003	4 October 1992	Land Area: 451 Built-up area: 569.50	1,700

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(8)	Maydenki	GRN 436667, Lot 51241, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 108, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: One and a half (1½) storey terrace factory ⁽³⁾ Existing use: Sales outlet	Building / Freehold	Restriction: In the event of a change of ownership of this land to a Bumiputera, this land shall not subsequently be sold, leased or transferred in any way to a non- Bumiputera without the consent of the state authority / Encumbrances: (a) Charged to Alliance Bank Malaysia Berhad (b) Charged to Alliance Islamic Bank Berhad	18 April 2016	4 October 1992 29 December 2015 ⁽³⁾	Land Area: 372 Built-up area: 548.13	1,148
(9)	Maydenki	GRN 243035, Lot 51240, Mukim Plentong, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: One and a half (1½) storey terrace factory ⁽⁴⁾ Existing use: Sales outlet	Building / Freehold	Restriction: In the event of a change of ownership of this land to a Bumiputera, this land shall not subsequently be sold, leased or transferred in any way to a non- Bumiputera without the consent of the state authority. / Encumbrances: (a) Charged to Alliance Bank Malaysia Berhad (b) Charged to Alliance Islamic Bank Berhad	18 April 2016	4 October 1992 29 December 2015 ⁽⁴⁾	Land Area: 372 Built-up area: 408.77	1,162

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(10)	Maylec	GRN 456393, Lot 143286, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor, bearing postal address of No. 10, Jalan Kempas Utama 3/5, Taman Perindustrian Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim	Description: Corner one and a half (1½) storey semi-detached factory ^(s) Existing use: Sales outlet	Industrial / Freehold	Encumbrance: Charged to HSBC Amanah Malaysia Berhad	11 April 2018	25 October 2011	Land Area: 1,772 Built-up area: 1,059.93	3,006
(11)	Electric Master	PN 48301, Lot 16700, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka, bearing postal address of No. 1, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka	Description: Corner one and a half (1½) storey semi-detached factory Existing use: Sales outlet	Industrial / 99 years lease expiring on 12 July 2106	Restriction: This land shall not be transferred or leased without the consent of the state authority. This restriction in interest shall not be applicable for the first transfer or lease of this land / Encumbrances: (a) Private caveat registered by Hong Leong Islamic Bank Berhad (b) Charged to Hong Leong Islamic Bank Berhad	4 October 2017	4 July 2007	Land Area: 937 Built-up area: 981.83	1,676

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered/ Beneficial owner	Property address	Description and existing use	Category of land use/ Tenure of property	Restrictions in interest/ Material encumbrance(s)	Date of acquisition	Date of issuance of CF or CCC	Land/ Gross built- up area (sq. m.)	Net book value as at 30 November 2019 RM'000
(12)	Electric Master	PN 48303, Lot 16701, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka, bearing postal address of No. 3, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka	Description: Intermediate one and a half (1½) storey semi-detached factory Existing use: Sales outlet	Industrial / 99 years lease expiring on 12 July 2106	Restriction: This land shall not be transferred or leased without the consent of the state authority. This restriction in interest shall not be applicable for the first transfer or lease of this land / Encumbrances: (a) Private caveat registered by Hong Leong Islamic Bank Berhad (b) Charged to Hong Leong Islamic Bank Berhad	4 October 2017	4 July 2007	Land Area: 876 Built-up area: 981.83	1,573

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:-

- (1) The front terrace area of this property was covered with an awning which was approved by the Johor Bahru City Council on 15 May 2019 in which the approval was subsequently renewed on 7 January 2020.
- (2) Actgen has rented out this property to Tsujimoto (Malaysia) Corporation Sdn Bhd.
- (3) This property was renovated to: (i) erect a mezzanine floor; and (ii) grant access to adjoining unit (No. 110, Jalan Seroja 39, Taman Johor Jaya, 81100, Johor Bahru, Johor) ("Renovation") of which the plans pertaining to the Renovation were accordingly endorsed by the Fire and Rescue Department of Malaysia (Johor Bahru) and approved by the Johor Bahru Tengah Municipal Council on 14 December 2014 and 15 October 2015, respectively. The certificate of completion and compliance in respect of the Renovation was issued by the professional engineer on 29 December 2015.
- (4) This property was renovated to: (i) erect a mezzanine floor; and (ii) grant access to adjoining unit (No. 108, Jalan Seroja 39, Taman Johor Jaya, 81100, Johor Bahru, Johor) ("Renovation") of which the plans pertaining to the Renovation were accordingly endorsed by the Fire and Rescue Department of Malaysia (Johor Bahru) and approved by the Johor Bahru Tengah Municipal Council on 14 December 2014 and 15 October 2015, respectively. The certificate of completion and compliance in respect of the Renovation was issued by the professional engineer on 29 December 2015.
- (5) The terrace area of this property was covered with an awning which was approved by the Johor Bahru City Council on 8 August 2018. The certificate of completion and compliance in respect of the awning was issued by the professional architect on 30 October 2019.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.5.2 Properties rented

A summary of the material land and buildings rented by our Group for our operations as at the LPD is as follows:-

No.	Landlord	Tenant	Property address	Description and Existing use	Land/ Gross built-up area (sq. ft.)	Tenure	Rental per annum RM'000
(1)	Chong Lian Kang	Acigen	No. 1A, Jalan Seroja 49, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: Two (2) storey shop lot (Rented premise: First floor) Existing use: Office	2,260	1 year 1 March 2019 to 29 February 2020	9
(2)	Chong Lian Kang	Acigen	No. 1, Jalan Seroja 49, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	Description: Two (2) storey shop lot (Rented premise: Ground floor) Existing use: Office	2,260	2 years 1 September 2019 to 30 August 2021	24
(3)	Soh Tian Yew	Acigen	No. 7 (Ground Floor) & No.8 (Ground Floor and 1 st Floor), Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Description: Three (3) storey shop lot (Rented premise: Ground floor of No. 7, Ground floor and First floor of No. 8) Existing use: Sales outlet	4,620	3 years 1 December 2017 to 30 November 2020	56.4
(4)	Assovest Bhd Sdn	Acigen	No. 96, Jalan 4, Taman Industri Pandan Indah, Pandan Indah, 68000, Ampang, Selangor Darul Ehsan	Description: One and a half (1½) storey factory lot Existing use: Sales outlet	2,002	2 years 1 May 2019 to 30 April 2021	48

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Landlord	Tenant	Property address	Description and Existing use	Land/ Gross built-up area (sq. ft.)	Tenure	Rental per annum RM'000
(5)	Yap Thiam Fatt	Actgen	No. 3-G (Ground Floor), Jalan Semenyih Sentral 2, Semenyih Sentral, 43500 Semenyih, Selangor Darul Ehsan	Description: Two (2) storey shop lot (Rented premise: Ground floor) Existing use: Sales outlet	1,500	2 years 1 May 2019 to 30 April 2021	21.6
(6)	Ng Chong Nam and King Kick	Actgen	No. 9 (Ground Floor), Jalan Susur, off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim	Description: Three (3) storey shop lot (Rented premise: Ground floor) Existing use: Sales outlet	1,561	3 years 1 May 2019 to 30 April 2022	26.4
(7)	Tavillion Sdn Bhd	Actgen	No. 2, Jalan Ekoperniagaan 2/5, Taman Ekoperniagaan, 81100 Johor Bahru, Johor Darul Takzim	Description: Two (2) storey cluster factory Existing use: Lighting concept store	14,819	2 years 31 May 2019 to 30 May 2021	96
(8)	Tan Hye @ Tan Chuan Li	Voltage Master	MT 260 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Description: Four (4) storey shop lot (Rented premise: Ground floor) Existing use: Sales outlet	3,622	3 years 1 May 2019 to 30 April 2022	42
(9)	Goh Chee Hoe	Voltage Master	MT 255 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Description: Four (4) storey shop lot (Rented premise: Ground floor) Existing use: Sales outlet	1,680	2 years 1 May 2019 to 30 April 2021	24

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Landlord	Tenant	Property address	Description and Existing use	Land/ Gross built-up area (sq. ft.)	Tenure	Rental per annum RM'000
(10)	Freesia Sdn Bhd	Voltage Master	MT 259 (Ground Floor), Taman Sinn, Semabok, 75050 Melaka	Description: Four (4) storey shop lot (Rented premise: Ground floor) Existing use: Sales outlet	1,680	3 years 1 June 2019 to 31 May 2022	33.6

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6. INFORMATION ON OUR GROUP (Cont'd)**6.5.3 Regulatory requirements and environmental issue**

As at the LPD, there is no breach of any property or land use conditions and/or non-compliance with any regulatory requirement, land rules, building regulations, and there are no environmental issues which may materially affect our Group's operation and usage of properties owned and rented by our Group as set out in Sections 6.5.1 and 6.5.2 of this Prospectus.

6.6 EMPLOYEES

All of the employees in our Group are based in Malaysia. As at the LPD, the number of employees in our Group is as follows:-

Department	Number of Employees as at 28 February 2019	Number of Employees as at the LPD
Management and Professionals	18	19
Sales and Marketing	55	65
Technical Personnel	4	3
Clerical and Administrative	30	32
Warehousing ⁽¹⁾	51	52
Total	158	171

Note:-

(1) Comprising of general workers.

As at the LPD, our Group has no foreign nor contractual employee(s).

None of our employees are member of any union nor have there been any major industrial disputes in the past.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.7 MAJOR CUSTOMERS

Our top five (5) major customers for each of the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019 are as follows:-

FYE 28 February 2017

Major customers	Main type of products delivered	RM'000	% of total Group revenue	Length of business relationship (years)^
Keyy Electrical Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as lightings, fans, switches and power outlets	3,849	3.36	1
Motobina Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as lightings, switches and power outlets	2,741	2.39	1
Binson Electric Trading & Service	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	2,291	2.00	3
White Horse Ceramic Industries Sdn Bhd	Electrical distribution, protection and control devices	1,859	1.62	8
Chi-Tak Electrical (J.B.) Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	1,825	1.60	11
	Sub-Total	12,565	10.97	
	Total Group's Revenue for FYE 28 February 2017	114,509		

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 28 February 2018

Major customers	Main type of products delivered	RM'000	% of total Group revenue	Length of business relationship (years)^
Focus Electrical Malaysia Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	9,067	7.30	2
Keyy Electrical Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, lightings, switches and power outlets.	2,472	1.99	2
Binson Electric Trading & Service	Cables, wires and accessories; electrical appliances and accessories, such as fans, switches and power outlets	2,443	1.97	4
Muarrite Industries Sdn Bhd	Lightings and fittings	2,424	1.95	1
Chi-Tak Electrical (J.B.) Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories, such as fans, switches and power outlets	1,507	1.21	12
Sub-Total		17,913	14.42	
Total Group's Revenue for FYE 28 February 2018		124,193		

FYE 28 February 2019

Major customers	Main type of products delivered	RM'000	% of total Group revenue	Length of business relationship (years)^
Focus Electrical Malaysia Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	5,306	3.95	3
Keyy Electrical Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, lightings, switches and power outlets	4,870	3.62	3
Low Elite Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	4,581	3.41	18
Binson Electric Trading & Service	Cables, wires and accessories; electrical appliances and accessories, such as fans, switches and power outlets	2,418	1.80	5
Chi-Tak Electrical (J.B.) Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories, such as fans, switches and power outlets	2,142	1.59	13
Sub-Total		19,317	14.37	
Total Group's Revenue for FYE 28 February 2019		134,373		

6. INFORMATION ON OUR GROUP (Cont'd)

FPE 30 November 2019

Major customers	Main type of products delivered	RM'000	% of total Group revenue	Length of business relationship (years)^
Focus Electrical Malaysia Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	4,171	4.01	3
Keyy Electrical Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, lightings, switches and power outlets	3,477	3.34	3
Cahaya Engineering Works	Electrical distribution, protection and control devices	2,805	2.69	9
MCH M&E Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	1,514	1.45	*
Chi-Tak Electrical (J.B.) Sdn Bhd	Cables, wires and accessories; electrical appliances and accessories such as fans, switches and power outlets	1,412	1.36	13
Sub-Total		13,379	12.85	
Total Group's Revenue for FPE 30 November 2019		104,084		

Note:-

^ Length of business relationship is determined as at the respective FYE/FPE.

* Length of business relationship is less than 1 year as at the FPE 30 November 2019.

We are not dependent on any individual customer as no one single customer contributed more than 8% to our total Group revenue for each of the past three (3) financial years and financial period under review.

As at the LPD, none of our Directors, Promoters and/or substantial shareholders have any interest, direct or indirect, in any of our major customers.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8 MAJOR SUPPLIERS

Our top five (5) major suppliers for each of the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019 are as follows:-

FYE 28 February 2017

Major suppliers	Type of products provided	RM'000	% of total Group purchases	Length of business relationship (years)^
Schneider Electric	Electrical distribution, protection and control devices; electrical accessories such as switches and power outlets	15,568	14.96	20
KDK Fans (M) Sdn Bhd	Electrical appliances namely fans	7,404	7.11	13
Mega Kabel Sdn Bhd	Cables and wires	5,499	5.28	12
Tonn Cable Sdn Bhd	Cables and wires	3,959	3.81	11
ABB Malaysia Sdn Bhd	Electrical distribution, protection and control devices	2,881	2.77	9
	Sub-Total	35,311	33.93	
	Total Group's Purchases for FYE 28 February 2017	104,071		

FYE 28 February 2018

Major suppliers	Type of products provided	RM'000	% of total Group purchases	Length of business relationship (years)^
Schneider Electric	Electrical distribution, and protection and control devices; electrical accessories such as switches and power outlets	16,789	15.32	21
Focus Electrical Malaysia Sdn Bhd	Cables and wires; electrical appliances such as lightings and fittings, and fans	7,850	7.17	2
KDK Fans (M) Sdn Bhd	Electrical appliances, namely fans	6,515	5.95	14
Mega Kabel Sdn Bhd	Cables and wires	4,955	4.52	13
Tonn Cable Sdn Bhd	Cables and wires	3,491	3.19	12
	Sub-Total	39,600	36.15	
	Total Group's Purchases for FYE 28 February 2018	109,535		

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 28 February 2019

Major suppliers	Type of products provided	RM'000	% of total Group purchases	Length of business relationship (years)^
Schneider Electric	Electrical distribution, and protection and control devices; electrical accessories such as switches and power outlets	17,362	14.75	22
KDK Fans (M) Sdn Bhd	Electrical appliances, namely fans	7,117	6.05	15
Tonn Cable Sdn Bhd	Cables and wires	4,440	3.77	13
Mega Kabel Sdn Bhd	Cables and wires	4,386	3.72	14
Tai Sin Electric Cables (M) Sdn Bhd	Cables and wires	4,107	3.49	14
	Sub-Total	37,412	31.78	
	Total Group's Purchases for FYE 28 February 2019	117,713		

FPE 30 November 2019

Major suppliers	Type of products provided	RM'000	% of total Group purchases	Length of business relationship (years)^
Schneider Electric	Electrical distribution, and protection and control devices; electrical accessories such as switches and power outlets	13,286	14.84	22
KDK Fans (M) Sdn Bhd	Electrical appliances, namely fans	5,314	5.94	15
Tonn Cable Sdn Bhd	Cables and wires	4,265	4.76	13
ABB Malaysia Sdn Bhd	Electrical distribution, protection and control devices	3,942	4.40	11
Mega Kabel Sdn Bhd	Cables and wires	3,120	3.48	14
	Sub-Total	29,927	33.42	
	Total Group's Purchases for FPE 30 November 2019	89,538		

Note:-

^ Length of business relationship is determined as at the respective FYE/FPE.

6. INFORMATION ON OUR GROUP (Cont'd)

Schneider Electric represents more than 10% of our Group's total purchases for the FYE 28 February 2017, FYE 28 February 2018 and FYE 28 February 2019 and FPE 30 November 2019. As an authorised distributor, we are reliant on Schneider Electric for the direct supply of certain electrical products and accessories to us under the Actgen-SE Distribution Agreement and Maydenki-SE Distribution Agreement as set out in Section 6.4.13 of this Prospectus. We have been working closely with Schneider Electric since 1997, this indicates a stable and long-term business relationship with this supplier. For the past three (3) financial years and financial period under review, we have not experienced any difficulty in obtaining supplies of such electrical products and accessories from Schneider Electric.

As at the LPD, none of our Directors, Promoters and/or substantial shareholders have any interest, direct or indirect, in any of our major suppliers.

6.9 EXCHANGE CONTROL

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government of Malaysia does not levy withholding tax on dividend payments. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

We do not have any foreign subsidiaries presently. As such, as at the LPD, there are no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

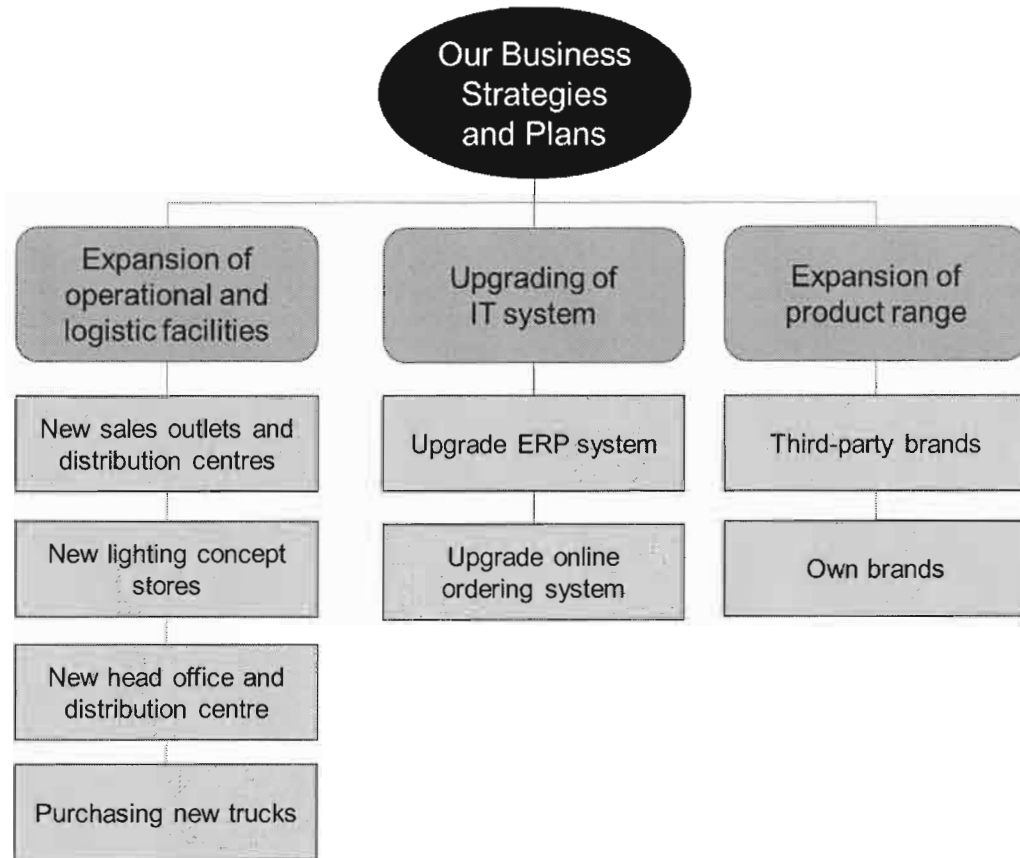
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6. INFORMATION ON OUR GROUP (Cont'd)

6.10 OUR BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue to strengthen our core competency in the distribution of electrical products and accessories by expanding our business in the following areas:

Our Business Strategies and Plans



6.10.1 Expansion of Operational and Logistic Facilities

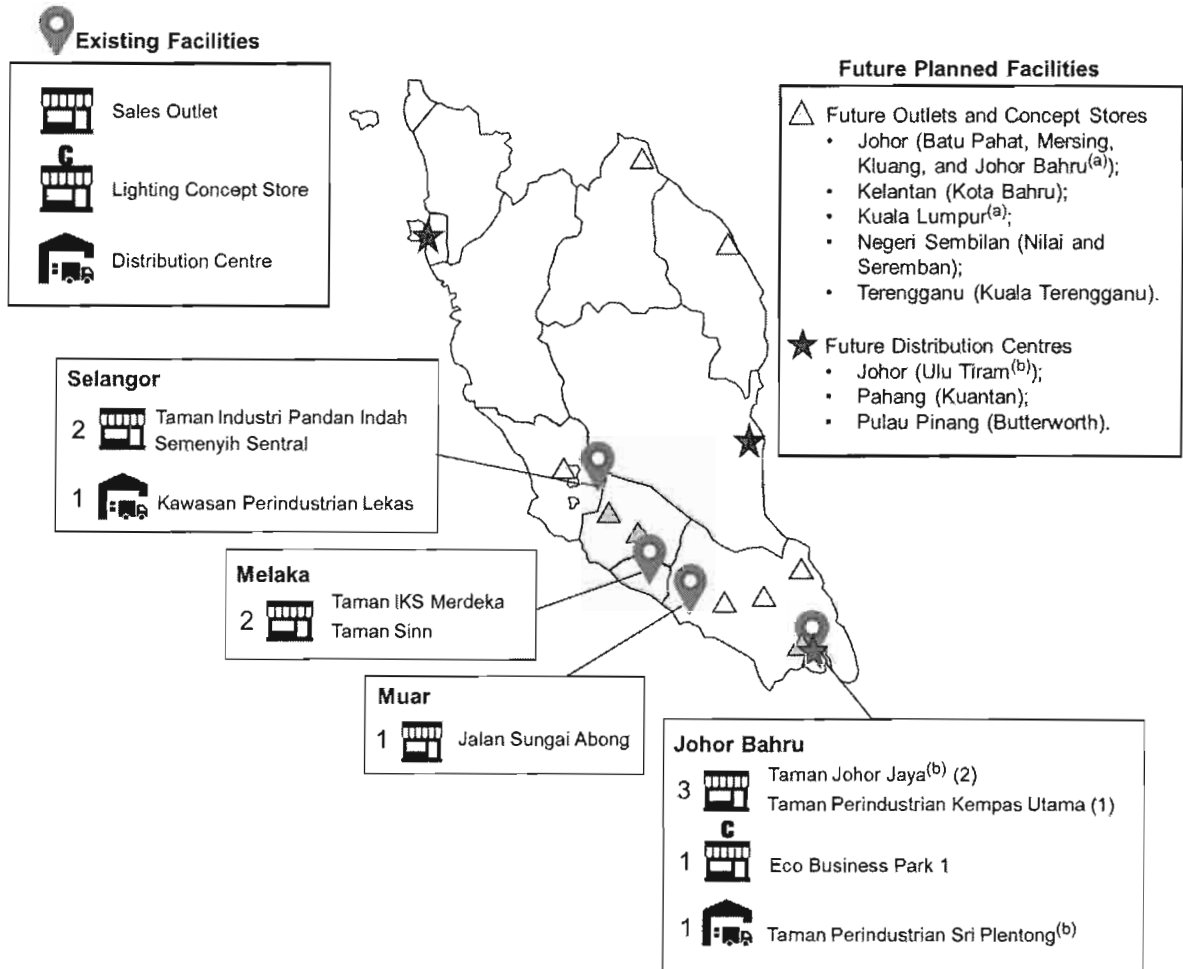
Part of our business strategy and future plans as a distributor of electrical products and accessories is to expand on the coverage of the market in Malaysia. This is in view of providing customer convenience to expand our customer base. As at the LPD, we are supported by eight (8) sales outlets, two (2) distribution centres as well as one (1) lighting concept store in Malaysia.

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6. INFORMATION ON OUR GROUP (Cont'd)

The following diagram summarises our existing and future planned facilities in Peninsular Malaysia:

Our Existing and Future Planned Facilities in Peninsular Malaysia



Notes:-

- (a) Refers to future planned lighting concept stores;
- (b) Refers to new head office and distribution centre where upon completion, we intend to relocate our existing distribution centre in Taman Perindustrian Sri Plentong, as well as our existing head office in Taman Johor Jaya to this said new facility.

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6. INFORMATION ON OUR GROUP (Cont'd)**(i) Setting Up of New Sales Outlets and Distribution Centres**

Our business strategy is to increase our coverage and presence in other towns within Johor as well as in other states in Peninsular Malaysia. This includes Negeri Sembilan, Kelantan, Terengganu, Pahang and Pulau Pinang. In view of this, we plan to rent premises and set up an additional seven (7) sales outlets and two (2) distribution centres in Peninsular Malaysia commencing progressively from 2020 up to 2022. This is as set out in the following table:-

Location	Type of Operational Facility	Number of Operational Facilities		
		2020	2021	2022
Johor - Batu Pahat - Kluang - Mersing	Sales outlets	1 ⁽¹⁾ 1 ⁽²⁾	1	
Negeri Sembilan - Nilai - Seremban	Sales outlets		1 1	
Kelantan - Kota Bahru	Sales outlet			1
Terengganu - Kuala Terengganu	Sales outlet			1
Pahang - Kuantan	Distribution centre			1
Pulau Pinang - Butterworth	Distribution centre			1
TOTAL		2	3	4

Notes:-

- (1) By second quarter of 2020; and
(2) By fourth quarter of 2020.

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6. INFORMATION ON OUR GROUP (Cont'd)

The total estimated cost of setting-up seven (7) sales outlets and two (2) distribution centres would be approximately RM12.00 million as follows:-

	Estimated Cost	Internally Generated Funds and/or Bank Borrowings	Use of IPO Proceeds
	RM million	RM million	RM million
New Sales Outlets	7.00	4.00	3.00
• <i>Johor</i>	3.00	-	3.00
• <i>Negeri Sembilan</i>	2.00	2.00	-
• <i>Kelantan</i>	1.00	1.00	-
• <i>Terengganu</i>	1.00	1.00	-
New Distribution Centres	5.00	5.00	-
• <i>Pahang</i>	2.50	2.50	-
• <i>Pulau Pinang</i>	2.50	2.50	-
Total	12.00	9.00	3.00

We will be using RM3.00 million from IPO proceeds to fund the cost of setting up three (3) sales outlets in Johor while the remaining RM9.00 million will be funded from internally generated funds and/or bank borrowings. Please refer to Section 4.4(1)(a) of this Prospectus for further details in relation to the use of IPO proceeds.

New Sales Outlets

We intend to set up three (3) additional sales outlets in Batu Pahat, Kluang and Mersing in Johor commencing progressively from 2020 to 2021. We also plan to set up four (4) other sales outlets in Nilai and Seremban in Negeri Sembilan, Kota Bahru in Kelantan, as well as Kuala Terengganu in Terengganu commencing progressively from 2021 to 2022.

The total estimated cost of setting up the seven (7) new sales outlets would be approximately RM7.00 million, which will mainly cover renovation and interior fit-outs, racking system and office furniture, purchase and installation of security system including CCTV and alarm system, electrical and telecommunications wiring, office equipment, IT related hardware as well as cable cutting machines.

New Distribution Centres

We are currently serving customers located in the East coast region and Northern region of Peninsular Malaysia through our distribution centres in Johor and Selangor. To serve our customers better, we intend to establish new distribution centres in Kuantan, Pahang as well as Butterworth, Pulau Pinang, both of which are intended to be operational by 2022. The Kuantan distribution centre will support our future sales outlets in Kelantan and Terengganu, as well as serve our existing and new customers in Pahang. Meanwhile, the Butterworth distribution centre will serve our existing and new customers in the Northern region.

The total estimated cost of setting up the two (2) new distribution centres would be approximately RM5.00 million, which will mainly cover renovation and interior fit-outs, racking system and office furniture, purchase and installation of security system including CCTV and alarm system, electrical and telecommunications wiring, office equipment, IT related hardware, as well as cable cutting machines.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Setting Up of New Lighting Concept Stores

In July 2019, we commenced the operation of our first lighting concept store in Eco Business Park 1, Johor Bahru, Johor. This is part of our strategy to tap into opportunities in the building and construction industry including renovation and interior fit-outs segment of the market.

This concept store is designed to display and promote a range of electrical appliances and accessories including third party and own brands, which mainly cover decorative light fixtures, lighting controls, switches and fans. The main target market for the concept store are interior designers, architects, builders as well as home and business owners.

Our Existing Lighting Concept Store in Johor



We plan to rent premises and set-up two (2) new lighting concept stores, including another one (1) lighting concept store in Johor Bahru by second quarter of 2020, and also one (1) lighting store in Kuala Lumpur by 2022.

The total estimated cost of setting up these two (2) new lighting concept stores would be approximately RM2.40 million which will mainly cover renovation and interior fit-outs, purchase and installation of security system including CCTV and alarm system, electrical and telecommunications wiring, office equipment as well as IT related hardware.

We will be using RM1.20 million from IPO proceeds to fund the cost of setting-up the Kuala Lumpur lighting concept store. Meanwhile, the remaining RM1.20 million cost for the Johor Bahru lighting concept store will be sourced from internally generated funds and/or bank borrowings. Please refer to Section 4.4(1)(b) of this Prospectus on further details of the use of IPO proceeds.

(iii) Setting Up of New Head Office and Distribution Centre in Johor

To cater to our expansion in business operations, we plan to set up a new head office with a distribution centre in Johor. Upon completion, we intend to relocate our existing distribution operations in Taman Perindustrian Sri Plentong, as well as our existing head office in Taman Johor Jaya to this said new facility.

In this respect, our new distribution centre will support our existing four (4) sales outlets in Johor, as well as the three (3) additional sales outlets that we plan to set up in Batu Pahat, Kluang and Mersing progressively from 2020 to 2021. In addition, this new facility will also serve as a main distribution hub for our current and future distribution centres in Selangor, Pahang and Penang.

6. INFORMATION ON OUR GROUP (Cont'd)

The new facility will also serve as our Group's corporate head office to house our administrative employees in one (1) main location to increase operational efficiency as well as to accommodate more employees as part of the expansion of our business. It will also provide our employees with a conducive work environment to enhance productivity and performance. Furthermore, with a corporate head office, we are able to enhance the visibility of our brand and elevate our corporate image and brand consciousness amongst our customers, suppliers, employees and other stakeholders.

Land and Building

In this respect, we plan to purchase a 2.29 acres industrial land together with a three (3)-storey corporate office and distribution centre in Taman Perindustrian Cemerlang, Ulu Tiram, Johor from the developer for a total price of RM17.96 million. The purchase of land and building with a total amount of RM17.96 million would be funded via bank borrowings and/or internally generated funds. As at the LPD, we are currently arranging for financing from a financial institution to fund the purchase cost of this said land and building.

As at the LPD, the developer has submitted the necessary building plan to the local authorities for the proposed building, and we have yet to finalise the formal sale and purchase agreement ("SPA"). We are expecting to sign the SPA by the first quarter of 2020. In the event that the purchase of the above said land and building does not materialise due to non-fulfilment of the terms of the SPA or we are unable to proceed with the property acquisition identified above, we will look for other suitable locations in Johor. The physical construction of the building including renovation and interior fit-outs would be expected to be completed within 18 months from the execution of SPA. In this respect, we expect to move into our new head office and distribution centre by 2022.

Artist impression of our new head office and distribution centre in Taman Perindustrian Cemerlang, Ulu Tiram, Johor



Note: The final design of the building may be subject to changes.

Additional Mezzanine Floor and Related Facilities

Within this new building, we also plan to add-on a mezzanine floor and related facilities for this said new head office and distribution centre. The total estimated cost is approximately RM6.00 million which will mainly cover mezzanine floor (including foundation), interior fit-outs, purchase and installation of overhead crane, hoist, racking system, passenger lift, security systems including CCTV and alarm system, electrical and telecommunications wiring, office furniture and equipment as well as IT related hardware. In addition, we will purchase new machinery and equipment, namely three (3) units of forklifts and two (2) units of cable cutting machines.

6. INFORMATION ON OUR GROUP (Cont'd)

We plan to utilise RM2.50 million from IPO proceeds while the remaining RM3.50 million will be funded via bank borrowings and/or internally generated funds. Please refer to Section 4.4(2) of this Prospectus for further details of the use of IPO proceeds.

(iv) Purchase of new trucks

In line with our expansion of operational facilities, we also plan to expand our in-house logistics facilities with the purchase of new trucks. We plan to purchase an additional three (3) 16-tonne trucks with hoist by the first half of 2020. These trucks will be used to facilitate loading and unloading of bulky items such as HDPE corrugated pipes, armoured cables and lighting poles.

The total cost of purchasing these trucks would be RM1.00 million of which we plan to use IPO proceeds to fund the entire cost of this plan.

6.10.2 Upgrading of IT System

We plan to upgrade our IT system by second quarter of 2020 as follows:-

(a) Upgrading ERP system

We plan to upgrade our existing ERP system to a new version which will provide us with added functionalities and features such as:-

- Ability to access our ERP system remotely through internet based website as well as through mobile devices. This will enable our sales personnel to access our inventory system to facilitate sales anywhere so long as there is access to the internet; and
- Increase the number of users to our ERP system.

(b) Upgrading online ordering system

As at the LPD, we have two (2) online ordering systems namely *Accura* for selected cables and wires, and *Maydenki-mart* for selected electrical distribution, protection and control devices. As part of our future plans, we plan to upgrade *Accura* to include other range of electrical products.

We plan to include electrical appliances and accessories such as lightings and fittings, fans, air-conditioners, water heaters, and switches and power outlets into *Accura*'s system. This will allow our customers to view product specifications, stock availability and pricing for a wider range of electrical products and accessories. In line with the launch of our lighting concept stores, this online ordering system would assist our customers to check on the availability and pricing of our products as well as place orders.

The cost of upgrading our IT system which covers software and related hardware is estimated at RM1.00 million of which we plan to use IPO proceeds to fund the entire cost of this plan.

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6. INFORMATION ON OUR GROUP (Cont'd)

The following table summarises the total estimated cost for our business strategies and plans that will be funded via IPO proceeds, internally generated funds and/or bank borrowings:-

Business Strategies and Plans	Estimated Costs (RM Million)	Internally Generated Funds and/or Bank Borrowings (RM Million)	Use of IPO Proceeds (RM Million)
Expansion of Operational and Logistic Facilities			
Setting up of new sales outlets and distribution centres	12.00	9.00*	3.00
Setting up of new lighting concept stores	2.40	1.20	1.20
Setting up of new head office and distribution centre	23.96	21.46	2.50
- Land and building	17.96	17.96^	-
- Add-on mezzanine floor and related facilities	6.00	3.50	2.50
Purchasing of new trucks	1.00	-	1.00
Upgrading of IT systems			
Upgrade of ERP and online ordering system	1.00	-	1.00
Total Estimated Costs	40.36	31.66	8.70

Notes:-

* The costs of setting up four (4) other sales outlets in Nilai and Seremban in Negeri Sembilan, Kota Bahru in Kelantan, as well as Kuala Terengganu, Terengganu that will commence progressively from 2021 to 2022.

^ As at the LPD, we are currently arranging for financing from a financial institution to fund the purchase cost of this said land and building.

6.10.3 Expansion of Product Range

As a distributor of electrical products and accessories, we will continue to expand our range of products to include other types of electrical products and accessories to provide customer convenience. In this respect, we plan to widen our existing range of electrical products and accessories to include the following:-

(a) Third party brands

We plan to source the following types of cables and wires, and electrical distribution, protection and control devices from our existing principals and/or suppliers. The types of products are as follows:-

Product Categories	Type of Products
Cables, wires and accessories	<ul style="list-style-type: none"> MV power cables (up to 33kV); LV aluminium power cables; and Multicore fire rated power cables and accessories.
Electrical distribution, protection and control devices	MV range of electrical distribution, protection and control devices including switchgear and transformers.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, the majority of the electrical distribution, protection and control devices that we carry are used for LV power distribution system. Through our existing principals, we have the opportunity to tap onto their MV range of electrical distribution, protection and control devices.

We will gradually expand the range of third-party brands of the above electrical products and accessories by the first half of 2020, of which we will use internally generated funds to fund the cost of this plan.

(b) Own brands

Part of our business strategy is to develop and increase the brand equity of *Multi5* and *Afg* to address the needs of our customers who are seeking alternative brands in the market. For the FYE 28 February 2017, FYE 28 February 2018, FYE 28 February 2019 and FPE 30 November 2019, revenue from our own brands collectively accounted for 3.22%, 3.31%, 4.56% and 6.39% of our Group's total revenue respectively.

As for our own brand of electrical products, we plan to expand on the following range of lightings and fittings as well as cables and wires:-

Brand	Product Categories	Types of products	Timing of Introduction
<i>Multi5</i>	Cables and wires	<ul style="list-style-type: none"> LV power cables and wires, including XLPE / PVC insulated and sheathing Ethernet cables 	By first half of 2020
		<ul style="list-style-type: none"> LV armoured power cables and wires Communication cables ⁽¹⁾ 	By first half of 2021
<i>Afg</i>	Lightings and fittings	<ul style="list-style-type: none"> LED panel light LED bulb retrofit 	By first half of 2020
		<ul style="list-style-type: none"> High bay Street lighting 	By first half of 2021

Note:-

- (1) Our existing range of communication cables are only up to two (2) pairs and we plan to expand up to 100 pairs.

We intend to engage contract manufacturers to produce the above electrical products and accessories under our specifications and brands. We expect to introduce the above range of our own brands of lightings and fittings as well as cables and wires between the first half of 2020 and first half of 2021, of which we will use internally generated funds to fund the cost of this plan.

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7. INDUSTRY OVERVIEW



10 February 2020

The Board of Directors
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Dear Sirs and Madam

Independent Assessment of the Distribution of Electrical Products Industry in Malaysia

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

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

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

Yours sincerely

Wooi Tan
Managing Director

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

7. INDUSTRY OVERVIEW (Cont'd)



INDEPENDENT ASSESSMENT OF THE DISTRIBUTION OF ELECTRICAL PRODUCTS INDUSTRY IN MALAYSIA

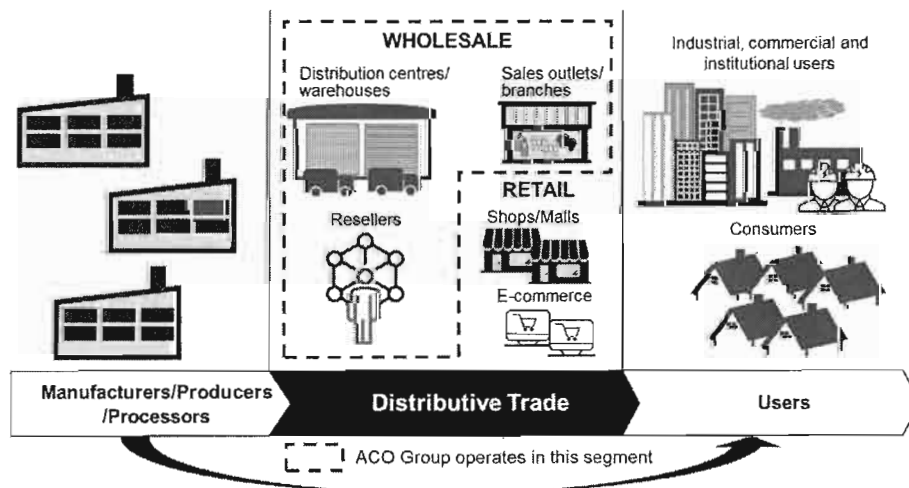
1. INTRODUCTION

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

2. DISTRIBUTIVE TRADE INDUSTRY

2.1 Value Chain

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



- Goods passing through the distributive trade sector are sold without transformation. Operators within the distributive trade sector may physically break bulk, sort, grade, assemble, mix, pack or repack, but do not refine, process, manufacture or otherwise transform the goods.
- Operators within the distributive trade may sell directly to users and/or other intermediaries who subsequently resell to users. In some situations, manufacturers, producers and processors may also sell their goods directly to users.
- The distributive trade is segmented into wholesale and retail trade. Retail trade refers to the resale of goods to the general public or consumers for personal or household use. Retail trade covers different selling formats including store-based and non-store-based to sell goods. Store-based retailing has physical outlets to display and sell goods. Non-store-based retailing includes sales through single and multilevel marketing, telephone, television, catalogue, mail order and online. Goods sold through retail trade are commonly referred as consumer goods.

7. INDUSTRY OVERVIEW (Cont'd)

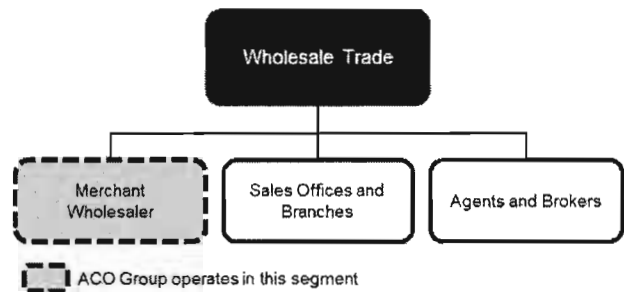


- Wholesale trade refers to the resale of goods to either industrial users or resellers. Resellers include other wholesalers or retailers. Industrial users refer to industrial, commercial, institutional, government, professionals or other groups but not to the general public. Goods sold through wholesale trade are commonly referred to as industrial goods.
- The distinction between consumer goods and industrial goods has legal implications as goods sold to consumers are covered by the Consumer Protection Act 1999, Consumer Protection (Amendment) Act 2017 and Consumer Protection (Credit Sale) Regulations 2017. In some situations, the distinction between consumer and industrial sales may not be obvious.
- ACO Group operates within the distributive trade industry as a wholesaler and largely sells to industrial users and resellers.

2.2 Operators of Wholesale Trade

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

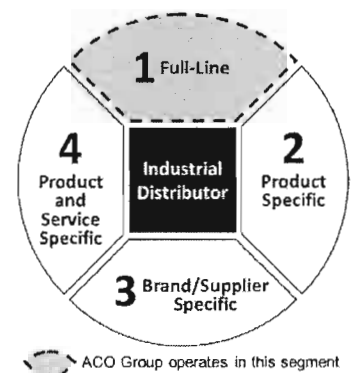
- **Merchant wholesalers:** These are operators that buy their goods from manufacturers, processors, producers or other wholesalers, and take title to the goods before the goods are resold. This category has by far the largest number of operators and include, among others, industrial distributors, contractors,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



- **Sales offices and branches:** These are mainly sales outlets owned by manufacturers and producers for the purpose of selling their own goods, but not amounting to retailing.
- **Agents and brokers:** These are intermediaries that source buyers or sell on behalf of suppliers of the goods. They do not take title to the goods, and mainly work on commission or fee basis.

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

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



- **Full-line:** These operators carry a broad line of products and brands distributing to different user groups. For example, a full-line electrical product distributor will carry a wide variety of electrical products and accessories sourced from different manufacturers and suppliers, and distributes to various user groups including building and construction contractors, mechanical and electrical contractors, electrical product manufacturers, property developers and interior fit-out operators.
- **Product specific:** These operators specialise in distributing products and accessories for one or a very narrow range of applications, for example, industrial automation and control;

7. INDUSTRY OVERVIEW (Cont'd)



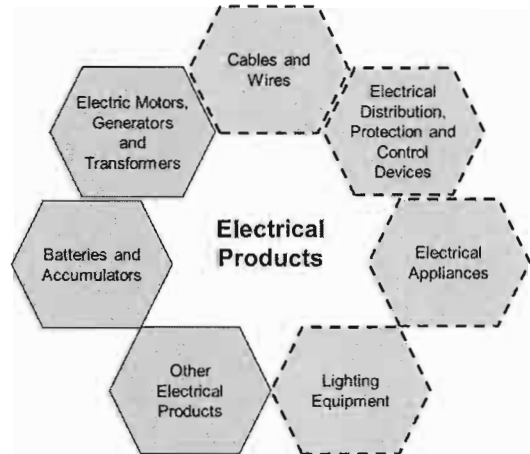
instrumentation and sensors; lighting equipment; and rotating equipment (such as motors, pumps and compressors).

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

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

3. ELECTRICAL PRODUCTS

- Electrical products are machine, equipment, apparatus, appliances and devices that require electricity for them to function. They also include those that generate, transmit, distribute, control or store electricity.
- In the context of this report, they also include parts and components that make up the final electrical product. Accessories are various types of hardware and products that may not be electrical in nature, but are commonly incorporated when using, installing or fabricating an electrical product or system.
- Electronic products, although uses electricity, is a special category on its own and is distinct from electrical products. Many electrical products incorporate electronic parts and components to improve efficiency, accuracy, functionality, user interface and aesthetics.



ACO Group distributes mainly products within these segments

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

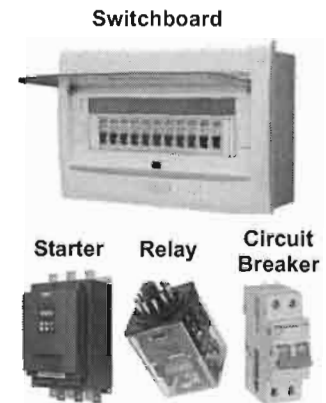
- Power cables and wires are mainly used in power grids as well as buildings, structures and infrastructures for the transmission and distribution of electricity from the power generating plant to users and devices;
- Communication cables and wires carry data and signals to provide linkages between two or more communications network or devices; and
- Control and instrumentation cables and wires are mainly used in industrial and commercial settings to connect instruments and devices that monitor or measure certain situation or events. These cables and wires allow transmission of data or signals between processors and devices to trigger an action or display analysed information.



7. INDUSTRY OVERVIEW (Cont'd)



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



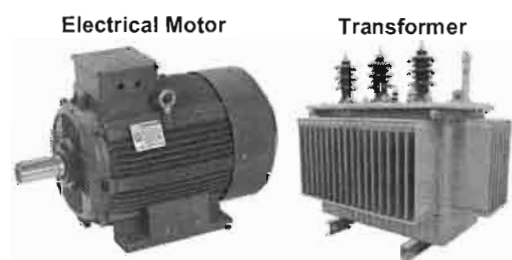
- Electrical appliances:** They are machines used to do work or to accomplish one or more functions. They include, among others, refrigerators, freezers, air-conditioners, fans, water heaters, dish washers, washing machines, microwave ovens, vacuum cleaners and coffee making machines.

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



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

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



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

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

3.1 Regulation Governing the Industry

Electrical equipment Certification of Approval (CoA)

- According to the Electricity Regulations 1994, CoA is issued by the Energy Commission Malaysia for the manufacture, import, display, sale or advertisement of any electrical equipment under the regulated list. Such equipment refers to any domestic equipment, low voltage equipment that is

7. INDUSTRY OVERVIEW (Cont'd)



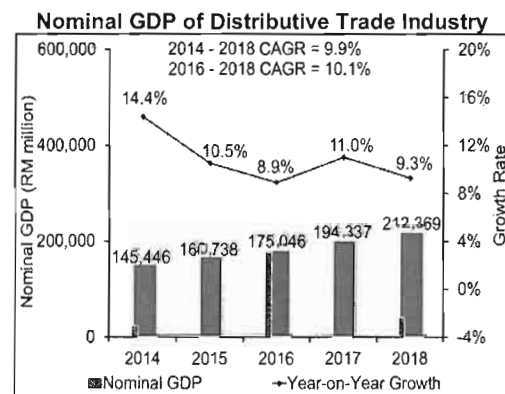
usually sold direct to the general public, or low voltage equipment which does not require special skills in its operations. Approved electrical equipment are required to be affixed with safety labels before being sold to the public. A list of regulated electrical equipment are as follows:

- Adapter/charger
- Air conditioner
- Audio and video player unit
- Ballast/control gear/driver of lamp
- Bayonet cap and multiway adaptors
- Capacitor for fluorescent lamp
- Ceiling rose
- Christmas light
- Circuit breaker
- Domestic power tools (portable type)
- Energy (kwh) meter
- Fan
- Fluorescent lamp/starter holder
- Hand operated hair dryer/skin care
- Hi-fidelity set
- Immersion water heater
- Iron
- Kettle including heating elements
- Kitchen machine
- Lamp fitting
- Massager
- Plug top/plug ($\leq 15A$)
- Portable luminaire lamp
- Refrigerator
- Rice cooker
- Shaver
- Socket Outlet ($\leq 15A$)
- Switch and dimmer
- Toaster/oven
- Vacuum cleaner
- Vaporiser
- Video and TV
- Washing machine
- Water heater include heating elements
- Wires/cables/cords (non-armoured) (0.5 mm² to 35 mm²)

- All regulated electrical equipment that require CoA must be affixed with "SIRIM-ST" label. The "SIRIM-ST" label is issued by SIRIM QAS International Sdn Bhd, a certification, inspection and testing body which provides certification on certain products. Products bearing SIRIM label demonstrates that the product is in compliance with certain standards and provides the user an assurance of safety and reliability.
- ACO Group's own brand *Afg* of LED tubes and downlights have received the CoA approvals and certification from the Energy Commission of Malaysia and SIRIM.

4. PERFORMANCE OF DISTRIBUTIVE TRADE

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



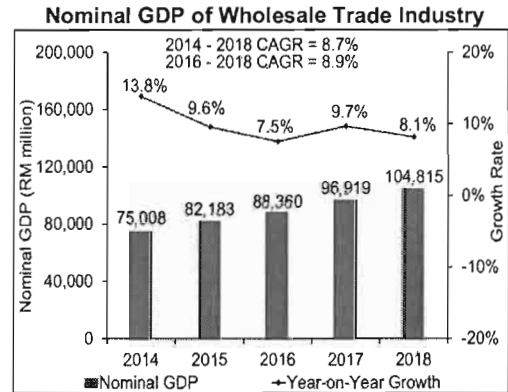
(Source: Bank Negara Malaysia; Vital Factor analysis)

- The Distributive Trade industry is one of the main contributors to Malaysia's economic performance. In 2018, GDP of the Distributive Trade industry, represented by the sum of Wholesale and Retail Trade (not including motor vehicles), amounted to RM212.369 billion, representing 26.4% of the GDP of the total Services sector, and 14.7% of Malaysia's total GDP.
- As at the third quarter (Q3) 2019, the distributive trade industry continued to grow at a rate of 7.4% to record a GDP of RM164.811 billion, compared to RM153.449 billion in Q3 2018.

7. INDUSTRY OVERVIEW (Cont'd)



- Between 2014 and 2018, the GDP of the Distributive Trade industry grew by compound annual growth rate (CAGR) of 9.9% in nominal terms. In contrast, for the same period, Malaysia's growth in nominal GDP were registered at 6.9%. This indicates that the GDP of the Distributive Trade industry grew faster than the economy of Malaysia in nominal terms between 2014 and 2018.
- In 2018, GDP of the Wholesale Trade industry amounted to RM104.815 billion, representing 13.0% of the GDP of the Services sector, and 7.2% of the GDP of Malaysia.
- In 2018, GDP of Wholesale Trade industry grew at a year-on-year rate of 8.1% in nominal terms and 7.3% in real terms. In contrast, Malaysia's nominal and real GDP for 2018 recorded a year-on-year growth of 5.5% and 4.7% respectively.
- As at Q3 2019, GDP of Wholesale Trade industry was recorded at RM81.169 billion, a 6.8% growth as compared to RM76.031 billion recorded in Q3 2018.



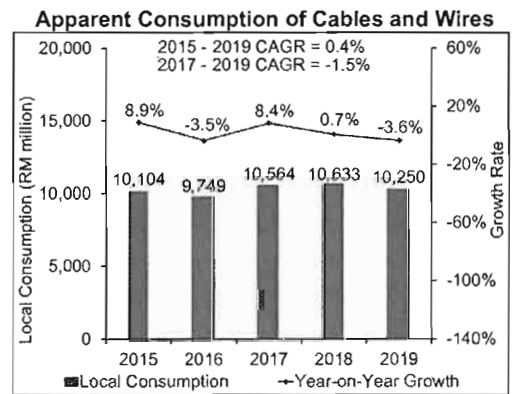
(Source: Bank Negara Malaysia)

5. APPARENT CONSUMPTION OF ELECTRICAL PRODUCTS AND ACCESSORIES

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

5.1 Cables and Wires

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



(Source: Dept of Statistics; Vital Factor analysis)

5.2 Electrical Distribution, Protection and Control Devices

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

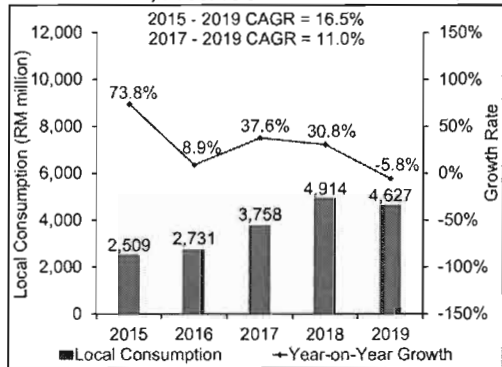
7. INDUSTRY OVERVIEW (Cont'd)



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

- In 2019, local production, imports and exports of electrical distribution, protection and control devices amounted to RM4.505 billion (growth = -0.2%), RM12.495 billion (growth = 1.7%) and RM12.373 billion (growth = 4.1%) respectively. In 2019, the decrease in apparent consumption was mainly attributed to increase in exports amounting to RM0.484 billion.
- Malaysia depends significantly on imports of electrical distribution, protection and control devices which amounted to RM12.495 billion in 2019. In 2019, imports were larger than local production of electrical distribution, protection and control devices by approximately 2.8 times.

Apparent Consumption of Electrical Distribution, Protection and Control Devices

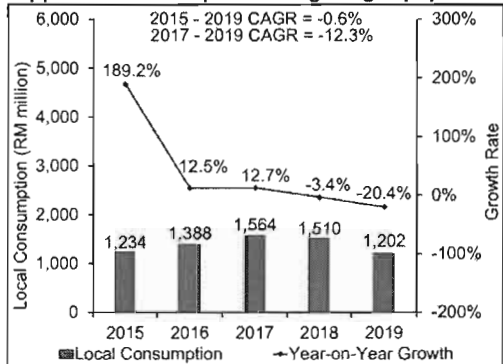


(Source: Dept of Statistics; Vital Factor analysis)

5.3 Lighting Equipment

- Apparent consumption of lighting equipment contracted by a CAGR of 12.3% from RM1.564 billion in 2017 to RM1.202 billion in 2019.
- The high growth in apparent consumption in 2015 was mainly due the low base of RM427 million in 2014 and the increase in imports amounting to RM689 million (34.7%). The increase in imports were for lamps and light fittings as well as signalling equipment.
- In 2019, apparent consumption fell by RM0.308 billion, mainly due to drop in imports from RM3.130 billion in 2018 to RM2.779 billion in 2019. In 2019, local production, imports and exports of lighting equipment amounted to RM482 million (growth = 8.8%), RM2.779 billion (growth = -11.2%) and RM2.058 billion (growth = -0.2%) respectively.

Apparent Consumption of Lighting Equipment



(Source: Dept of Statistics; Vital Factor analysis)

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

6. DEMAND DEPENDENCIES AND USER INDUSTRIES

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

6.1 Construction Industry

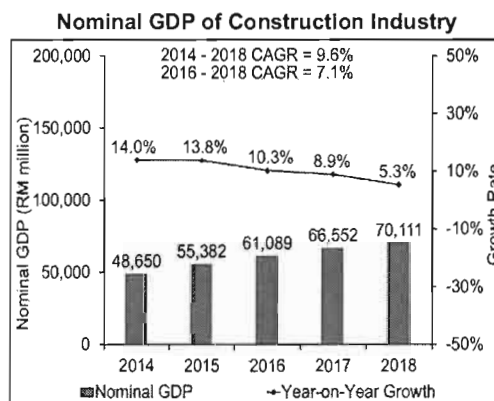
- The construction industry is a major user industry for electrical products. These electrical products are used inside buildings, structures and infrastructures such as ports, airports, railways, roads

7. INDUSTRY OVERVIEW (Cont'd)



and water treatment plants. As such, a growing construction industry will drive demand for electrical products, auguring well for all operators within the value added and supply chain, including distributors.

- Between 2014 and 2018, GDP of the construction industry grew by CAGR of 9.6% to reach RM70.111 billion, representing 4.8% of Malaysia's total GDP.
- In 2018, GDP of the construction industry registered a moderated growth of 5.3% compared to 8.9% in 2017. This was mainly due to higher levels of oversupply of the residential and commercial properties (Source: Bank Negara Malaysia).

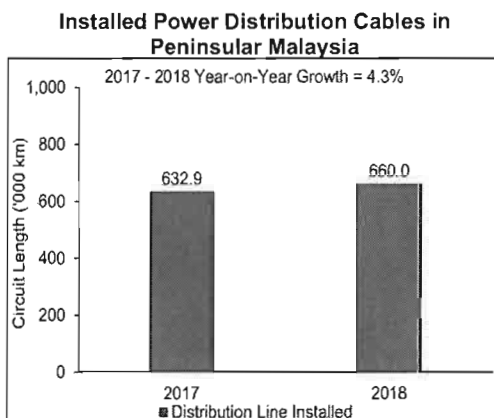


(Source: Bank Negara Malaysia)

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

6.2 Power Industry

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



(Source: Tenaga Nasional Berhad)

- In general, electrical products used in power transmission are designed to withstand high voltage electricity, whereas electrical products used for power distribution are mainly for electricity of medium and low voltage.
- The circuit length of distribution cables installed in Peninsular Malaysia grew by 4.3% from 632,929km in 2017 to 660,038km in 2018. There was no comparable information prior to 2017 as available statistics were for route length of installed distribution cables.

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

- According to the mid-term review of 11th Malaysia Plan, the government is targeting to provide electricity supply to an additional 41,160 houses to achieve 99% electricity coverage in rural area by 2020, an 2.9% increase in electricity coverage from 96.1% as at 2017. Rural electrification programmes augur well for electrical products and parts distributors as demand increases to meet national objectives.
- According to Tenaga Nasional Berhad, a capital expenditure of between RM9.0 billion to RM9.5 billion will be allocated for 2019, of which RM6.0 billion will be allocated for the grid division, RM2.5 billion will be invested in the generation division and the remainder will be spent on renewable

7. INDUSTRY OVERVIEW (Cont'd)



energy and smart metering. The capital expenditure is likely to encourage development in the power industry which would benefit electrical products distributors.

7. OPERATORS IN THE INDUSTRY

- The electrical product distribution industry in Malaysia is fragmented. The number of operators in the industry range from a large number of sole proprietors and family-owned businesses operating one or a few outlets, to large local and international distributors with chains of outlets in Malaysia. For example, Sonepar is a large international distributor of electrical products recording global sales of €22.4 billion (*approximately RM106 billion**) in 2018. Sonepar is a privately-owned company with operations in 44 countries with approximately 2,800 branches. Sonepar Malaysia has 42 branches in Malaysia and recorded sales of €198 million (*approximately RM937 million**) in 2018 in Malaysia. (Source: Sonepar) Note: *Based on exchange rate of the RM to € was RM4.7340 in 2018. (Source: Bank Negara Malaysia).
- Although there are no published data on the number of companies distributing electrical products in Malaysia, there were approximately 550 companies involved in the distribution of electrical products in Malaysia that are registered as members of The Electrical and Electronics Association of Malaysia (TEEAM) or its affiliated state associations in 2018. It should also be noted that there are distributors who are not registered with the above associations.
- Below are two public listed companies whose subsidiaries are involved in the distribution of electrical products in addition to other business activities, as well as ACO Group (listed in descending order of Group Revenue).

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

Notes:

- (a) Latest available financial information from annual reports of respective companies and ACO Group.
 - (b) Segmental revenue for sales and distribution of electrical products and office automation products (Source: Annual report).
 - (c) Segmental revenue for marketing and distribution of electrical and electronic components and equipment (Source: Annual report).
 - (d) Segmental revenue for distribution of cables, wires and accessories; electrical distribution, protection and control devices; as well as electrical appliances and accessories.
 - (e) Segment revenue divided by the Group's revenue for the latest financial year.
 - (f) For total Group which includes distribution of electrical products and other business activities.
 - (g) Includes distribution of other products such as water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.
- Some private companies and group of companies that distribute electrical products in Malaysia include the following:
 - Chi-Tak group of companies⁽¹⁾
 - Focus Electrical Malaysia Sdn Bhd
 - Furse Electric (Sabah) Sdn Bhd
 - Gemilite Sdn Bhd
 - Gentlelite group of companies⁽²⁾
 - Genuine Electric Sdn Bhd
 - Oon Brothers Electrical Trading Co Sdn Bhd
 - Powerpoint Electrical Sdn Bhd
 - Sin Lian Wah group of companies⁽³⁾
 - Sonepar Malaysia group of companies⁽⁴⁾
 - Surelite Electrical Co. Sdn Bhd
 - Tegas Tulin Sdn Bhd

7. INDUSTRY OVERVIEW (Cont'd)



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

Notes: The above companies or group of companies are listed in alphabetical order.

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

The list of companies or group of companies above are selected based on the following criteria:

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

8. MARKET SIZE AND SHARE

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

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

Notes:

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

8. RISK FACTORS

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

8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

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

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

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

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

8.1.2 We operate in a competitive environment

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

8. RISK FACTORS (Cont'd)

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

8.1.3 We rely on our distribution centres

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

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

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

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

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

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

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

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

8. RISK FACTORS (Cont'd)

8.1.5 Our business depends on our ability to manage our inventory

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

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

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

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

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

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

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

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

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

8. RISK FACTORS (Cont'd)

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

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

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

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

8.1.9 We are subject to the risk of product liability

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

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

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

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

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

8. RISK FACTORS (Cont'd)

8.1.11 We are exposed to the risk of pilferage and theft

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

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

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 The distributive trade industry faces competition from e-commerce

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

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

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

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

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8. RISK FACTORS (Cont'd)

8.3 RISKS RELATING TO INVESTING IN OUR SHARES**8.3.1 There has been no prior market for our Shares**

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

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

8.3.2 Our Share price and trading volume may be volatile

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

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

- (i) variations in our results and operations;
- (ii) success or failure in our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the prevailing local and global economic conditions or stock market sentiments or other events or factors;
- (v) additions or departures of key senior management;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

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

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

8. RISK FACTORS (Cont'd)

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

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

- (i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;
- (ii) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;
- (iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or
- (iv) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:-
 - (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

9. RELATED PARTY TRANSACTIONS

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

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

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Transactions that are material to our Group

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

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
Actgen	K.E. Electric Sdn Bhd ("KEESB")	<ul style="list-style-type: none"> Jin Siew Yen is a director of Actgen Jin Siew Yoong and Jin Kong Chaut are Jin Siew Yen's siblings and are both directors and shareholders of KEESB 	Sale of electrical products from Actgen to KEESB.	RM 53,726 (0.05% of the Group's revenue)	RM 67,769 (0.05% of the Group's revenue)	RM 55,971 (0.04% of the Group's revenue)	RM 11,419 (0.01% of the Group's revenue)	RM 3,348 ⁽³⁾

9. RELATED PARTY TRANSACTIONS (Cont'd)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
				RM	RM	RM	RM	RM
Maydenki	KEESB	<ul style="list-style-type: none"> Jin Siew Yen is a director of Maydenki Jin Siew Yoong and Jin Kong Chaut are Jin Siew Yen's siblings and are both directors and shareholders of KEESB 	Sale of electrical products from Maydenki to KEESB.	-	5,628 (0.005% of the Group's revenue)	4,585 (0.003% of the Group's revenue)	1,662 (0.002% of the Group's revenue)	-
Actgen	ITEC Electric (KL) Sdn Bhd ("ITEC KL")	<ul style="list-style-type: none"> Ir. Tang Pee Tee @ Tan Chang Kim held common directorships in Actgen and ITEC KL up till 15 May 2019 where he resigned as a director of ITEC KL Ir. Tang Pee Tee @ Tan Chang Kim is a shareholder of Actgen. He was also a shareholder of ITEC KL up till 12 June 2019 where he disposed his entire equity interest in ITEC KL 	Actgen purchased two (2) motor vehicles from ITEC KL.	-	38,962 (0.12% of the Group's NA)	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Actual				
				FYE 28 February 2017	FYE 28 February 2018	FYE 28 February 2019	FPE 30 November 2019	1 December 2019 up to the LPD
				RM	RM	RM	RM	RM
Electric Master	Kompas	<ul style="list-style-type: none"> Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Electric Master and Kompas ⁽¹⁾ 	Electric Master rented from Kompas the office premise located at No. 13, Jalan IKS M5, Taman IKS Merdeka, 75350 Melaka.	26,400 (0.46% of the Group's PBT)	26,400 (0.40% of the Group's PBT)	26,400 (0.29% of the Group's PBT)	-	-
Actgen	Kompas	<ul style="list-style-type: none"> Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Actgen and Kompas ⁽²⁾ 	Sale by Actgen to Kompas of a semi-detached workshop held under Geran 242295, Lot 51459, Mukim Plentong, Daerah Johor Bahru, Negeri Johor bearing postal address No. 133, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	-	-	-	2,150,000 ⁽⁴⁾	-

Notes:-

- (1) Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen have indirect shareholdings in Electric Master by virtue of their shareholdings in ACO Holdings which is the holding company of Electric Master.
- (2) Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen have indirect shareholdings in Actgen by virtue of their shareholdings in ACO Holdings which is the holding company of Actgen.
- (3) Percentage unable to be ascertained as at the LPD as our Group's audited financial statements for 1 December 2019 up to the LPD is not available.
- (4) Based on a third party valuation carried out by a registered property valuer.

9. RELATED PARTY TRANSACTIONS (Cont'd)

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

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

9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

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

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9. RELATED PARTY TRANSACTIONS (Cont'd)

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

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

Company within our Group	Interested related party and nature of relationship	Nature of transaction and purpose	Amount			As at the LPD
			As at 28 February	2019	As at 30 November 2019	
			2017 RM	2019 RM	2019 RM	RM
Actgen	<ul style="list-style-type: none"> Kompas is our Promoter Ir. Tang Pee Tee @ Tan Chang Kim and Jin Siew Yen are common directors and shareholders of Actgen and Kompas⁽¹⁾ 	<p>Corporate guarantee given by Actgen to Public Bank Berhad for credit facilities granted to Kompas.</p> <p>This guarantee had been discharged on 2 April 2019.</p>	500,000 (1.91% of the Group's NA)	500,000 (1.60% of the Group's NA)	500,000 (1.38% of the Group's NA)	-

Note:-

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

10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

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

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent**

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

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

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

10.2.2 Solicitors for the Listing

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

10.2.3 External Auditors and Reporting Accountants

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

10. CONFLICT OF INTEREST (Cont'd)

10.2.4 Independent Business and Market Research Consultants

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

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11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

Notes:-

- (1) Based on assumed number of Shares in issue of 242,000,000 after the Internal Reorganisation Exercise, but before Public Issue.
- (2) Based on assumed number of Shares in issue of 300,000,000 after the Public Issue.
- (3) Based on PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 242,000,000 for the financial years under review.

Based on annualised PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 242,000,000 for the financial periods under review.
- (4) Based on PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 300,000,000 for the financial years under review.

Based on annualised PAT attributable to owners of the Group divided by the assumed number of Shares in issue of 300,000,000 for the financial periods under review.
- (5) GP margin is calculated based on GP divided by revenue.
- (6) PBT margin is calculated based on PBT divided by revenue.
- (7) PAT margin is calculated based on PAT divided by revenue.

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

Note:-

[^] NA attributable to owners of our Group.

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11. FINANCIAL INFORMATION (Cont'd)

11.2 CAPITALISATION AND INDEBTEDNESS

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

- (i) as at 31 December 2019, after taking into account the Internal Reorganisation Exercise but before the Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from the Public Issue.

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

Note:-

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

11.3.1 Overview of our operations

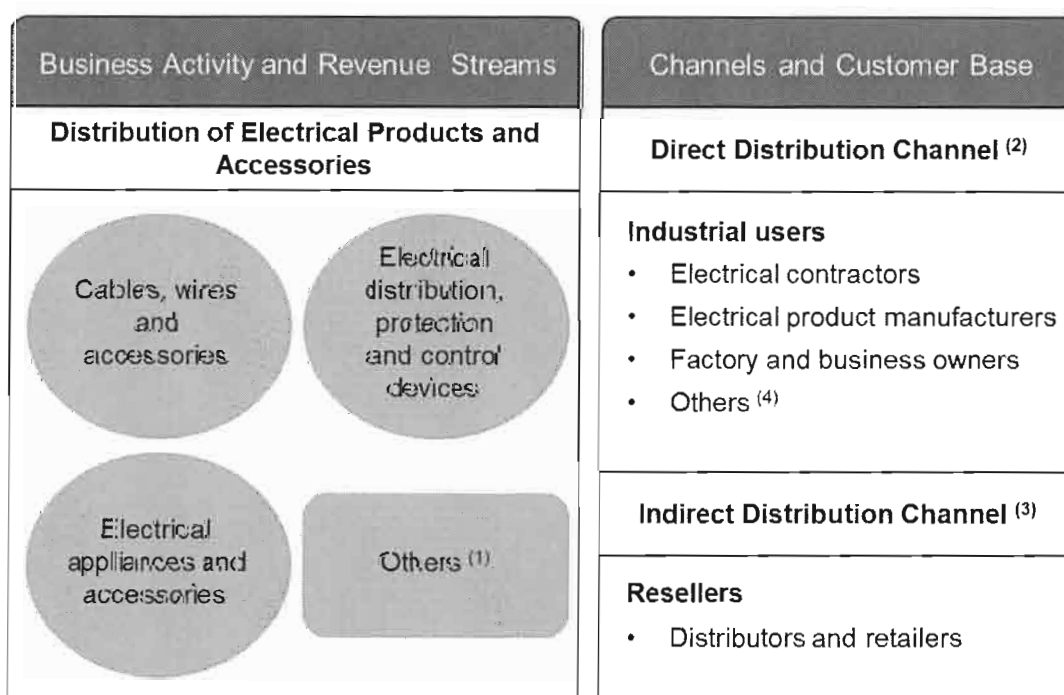
Our Company is principally an investment holding company while our subsidiaries are principally involved in the distribution of electrical products and accessories for third party brands as well as our own brands specialising in the following:-

- (i) cables, wires and accessories;
- (ii) electrical distribution, protection and control devices; and
- (iii) electrical appliances and accessories.

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

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

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



11. FINANCIAL INFORMATION (Cont'd)**Notes:-**

- (1) Others include water plumbing materials, power tools and accessories, as well as CCTV and alarm systems.
- (2) Direct distribution channel involves selling our products directly to end-users which includes people who purchase our products to carry out their work; for use as input materials to manufacture other electrical products; and/or for their own use.
- (3) Indirect distribution channel involves selling our products to intermediaries who will resell our products to their respective customers.
- (4) Other industrial users include architects and interior designers, equipment and machinery repair and maintenance service providers, as well as walk-in customers.

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

11.3.2 Review of operations**(a) Revenue**

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

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

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

Our revenue is driven by the following key factors:-

- the prospects of the power industry as well as the construction industry and the general economy which may affect demand for our electrical products and accessories;
- the competition from other operators that are involved in the sales and distribution of electrical products and accessories which may affect the selling prices and sales volume of our products; and

11. FINANCIAL INFORMATION (Cont'd)

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

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

(i) Analysis of contribution to revenue by distribution channel

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

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

(ii) Analysis of contribution to revenue by product categories

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

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

11. FINANCIAL INFORMATION (Cont'd)**Commentary:-**Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

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

- (i) increase in sales from a reseller, namely Focus Electrical Malaysia Sdn Bhd amounting to RM8.00 million for the supply of cables, wires and accessories, as well as electrical appliances and accessories such as fans, switches and power outlets for its customers in the East coast region;
- (ii) we secured order from a new customer, namely Muarlite Industries Sdn Bhd amounting to RM2.42 million for the supply of electrical appliances and accessories in particular lightings and fittings;
- (iii) increase in sales for our own brands of products in particular lightings as well as cables and wires amounting to RM0.84 million and RM0.26 million, respectively due to our continuous marketing campaigns and enhanced market acceptance; and
- (iv) we made an upward revision to the selling price for certain range of electrical distribution, protection and control devices as well as cables and wires.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

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

- (i) increase in sales for cables, wires and accessories due to higher sales from both industrial users and resellers for our own brand cables and wires amounting to RM1.50 million, increase in the sales of cables and wires accessories such as HDPE corrugated pipe amounting to RM1.65 million and the expansion of product range for the cables and wires;
- (ii) increase in sales for our other products mainly the water plumbing materials amounting to RM0.70 million as we included high pressure water pipes to our range of plumbing materials during the FYE 28 February 2019;

11. FINANCIAL INFORMATION (Cont'd)

- (iii) increase in sales from two (2) electrical contractors, namely Keyy Electrical Sdn Bhd and Low Elite Sdn Bhd amounting to RM2.40 million and RM3.10 million, respectively for the supply of cables, wires and accessories, as well as electrical appliances and accessories such as switches and power outlets for their projects; and
- (iv) increase in sales amounting to RM2.40 million contributed from our sales outlet in Semenyih as it has gradually increased its sales to industrial users in the vicinity.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

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

- (i) increase in sales from cables, wires and accessories mainly due to higher sales for communication, and control and instrumentation cables and wires as well as cables accessories in particular HDPE corrugated pipe. We secured order from a new customer, namely MCH M&E Sdn Bhd amounting to RM1.51 million mainly for the supply of cables, wires and accessories in particular HDPE corrugated pipe;
- (ii) increase in sales from an electrical contractor, namely Cahaya Engineering Works amounting to RM2.66 million for the supply of electrical distribution, protection and control devices in particular air circuit breakers;
- (iii) increase in sales for our own brand of products in particular lightings amounting to RM1.85 million mainly due to higher demand and the commencement of our first lighting concept store in Johor Bahru in July 2019; and
- (iv) increase in sales for our other products mainly the water plumbing materials amounting to RM0.50 million as we received increased orders for our high pressure water pipes.

11. FINANCIAL INFORMATION (Cont'd)**(b) Cost of sales, GP and GP margin**

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

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

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

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

- our pricing strategy and ability to continually source and purchase quality electrical products and accessories which meet the requirements of our customers at competitive prices;
- our ability to maintain long-term relationships with our major suppliers and to secure wider range of electrical products and accessories at competitive prices and favourable terms to fulfil the increase in demand from our customers from time to time;
- the composition of sales via direct distribution channel and indirect distribution channel. We command higher GP margin for the sales via direct distribution channel i.e. sales to industrial users as compared to the sales via indirect distribution channel, i.e. sales to resellers as we sell directly to our customers rather than through intermediaries such as resellers;
- our product sales mix structure where some product categories may have higher margin as compared to others. Certain range of our electrical products and accessories commands better profit margin such as the following:-
 - (i) cables, wires and accessories, whereby we provide 'cut-to-length' services for cables and wires to our customers and we source our cables accessories directly from manufacturers;
 - (ii) electrical distribution, protection and control devices, whereby we are the authorised distributor for certain brands which we have volume purchase discount and target incentives; and

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

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

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

(i) Analysis of cost of sales by cost component

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

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11. FINANCIAL INFORMATION (Cont'd)

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

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

	<-----Audited----->						Unaudited		Audited	
	<-----FYE 28 February----->						<-----FPE 30 November----->			
	2017		2018		2019		2018		2019	
GP	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cables, wires and accessories	7,283	41.82	8,589	43.65	9,832	44.25	7,073	46.83	9,333	47.68
Electrical distribution, protection and control devices	5,586	32.08	6,197	31.50	6,822	30.71	4,384	29.03	5,202	26.58
Electrical appliances and accessories	3,821	21.94	4,001	20.33	4,530	20.39	2,998	19.85	4,166	21.28
Others	724	4.16	889	4.52	1,034	4.65	649	4.29	872	4.46
Total GP	17,414	100.00	19,676	100.00	22,218	100.00	15,104	100.00	19,573	100.00
GP margin		%		%		%		%		%
Cables, wires and accessories		17.02		18.26		18.10		17.84		22.34
Electrical distribution, protection and control devices		16.52		17.97		19.98		18.51		19.39
Electrical appliances and products		13.67		12.21		13.13		12.32		15.63
Others		7.27		8.97		9.06		8.10		9.88
Overall GP margin		15.21		15.84		16.53		15.79		18.81

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11. FINANCIAL INFORMATION (Cont'd)**Commentary:-**Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

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

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

- (i) higher margin from the revision of selling price for certain range of products under the electrical distribution, protection and control devices as well as cables and wires;
- (ii) increase in demand for our own brands of products, namely lightings as well as cables and wires which command higher margin;
- (iii) higher sales for our cables accessories which command better margin as we source directly from the manufacturers as compared to purchase from other distributors previously; and
- (iv) better pricing strategy pursuant to the incentive provided by our principals and suppliers on volume discount and prompt payment.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

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

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

- (i) lower cost incurred (for the purchase of products from the manufacturers at zero-rated GST) to build-up the inventories for certain high turnover products under the electrical distribution, protection and control devices during the zero-rated GST period from June 2018 to August 2018. These products were subsequently sold at a prevailing market price during the implementation of the SST; and
- (ii) increase in demand for our own brands of products, namely lightings as well as cables and wires, which command higher margin due to our continuous marketing campaigns and enhanced market acceptance.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

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

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

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

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11. FINANCIAL INFORMATION (Cont'd)
(c) Other income

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

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

Notes:-

* Less than RM1,000.

^ Negligible.

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

Commentary:-Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

- (i) increase in reversal of impairment loss on trade receivables from RM0.27 million in FYE 28 February 2017 to RM0.41 million in FYE 28 February 2018, which was previously provided as part of our impairment policy in managing credit risk; and
- (ii) changes in fair value of investment properties amounting to RM0.26 million in compliance with MFRS 140 to measure the investment properties based on open market values for financial reporting purposes.

Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

- (i) insurance claim amounting to RM0.39 million for non-payment of trade receivables exceeding credit period;
- (ii) waiver of amount owing to a director amounting to RM0.35 million;
- (iii) changes in fair value of investment properties amounting to RM0.35 million; and
- (iv) gain on disposal of PPE amounting to RM0.10 million arising from the sales of motor vehicles during the FYE 28 February 2019.

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

- (i) increase in reversal of impairment loss on trade receivables from RM0.09 million in FPE 30 November 2018 to RM0.13 million in FPE 30 November 2019, which was previously provided as part of our impairment policy in managing credit risk;
- (ii) gain on disposal of asset held for sale amounting to RM0.44 million arising from the sale of a sales outlet in Taman Johor Jaya, Johor Bahru in April 2019 as the Group decided to move its operation in this sales outlet to its sales outlet in Taman Perindustrian Kempas Utama which has a larger space. In addition, the Group already has a few existing sales outlets in Taman Johor Jaya; and
- (iii) realised gain on foreign exchange amounting to RM0.05 million arising from the depreciation of RM, as some of our sales were transacted in foreign currency.

11. FINANCIAL INFORMATION (Cont'd)**(d) Administrative expenses**

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

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

Note:-

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

Commentary:-Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

11. FINANCIAL INFORMATION (Cont'd)

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

- (i) increase in staff costs by RM0.88 million mainly due to the increase in staff force by 10 employees from 160 employees in FYE 28 February 2017 to 170 employees in FYE 28 February 2018 to cater for the increase in our scale of operations;
- (ii) increase in depreciation of PPE by RM0.24 million and upkeep of PPE by RM0.27 million which was in line with the acquisitions of additional PPE; and
- (iii) increase in other administrative expenses by RM0.15 million mainly due to higher advertising and promotional expenses incurred, installation of surveillance and alarm system which was charged out during the FYE 28 February 2018, and higher bank charges incurred.

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

Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

- (i) increase in staff costs by RM0.26 million mainly due to the higher bonus pay out and revision of salary during the FYE 28 February 2019;
- (ii) increase in depreciation of PPE by RM0.15 million which was in line with the acquisitions of additional PPE; and
- (iii) increase in legal and professional fees by RM0.13 million mainly due to additional legal fees incurred for the acquisition of properties, valuation fees incurred for the assessment of fair value of investment properties and success collection fees charged by insurance company in relation to our trade credit insurance.

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

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

- (i) increase in staff costs by RM0.63 million mainly due to salary increment and increase of headcount by 13 employees from 158 employees in FPE 30 November 2018 to 171 employees in FPE 30 November 2019;
- (ii) increase in depreciation of PPE and ROU by RM0.49 million which was mainly due to the recognition of the ROU pursuant to the adoption of MFRS16;
- (iii) impairment losses on trade receivables amounting to RM0.21 million in the FPE 30 November 2019; and

11. FINANCIAL INFORMATION (Cont'd)

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

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

(e) Finance costs

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

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

Notes:-

* Less than RM1,000.

^ Negligible.

Commentary:-

Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

11. FINANCIAL INFORMATION (Cont'd)Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

(f) Income Tax Expense

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

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

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

Commentary:-Comparison between FYE 28 February 2017 and FYE 28 February 2018

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

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

Comparison between FYE 28 February 2018 and FYE 28 February 2019

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

11. FINANCIAL INFORMATION (Cont'd)

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

Comparison between FPE 30 November 2018 and FPE 30 November 2019

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

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

11.3.3 Significant factors materially affecting our operations and financial results

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

(a) Demand and supply condition

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

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

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

11. FINANCIAL INFORMATION (Cont'd)**(b) Product sales mix and distribution channels**

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

(c) Competition

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

- (i) we have an established track record of 29 years in the distribution of electrical products and accessories;
- (ii) we carry a wide range of electrical products and accessories to meet the needs of industrial users;
- (iii) we are an authorised distributor for 10 brands of electrical products and accessories;
- (iv) we have experienced Executive Directors and key senior management team; and
- (v) we provide customer convenience and facilitate timely delivery of goods to our customers.

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

11. FINANCIAL INFORMATION (Cont'd)**(d) Business expansion and growth**

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

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

(e) Impact of interest rates

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

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

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

(f) Impact of foreign exchange

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

(g) Impact of inflation

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

(i) Impact of commodity prices

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

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11. FINANCIAL INFORMATION (Cont'd)

11.3.4 Liquidity and capital resources

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

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

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

Cash flow

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

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

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

11. FINANCIAL INFORMATION (Cont'd)**Commentary:-****Net cash from operating activities****FYE 28 February 2017**

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

- (i) increase in inventories of RM6.85 million which was in line with the increase in purchases and operations level of our Group;
- (ii) increase in trade and other receivables of RM8.91 million mainly due to increase in trade receivables by RM8.39 million which was in line with the higher revenue recorded during the financial year under review. Other receivables also increased by RM0.52 million mainly due to deposit paid for the purchase of sales outlet in Melaka;
- (iii) increase in trade and other payables of RM9.86 million mainly due to increase in trade payables by RM9.34 million which was in line with the higher purchases made during the financial year under review. Other payables also increased by RM0.52 million mainly due to accrual of bonus and amount owing to contractors for renovation work; and
- (iv) payment of income tax of RM0.92 million which was partly offset with the refund of income tax amounted to RM0.06 million.

FYE 28 February 2018

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

- (i) increase in inventories of RM5.02 million which was in line with the increase in purchases and operations level of our Group;
- (ii) decrease in trade and other receivables of RM2.59 million mainly due to decrease in trade receivables by RM2.90 million which was in line with the improvement in collection from our customers as a result of our enhanced credit control measure implemented during the financial year under review. Nevertheless, the decrease in the trade receivables was partly offset with the increase in other receivables of RM0.31 million mainly due to deposit paid for the purchase of a sales outlet in Johor Bahru;
- (iii) decrease in trade and other payables of RM2.03 million mainly due to decrease in trade payables by RM2.39 million which was in line with the prompt repayment to our suppliers from the collection of trade receivables. Nevertheless, other payables increased by RM0.36 million mainly due to the increase in accrual for staff costs; and
- (iv) payment of income tax of RM1.44 million which was partly offset with the refund of income tax amounted to RM0.02 million.

11. FINANCIAL INFORMATION (Cont'd)**FYE 28 February 2019**

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

- (i) increase in inventories of RM5.56 million which was in line with the increase in purchases and operations level of our Group;
- (ii) increase in trade and other receivables of RM1.44 million mainly due to increase in trade receivables by RM1.87 million which was in line with the higher revenue recorded during the financial year under review. Other receivables decreased by RM0.43 million mainly due to reversal of deposit paid for the purchase of a sales outlet in Johor Bahru in the previous financial year in which the transaction was subsequently completed during the financial year;
- (iii) increase in trade and other payables of RM3.10 million mainly due to increase in other payables by RM3.44 million which was mainly arising from amount owing to a non-controlling shareholder; and contractors and suppliers for renovation work amounting to RM2.35 million as well as increase in deposits of RM1.34 million due to deposit received from a customer. Nevertheless, the increase in other payables was partly offset by the decrease in trade payables of RM0.34 million due to prompt repayment to our suppliers which was in line with the better collection cycle from trade receivables; and
- (iv) payment of income tax of RM1.75 million.

FPE 30 November 2019

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

- (i) increase in inventories of RM5.03 million which was in line with the increase in purchases and operations level of our Group;
- (ii) increase in trade and other receivables of RM1.34 million mainly due to increase in trade receivables by RM1.06 million which was in line with the higher revenue recorded during the financial period under review. Other receivables increased by RM0.28 million mainly due to prepayment of the listing expenses;
- (iii) increase in trade and other payables of RM1.64 million mainly due to increase in trade payables by RM4.89 million which was in line with the higher purchases made during the FPE 30 November 2019. Nevertheless, the increase in trade payables was partly offset by the decrease in other payables by RM3.25 million mainly due to payment to a former non-controlling shareholder; and contractors and suppliers for renovation work; and
- (iv) payment of income tax of RM1.76 million.

11. FINANCIAL INFORMATION (Cont'd)**Net cash from / (used in) investing activities****FYE 28 February 2017**

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

FYE 28 February 2018

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

- (i) purchases of new sales outlet in Melaka, computer and software, motor vehicles and renovation costs for sales outlet in Johor Bahru amounting to RM1.37 million;
- (ii) decrease in deposits pledged for banking facilities amounting to RM0.60 million; and
- (iii) dividend paid to non-controlling interest amounting to RM0.10 million.

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

FYE 28 February 2019

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

- (i) purchases of new sales outlets in Muar and Johor Bahru, motor vehicles, office equipment and renovation cost for our sales outlet in Muar and Johor Bahru amounting to RM3.64 million; and
- (ii) decrease in deposits pledged for banking facilities amounting to RM0.36 million.

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

FPE 30 November 2019

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

- (i) proceeds received from the disposal of asset classified as held for sale amounting to RM2.15 million;
- (ii) proceeds received from the disposal of one (1) of our sales outlet in Johor Bahru amounting to RM0.08 million; and
- (iii) interest received from the fixed deposit pledged with licensed bank amounting to RM0.04 million.

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

11. FINANCIAL INFORMATION (Cont'd)

Net cash from / (used in) financing activities**FYE 28 February 2017**

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

FYE 28 February 2018

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

FYE 28 February 2019

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

FPE 30 November 2019

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

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11. FINANCIAL INFORMATION (Cont'd)

11.3.5 Borrowings

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

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

Note:-

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

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11. FINANCIAL INFORMATION (Cont'd)

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

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

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

Notes:-

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

11.3.6 Type of financial instruments used

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

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

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

11.3.7 Treasury policies and objectives

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

11.3.8 Material commitment

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

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

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

11.3.9 Material contingent liabilities

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

11.3.10 Material litigation

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

11.4 KEY FINANCIAL RATIOS

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

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

11. FINANCIAL INFORMATION (Cont'd)

Trade receivables

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

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

Notes:-

- (1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables of the respective financial years / period.
- (2) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.
- (3) Computed based on average trade receivables of the financial period over the revenue of the financial period, multiplied by 275 days.

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

Trade payables

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

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

Notes:-

- (1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years / period.
- (2) Computed based on average trade payables of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.
- (3) Computed based on average trade payables of the financial period over the cost of sales of the financial period, multiplied by 275 days.

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

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

Inventories

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

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

Notes:

- (1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years / period.
- (2) Computed based on average inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.
- (3) Computed based on average inventories of the financial period over the cost of sales of the financial period, multiplied by 275 days.

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

Current ratio

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

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

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

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

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

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

Gearing ratio

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

11.5 TREND INFORMATION

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

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expects to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 6 and 8 of this Prospectus;
- (b) material commitment for capital expenditure save as disclosed in Section 11.3.8 of this Prospectus;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Section 8 of this Prospectus;
- (d) known events, circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Section 8 of this Prospectus.

11.6 ORDER BOOK

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

11.7 SIGNIFICANT CHANGES

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

11.8 DIVIDEND POLICY

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

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

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

11. FINANCIAL INFORMATION (Cont'd)

- (iv) our Company is solvent as the Act requires;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

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

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

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

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11. FINANCIAL INFORMATION (Cont'd)

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



3 February 2020

The Board of Directors
ACO Group Berhad
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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
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Dear Sirs,

ACO GROUP BERHAD AND ITS SUBSIDIARIES

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

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

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

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) (AF 0117) was registered on 05.03.2019 and with effect from that date, Baker Tilly Monteiro Heng (AF 0117), a conventional partnership was converted to a limited liability partnership.

Baker Tilly Monteiro Heng PLT is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES**

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 30 November 2019 Included in A Prospectus



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

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

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

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

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

Our Independence and Quality Control

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

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

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES**

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 30 November 2019 Included in A Prospectus

*Reporting Accountants' Responsibilities*

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

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 30 November 2019 Included in A Prospectus



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

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

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

Our opinion

In our opinion:

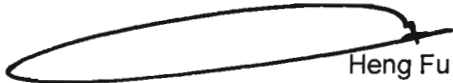
- (a) the pro forma consolidated statements of financial position of ACO Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of ACO and its subsidiaries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

Other matter

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

Yours faithfully,


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


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

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****1. INTRODUCTION**

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

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

1.2 Listing Scheme**1.2.1 Internal Reorganisation Exercise****(i) Acquisition of ACO Holdings Sdn. Bhd. (“ACO Holdings”)**

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

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

(ii) Acquisitions of the Non-Controlling Interests

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



11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)**

1. (Continued)

1.2 (Continued)

1.2.1 Internal Reorganisation Exercise (Continued)**(ii) Acquisitions of the Non-Controlling Interests (continued)**

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

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

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)

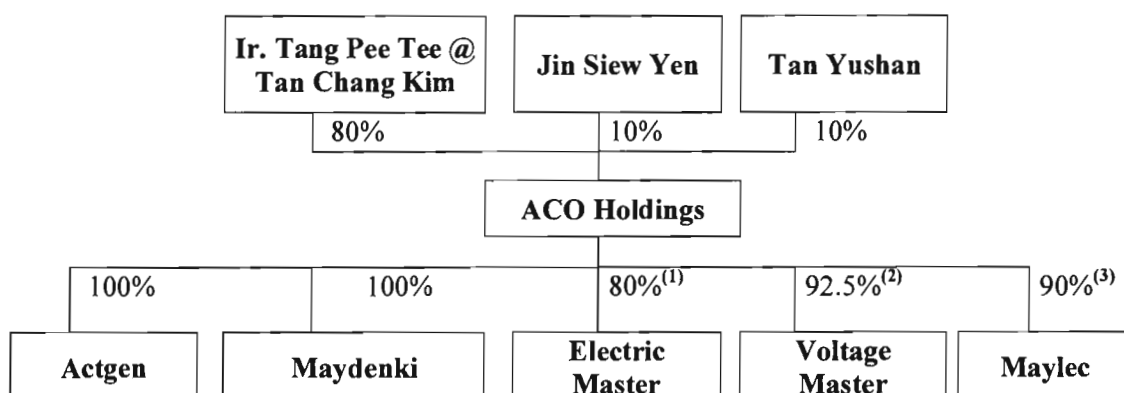
1. (Continued)

1.2 (Continued)

1.2.1 Internal Reorganisation Exercise (Continued)

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

Before the Internal Reorganisation Exercise



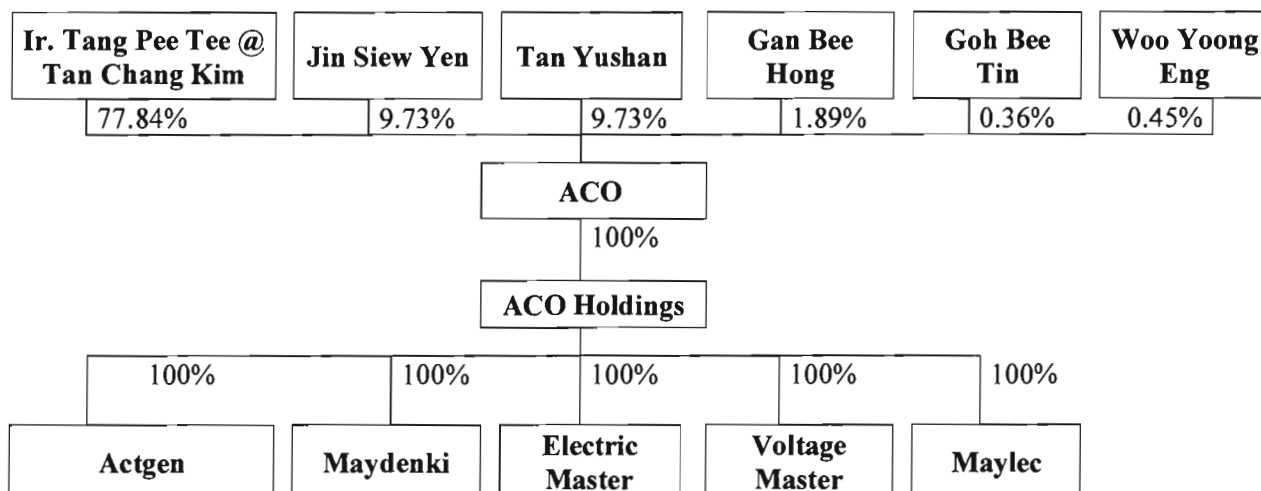
Notes:-

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

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

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

After the Internal Reorganisation Exercise



11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.2 Public Issue

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

- (i) 15,000,000 new ACO Shares made available to the Malaysian Public;
- (ii) 9,000,000 new ACO Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of ACO Group;
- (iii) 4,000,000 new ACO Shares made available by way of private placement to identified investors; and
- (iv) 30,000,000 new ACO Shares made available by way of private placement to Bumiputera investors approved by the MITI.

(Collectively hereinafter referred to as “Public Issue”).

1.2.3 Offer for Sale

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

1.2.4 Share Transfer to Kompas

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

1.2.5 Listing

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



11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

- 2.1 The pro forma consolidated statements of financial position have been prepared to illustrate the pro forma consolidated financial position of ACO Group as at 30 November 2019, adjusted for the transactions as described in Note 2.7, the Internal Reorganisation Exercise, the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.
- 2.2 The pro forma consolidated statements of financial position have been prepared based on audited financial statements of ACO and its subsidiaries for the financial period ended ("FPE") 30 November 2019 adjusted for the transactions as described in Note 2.7:

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

- 2.3 The audited financial statements of the ACO and its subsidiaries for the financial period under review were reported by the auditors to their respective members without any modifications.
- 2.4 The pro forma consolidated statements of financial position of ACO Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of ACO Group and does not purport to predict the future financial position and results of ACO Group.



11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

- 2.5 The pro forma consolidated statements of financial position of ACO Group have been properly prepared on the basis set out in the accompanying notes to the audited financial statements of ACO and its subsidiaries for FPE 30 November 2019, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.
- 2.6 The pro forma consolidated statements of financial position of ACO Group have been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 30 November 2019 and the adoption of the following new accounting policies, which had been adopted by ACO Group as the group's accounting policies.

Merger accounting

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

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

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

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

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



11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP**

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

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

11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

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

3.1 (Continued)

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

NA** (RM'000)	1	42,338	58,578	56,423
NA per ordinary share (RM)	1.00	0.17	0.19	0.19
** attributable to owners of the ACO Group				

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

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

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

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

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

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

(a) Pro Forma I

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

Acquisition of ACO Holdings

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

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

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(a) Pro Forma I (continued)**Acquisitions of Non-Controlling Interest**

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) Pro Forma II

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

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

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

(c) Pro Forma III

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)**ACO GROUP BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ACO GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III (Continued)

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

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

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

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

11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

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

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

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

11. FINANCIAL INFORMATION (Cont'd)

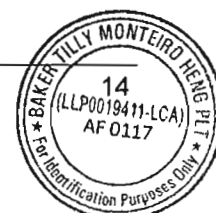
ACO GROUP BERHAD AND ITS SUBSIDIARIES

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

3.2 (Continued)

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

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

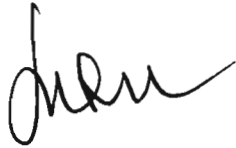


11. FINANCIAL INFORMATION (Cont'd)

ACO GROUP BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

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



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



.....
Tan Yushan
Director

12. ACCOUNTANTS' REPORT



3 February 2020

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

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

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Dear Sirs,

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

Opinion

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

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

Basis for Opinion

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

1

Baker Tilly Monteiro Heng PLT (LLP0019411-LCA) (AF 0117) was registered on 05.03.2019 and with effect from that date, Baker Tilly Monteiro Heng (AF 0117), a conventional partnership was converted to a limited liability partnership.

Baker Tilly Monteiro Heng PLT is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
(Incorporated in Malaysia)

Responsibilities of the Directors for the Combined Financial Statements

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)



ACO GROUP BERHAD
(Incorporated in Malaysia)

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

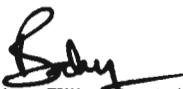
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

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

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


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


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

Kuala Lumpur

Date: 3 February 2020

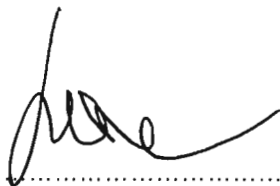
12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **IR. TANG PEE TEE @ TAN CHANG KIM** and **TAN YUSHAN**, being two of the directors of ACO GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019 and of its financial performance and cash flows for the financial years then ended 28 February 2017, 28 February 2018, 28 February 2019 and financial periods ended 30 November 2018 and 30 November 2019.

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



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



.....
TAN YUSHAN
Director

Kuala Lumpur

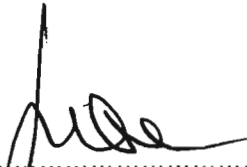
Date: 3 February 2020

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

STATUTORY DECLARATION

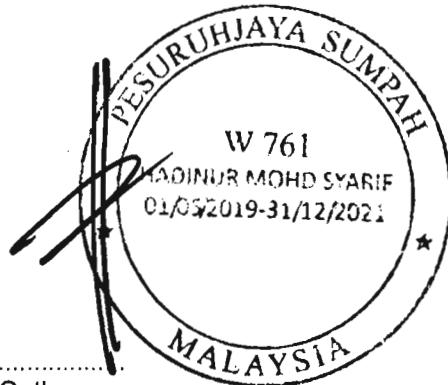
I, **IR. TANG PEE TEE @ TAN CHANG KIM**, being the director primarily responsible for the financial management of ACO GROUP BERHAD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying combined financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



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

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

Before me,



.....
Commissioner for Oaths

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION**

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

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

* Less than RM1,000

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

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

ACO Group Berhad was incorporated on 11 June 2019 under Companies Act 2016, as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 8 August 2019. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi Kuala Lumpur, 59200 W.P. Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 108 and 110, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim.

The principal activity of the Company is investment holding. The details of the operating entities are as follows:

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(b) Non-controlling interests in operating entities

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

Equity interest held by non-controlling interests:

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

Carrying amount of non-controlling interests:

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

Profit or loss allocated to non-controlling interests:

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

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

	Electric Master Sdn. Bhd. RM'000	Voltage Master Sdn. Bhd. RM'000	Maylec Sdn. Bhd. RM'000
Summarised statements of financial position			
As at 28 February 2019			
Current assets	6,258	4,176	3,066
Non-current assets	4,629	127	3,247
Current liabilities	(4,943)	(2,560)	(2,380)
Non-current liabilities	(2,533)	(11)	(2,311)
Net assets	3,411	1,732	1,622

Summarised statements of comprehensive income			
Financial year ended 28 February 2019			
Revenue	11,872	9,675	6,736
Profit for the financial year	542	366	327

Summarised cash flow information			
Financial year ended 28 February 2019			
Cash flows from operating activities	19	17	840
Cash flows used in investing activities	(1,210)	(16)	(803)
Cash flows from financing activities	1,149	82	22
Net (decrease)/increase in cash and cash equivalents	(42)	83	59

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**1. GENERAL INFORMATION (CONTINUED)**

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION**

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

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

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

2.1 Statement of Compliance

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

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

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

New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

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

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)**

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

MFRS 16 Leases

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)*****IC Int 23 Uncertainty over Income Tax Treatments***

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

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

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

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

<u>New MFRS</u>	Effective for financial periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of MFRSs	1 January 2021 [#]
MFRS 2 Share-based Payment	1 January 2020 [*]
MFRS 3 Business Combinations	1 January 2020 [*] / 1 January 2021 [#]
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 [#]
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020 [*]
MFRS 7 Financial Instruments: Disclosures	1 January 2020/ 1 January 2021 [#]
MFRS 9 Financial Instruments	1 January 2020/ 1 January 2021 [#]
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 14 Regulatory Deferral Accounts	1 January 2020 [*]
MFRS 15 Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101 Presentation of Financial Statements	1 January 2020 [*] / 1 January 2021 [#]
MFRS 107 Statements of Cash Flows	1 January 2021 [#]

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective (continued)**

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

* Amendments to References to the Conceptual Framework in MFRSs

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 17 Insurance Contracts

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

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

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

Amendments to MFRS 3 Business Combinations

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

Amendments to MFRS 9 Financial Instruments

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

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

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

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

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

Amendments to MFRS 119 Employee Benefits

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

Amendments to MFRS 128 Investments in Associates and Joint Ventures

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

Amendments to References to the Conceptual Framework in MFRSs

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective (continued)*****Amendments as to the consequence of effective of MFRS 17 Insurance Contracts***

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

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

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 Basis of combination**(a) Merger accounting for common control transactions**

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

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

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

(b) Subsidiaries and business combination

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) Subsidiaries and business combination (continued)

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)****(b) Subsidiaries and business combination (continued)**

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

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

(c) Non-controlling interests

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

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

(d) Transactions eliminated on combination

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

3.2 Foreign currency transactions**Translation of foreign currency transactions**

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Foreign currency transactions (continued)****Translation of foreign currency transactions (continued)**

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

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

3.3 Financial instruments

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

Accounting policies applied from 1 March 2018

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

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

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

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

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

Debt instruments

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied from 1 March 2018 (continued)**(a) Subsequent measurement (continued)**

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

(i) Financial assets (continued)Debt instruments (continued)

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at 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 OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

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

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

Equity instruments

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

Equity instruments (continued)

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

(ii) Financial liabilities

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

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

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

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

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

Financial liabilities at amortised cost

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied from 1 March 2018 (continued)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 March 2018 (continued)

(d) Derecognition

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

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

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

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

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

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

(e) Offsetting of financial instruments

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

Financial assets at FVPL

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

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

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

Loans and receivables

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018 (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

Held-to-maturity investments

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

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

Available-for-sale financial assets

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

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

Unquoted equity instruments carried at cost

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

(ii) Financial liabilities

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 28 February 2018 (continued)

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

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

(d) Derecognition

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

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

(e) Offsetting of financial instruments

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

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

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4 Property, plant and equipment (continued)****(d) Derecognition**

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

3.5 Leases

Accounting policies applied from 1 March 2019

Definition of a lease

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

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

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

Recognition and initial measurement**(a) As a lessee**

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)**

Accounting policies applied from 1 March 2019 (continued)

Recognition and initial measurement (continued)**(a) As a lessee (continued)**

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)**

Accounting policies applied from 1 March 2019 (continued)

Recognition and initial measurement (continued)**(b) As a lessor**

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

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

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

Subsequent measurement**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)**

Accounting policies applied from 1 March 2019 (continued)

Subsequent measurement (continued)**(a) As a lessee (continued)**

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

(b) As a lessor

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

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

Accounting policies applied until 28 February 2019

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

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

(a) Lessee accounting

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied until 28 February 2019 (continued)

(a) Lessee accounting (continued)

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

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

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

(b) Lessor accounting

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

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

3.6 Investment properties

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (continued)

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

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

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

3.7 Inventories

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Non-current assets classified as held for sale

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

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

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

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

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

3.9 Cash and cash equivalents

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.10 Impairment of assets****(a) Impairment of financial assets**Accounting policies applied from 1 March 2018

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

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

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.10 Impairment of assets (continued)****(a) Impairment of financial assets (continued)**Accounting policies applied from 1 March 2018 (continued)

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

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.10 Impairment of assets (continued)****(a) Impairment of financial assets (continued)**Accounting policies applied until 28 February 2018

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

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

Loans and receivables and held-to-maturity investments

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 28 February 2018 (continued)

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

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

Available-for-sale financial assets

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

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

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

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

Unquoted equity instruments carried at cost

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.11 Share capital****(a) Ordinary shares**

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

(b) Preference shares

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

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

3.12 Employee benefits**(a) Short-term employee benefits**

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

(b) Defined contribution plans

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

3.13 Provisions

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.13 Provisions (continued)**

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

3.14 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

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

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

Financing components

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

(a) Sale of goods – trading

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (continued)

(a) Sale of goods – trading (continued)

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

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

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

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

3.15 Borrowing costs

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

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

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

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

3.16 Income tax

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16 Income tax (continued)****(a) Current tax**

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

(b) Deferred tax

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax (continued)

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

3.17 Earnings per share

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

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

3.18 Operating segments

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.19 Fair value measurements**

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

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

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

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

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

3.20 Contingencies

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

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

(b) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4(c), the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

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

(c) Impairment of financial assets

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

(c) Impairment of financial assets (continued)

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

The information about the expected credit losses on the Group's financial assets are disclosed in Note 24(b).

(d) Measurement of income taxes

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

The income tax expense of the Group are disclosed in Note 22.

(e) Impairment of non-financial assets

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

(f) Fair value measurement of financial instruments

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

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 24(c).

(g) Fair value of investment properties

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

The carrying amounts of the investment properties are disclosed in Note 6.

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
At 1 March 2016		6,736	-	5,088	-	1,651	346	1,583	427	934	-	16,765
Additions		-	-	165	-	39	88	400	197	310	-	1,199
Reclassification		-	-	-	-	(4)	2	-	64	(62)	-	-
At 28 February 2017		6,736	-	5,253	-	1,686	436	1,983	688	1,182	-	17,964
Additions		-	1,270	-	2,200	451	104	425	269	584	-	5,303
Disposals		-	-	-	-	-	-	(163)	-	-	-	(163)
At 28 February 2018		6,736	1,270	5,253	2,200	2,137	540	2,245	957	1,766	-	23,104
Additions		2,020	-	1,993	-	112	99	426	442	2,090	-	7,182
Disposals		-	-	-	-	-	-	(347)	-	-	-	(347)
Transfer to asset held for sale	11	(1,200)	-	(737)	-	-	-	-	-	-	-	(1,937)
At 28 February 2019		7,556	1,270	6,509	2,200	2,249	639	2,324	1,399	3,856	-	28,002
Adjustment on initial application of MFRS 16		-	-	-	-	(88)	-	(1,024)	(44)	-	1,402	246
Additions		-	-	-	-	71	331	10	220	692	1,326	2,650
Disposals		-	-	-	-	(3)	(1)	(110)	(38)	(22)	-	(174)
Written off		-	-	-	-	(9)	(4)	-	(27)	(8)	-	(48)
Reclassification		-	-	-	-	-	-	64	(212)	-	148	-
At 30 November 2019		7,556	1,270	6,509	2,200	2,220	965	1,264	1,298	4,518	2,876	30,676

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation												
At 1 March 2016		-	-	433	-	866	148	1,246	188	387	-	3,268
Depreciation charge for the financial year	20	-	-	120	-	334	32	222	60	111	-	879
Reclassification		-	-	-	-	(3)	2	-	21	(20)	-	-
At 28 February 2017		-	-	553	-	1,197	182	1,468	269	478	-	4,147
Depreciation charge for the financial year	20	-	14	139	66	372	40	225	94	170	-	1,120
Disposals		-	-	-	-	-	-	(74)	-	-	-	(74)
At 28 February 2018		-	14	692	66	1,569	222	1,619	363	648	-	5,193
Depreciation charge for the financial year	20	-	14	213	66	347	50	238	107	233	-	1,268
Disposals		-	-	-	-	-	-	(340)	-	-	-	(340)
Transfer to asset held for sale	11	-	-	(226)	-	-	-	-	-	-	-	(226)
At 28 February 2019		-	28	679	132	1,916	272	1,517	470	881	-	5,895

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Leasehold lands RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation												
At 1 March 2019		-	28	679	132	1,916	272	1,517	470	881	-	5,895
Adjustment on initial application of MFRS 16		-	-	-	-	(44)	-	(304)	(9)	-	357	-
Depreciation charge for the financial period	20	-	11	147	50	188	47	25	79	282	397	1,226
Disposals		-	-	-	-	(1)	-	(110)	(8)	(4)	-	(123)
Written off		-	-	-	-	(9)	(3)	-	(18)	(4)	-	(34)
Reclassification		-	-	-	-	-	-	48	(7)	-	(41)	-
At 30 November 2019		-	39	826	182	2,050	316	1,176	507	1,155	713	6,984
Net carrying amount												
At 28 February 2017		6,736	-	4,700	-	489	254	515	419	704	-	13,817
At 28 February 2018		6,736	1,256	4,561	2,134	568	318	626	594	1,118	-	17,911
At 28 February 2019		7,556	1,242	5,830	2,068	333	367	807	929	2,975	-	22,107
At 30 November 2019		7,556	1,231	5,683	2,018	170	649	88	791	3,363	2,163	23,712

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Assets under finance lease**

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

	← Audited as at →		
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000
Motor vehicles	436	509	720
Office equipment	-	39	35
Computers and software	-	66	44
	436	614	799

(b) Assets pledged as security

Lands and buildings have been pledged as security to secure banking facilities of the Group as disclosed in Note 14.

(c) Right-of-use assets

The right-of-use assets represent operating lease agreements entered into by the Group for the use of the retail outlets and warehouses. The leases are mainly for an initial lease of one (1) to three (3) years with options to renew for another one (1) to two (2) years.

The Group also has leased motor vehicles, office equipment and computers and software with lease term of three (3) to five (5) years and have options to purchase the assets at the end of the contract term.

On 30 November 2019, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Net carrying amount RM'000	Depreciation charge RM'000
Motor vehicles	1,045	196
Office equipment	220	19
Computers and software	11	33
Buildings	887	149
	2,163	397

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES

	Freehold lands RM'000	Freehold buildings RM'000	Building under construction RM'000	Total RM'000
At fair value:				
At 1 March 2016	2,451	1,449	1,595	5,495
Changes in fair value	126	74	-	200
Classification	576	1,019	(1,595)	-
At 28 February 2017	3,153	2,542	-	5,695
Changes in fair value	146	109	-	255
At 28 February 2018	3,299	2,651	-	5,950
Changes in fair value	180	170	-	350
At 28 February 2019	3,479	2,821	-	6,300
Changes in fair value	-	-	-	-
At 30 November 2019	3,479	2,821	-	6,300

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

	← Audited →			
	2017 RM'000	FYE 28 February 2018 RM'000	2019 RM'000	FPE 30 November 2019 RM'000
Rental income	202	199	198	169
Direct operating expenses:				
- income generating investment properties	38	27	13	49
- non-income generating investment property	-	58	63	-

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)****Investment properties pledged as security**

Freehold lands and buildings with a carrying fair value of RM4,600,000 (28.2.2019: RM4,600,000; 28.2.2018: RM4,350,000 and 28.2.2017: RM4,195,000) have been pledged as security to secure bank facilities granted to the Group as disclosed in Note 14.

Fair value information

The fair value of investment properties approximately of RM6,300,000 (28.2.2019: RM6,300,000; 28.2.2018: RM5,950,000 and 28.2.2017: RM5,695,000) is categorised at Level 2 of the fair value hierarchy.

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

Level 2 fair value

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

Valuation processes applied by the Group

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 March 2016 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2017 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(520)	(56)	(576)
Revaluation surplus on investment properties	(149)	35	(114)
	<u>(669)</u>	<u>(21)</u>	<u>(690)</u>
	As at 1 March 2017 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2018 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(576)	11	(565)
Revaluation surplus on investment properties	(114)	(14)	(128)
	<u>(690)</u>	<u>(3)</u>	<u>(693)</u>
Deferred tax asset:			
Temporary differences between net carrying amounts and corresponding tax written down value	-	2	2
	<u>(690)</u>	<u>(1)</u>	<u>(691)</u>
	As at 1 March 2018 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 28 February 2019 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(565)	(2)	(567)
Revaluation surplus on investment properties	(128)	-	(128)
	<u>(693)</u>	<u>(2)</u>	<u>(695)</u>
Deferred tax asset:			
Temporary differences between net carrying amounts and corresponding tax written down value	2	(2)	-
	<u>(691)</u>	<u>(4)</u>	<u>(695)</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax relates to the following: (continued)

	As at 1 March 2019 RM'000	Recognised in profit or loss RM'000 (Note 22)	As at 30 November 2019 RM'000
Deferred tax liabilities:			
Temporary differences between net carrying amounts and corresponding tax written down value	(567)	86	(481)
Revaluation surplus on investment properties	(128)	-	(128)
	<u>(695)</u>	<u>86</u>	<u>(609)</u>

Unrecognised deferred tax assets

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

	← Audited → FYE 28 February			Audited	Unaudited
	2017	2018	2019	FPE 30 November 2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	31	31	31	31	31
Unabsorbed capital allowances	*	*	*	*	*
Income tax expense	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>
Potential deferred tax benefit at 24%	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>

* Less than RM1,000

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

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

Any unutilised business losses bought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025).

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. INVENTORIES

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
At the lower of cost and net realisable value:				
Trading goods	19,047	24,066	29,623	34,651

The cost of inventories of the Group recognised as an expense in cost of sales during the financial years/period was RM84,511,000 (28.2.2019: RM112,155,000; 28.2.2018: RM104,517,000 and 28.2.2017: RM97,095,000).

9. TRADE AND OTHER RECEIVABLES

	Note	← Audited as at →			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables	(a)				
- Third parties		33,078	29,072	30,750	31,826
- Related parties		44	-	-	-
		33,122	29,072	30,750	31,826
Less: Impairment losses	(b)	(2,218)	(978)	(823)	(883)
		30,904	28,094	29,927	30,943
Non-trade					
Other receivables		240	151	284	249
Deposits		210	752	109	116
Prepayments		331	194	278	582
		781	1,097	671	947
Total trade and other receivables		31,685	29,191	30,598	31,890

(a) Trade receivables

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

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

	← Audited as at →			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Neither past due nor impaired	15,327	15,882	17,390	19,030
Past due but not impaired	15,577	12,212	12,537	11,913
1 to 30 days past due but not impaired	5,771	4,307	6,391	5,834
31 to 60 days past due but not impaired	4,400	3,848	2,957	2,729
61 to 90 days past due but not impaired	2,853	1,593	1,248	967
More than 91 days past due not impaired	2,553	2,464	1,941	2,383
Impaired individually	2,218	978	823	883
	33,122	29,072	30,750	31,826

(b) Receivables that are impaired

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

	← Audited as at →			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
At beginning of the financial year	2,627	2,218	978	823
Charge for the financial year/period	503	318	342	209
Reversal of impairment losses	(265)	(412)	(289)	(132)
Written off previously provided for	(647)	(1,146)	(208)	(17)
At end of the financial year/period	2,218	978	823	883

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**10. CASH AND SHORT-TERM DEPOSITS**

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	4,843	5,923	8,740	8,379
Short-term deposits	-	600	971	1,063
	4,843	6,523	9,711	9,442

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

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	-	600	971	1,063
Less: Pledged deposits	-	(600)	(960)	(1,020)
	-	-	11	43
Cash and bank balances	4,843	5,923	8,740	8,379
Bank overdrafts	(1,795)	(901)	(1,009)	(533)
	3,048	5,022	7,742	7,889

Included in the deposits placed with licensed bank of the Group, RM1,020,000 (28.2.2019: RM960,000; 28.2.2018: RM600,000 and 28.2.2017: Nil) are pledged for credit facilities granted to the Group as disclosed in Note 14.

11. ASSET CLASSIFIED AS HELD FOR SALE

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

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

The freehold land and building classified as held for sale have been pledged as security to secure banking facilities of the Group and a related party as disclosed in Note 14.

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The share capital of Actgen Industry Sdn. Bhd., Maydenki Sdn. Bhd., Electric Master Sdn. Bhd., Voltage Master Sdn. Bhd. and Maylec Sdn. Bhd. had been eliminated against the investment in subsidiaries of ACO Holdings Sdn. Bhd. As such, the invested equity constitutes the share capital of Aco Holdings Sdn. Bhd.

The new ordinary shares issued during the financial year/period rank equally in all respects with the existing ordinary shares of the ACO Group Berhad.

13. CAPITAL CONTRIBUTION

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Deemed capital contribution from shareholders	5,000	5,000	5,000	5,000

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

14. LOANS AND BORROWINGS

	Note	← Audited as at →			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
		RM'000	RM'000	RM'000	RM'000
Non-current:					
Term loans	(a)	3,945	5,750	8,679	8,352
Finance lease liabilities	(b)	284	399	448	681
		4,229	6,149	9,127	9,033

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

	Note	← Audited as at →			
		28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Current:					
Term loans	(a)	463	586	804	584
Finance lease liabilities	(b)	148	209	216	336
Bankers' acceptances	(c)	6,708	10,082	4,635	3,808
Trust receipts	(d)	-	-	10,549	9,778
Bank overdrafts	(e)	1,795	901	1,009	533
		9,114	11,778	17,213	15,039
Total loans and borrowings					
Term loans	(a)	4,408	6,336	9,483	8,936
Finance lease liabilities	(b)	432	608	664	1,017
Bankers' acceptances	(c)	6,708	10,082	4,635	3,808
Trust receipts	(d)	-	-	10,549	9,778
Bank overdrafts	(e)	1,795	901	1,009	533
		13,343	17,927	26,340	24,072

(a) Term loans

Term loan 1 of the Group of NIL (28.2.2019: RM78,000; 28.2.2018: RM257,000 and 28.2.2017: RM426,000) bears interest at NIL (28.2.2019: 5.72%; 28.2.2018: 5.72% and 28.2.2017: 5.97%) per annum and is repayable by monthly instalments of RM15,847 over five years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the investment properties as disclosed in Note 6; and
- (ii) Personal guarantee by the Group's Director.

Term loan 2 of the Group of RM1,113,000 (28.2.2019: RM1,150,000; 28.2.2018: RM1,191,000 and 28.2.2017: RM1,232,000) bears interest at 4.65% (28.2.2019: 4.52%; 28.2.2018: 4.52% and 28.2.2017: 4.77%) per annum and is repayable by monthly instalments of RM8,331 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the investment property as disclosed in Note 6; and
- (ii) Personal guarantee by the Group's Director.

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**14. LOANS AND BORROWINGS (CONTINUED)****(a) Term loans (continued)**

Term loan 3 of the Group of RM410,000 (28.2.2019: RM424,000; 28.2.2018: RM443,000 and 28.2.2017: RM458,000) bears interest at 4.75% (28.2.2019: 4.62%; 28.2.2018: 4.62% and 28.2.2017: 4.87%) per annum and is repayable by monthly instalments of RM3,690 over fifteen years commencing from the day of first drawdown and is secured and supported as follows:

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

Term loan 4 of the Group of RM1,762,000 (28.2.2019: RM1,813,000; 28.2.2018: RM1,878,000 and 28.2.2017: RM1,943,000) bears interest at 8.93% (28.2.2019, 28.2.2018 and 28.2.2017: 8.93%) per annum and is repayable by monthly instalments of RM12,816 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the freehold land and building as disclosed in Note 5; and
- (ii) Joint and several guarantee by the Group's Director and key management personnel.

Term loan 5 of the Group of NIL (28.2.2019: NIL; 28.2.2018: RM44,000 and 28.2.2017: RM178,000) bears interest at NIL (28.2.2019: NIL; 28.2.2018 and 28.2.2017: 6%) per annum and is repayable by monthly instalments of RM13,111 over three years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Joint and several guarantee by the Group's Directors.

Term loan 6 of the Group of RM778,000 (28.2.2019: RM752,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 5.29% (28.2.2019: 5.29%; 28.2.2018 and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM5,441 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the freehold land and building as disclosed in Note 5;
- (ii) Corporate guarantee by the operating entity; and
- (iii) Joint and several guarantee by the Group's Director and key management personnel.

Term loan 7 of the Group of RM1,051,000 (28.2.2019: RM1,128,000; 28.2.2018: RM1,232,000 and 28.2.2017: NIL) bears interest at 5.64% (28.2.2019: 5.39%; 28.2.2018: 5.64% and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM13,702 over ten years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the leasehold land and building as disclosed in Note 5;
- (ii) Joint and several corporate guarantee by the operating entities; and
- (iii) Joint and several guarantee by the Group's Directors.

Term loan 8 of the Group of RM985,000 (28.2.2019: RM1,057,000; 28.2.2018: RM1,155,000 and 28.2.2017: NIL) bears interest at 5.64% (28.2.2019: 5.39%; 28.2.2018: 5.64% and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM12,846 over ten years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the leasehold land and building as disclosed in Note 5;
- (ii) Joint and several corporate guarantee by the operating entities; and
- (iii) Joint and several guarantee by the Group's Directors.

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 9 of the Group of RM490,000 (28.2.2019: RM577,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 6.40% (28.2.2019: 6.40%; 28.2.2018 and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM10,000 over five years commencing from the day of first drawdown during the year 2018 and is secured and supported as follows:

- (i) Corporate guarantee by the operating entity; and
- (ii) Joint and several guarantee by the Group's Director.

Term loan 10 of the Group of NIL (28.2.2019: RM99,000; 28.2.2018: RM136,000 and 28.2.2017: RM171,000) bears interest at 8.42% (28.2.2019: 8.42%; 28.2.2018: 8.42% and 28.2.2017: 8.17%) per annum and is repayable by monthly instalments of RM3,890 over five years commencing from the day of first drawdown and is secured and supported as follows:

- (i) First party legal charge over the freehold land and building as disclosed in Note 5; and
- (ii) Personal guarantee by the Group's Director and key management personnel.

Term loan 11 of the Group of RM 2,347,000 (28.2.2019: RM2,405,000; 28.2.2018 and 28.2.2017: NIL) bears interest at 5.00% (28.2.2019: 4.94%; 28.2.2018 and 28.2.2017: NIL) per annum and is repayable by monthly instalments of RM16,186 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the freehold land and building as disclosed in Note 5;
- (ii) Corporate guarantee by the operating entity; and
- (iii) Personal guarantee by the Group's Director and key management personnel.

(b) Finance lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 5 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The effective interest rate implicit in the leases is 4.88% to 6.40% (28.2.2019: 2.41% to 5.09%; 28.2.2018: 2.41% to 5.09% and 28.2.2017: 2.41% to 3.50%).

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

	← Audited as at →			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Minimum lease payments				
- Not later than one year	169	235	251	384
- Later than one year and not later than five years	311	461	490	743
	480	696	741	1,127
Less: Future finance charges	(48)	(88)	(77)	(110)
Present value of minimum lease payments	432	608	664	1,017

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**14. LOANS AND BORROWINGS (CONTINUED)****(b) Finance lease liabilities (continued)**

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

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
Present value of minimum lease payments payable:				
- Not later than one year	148	209	216	336
- Later than one year and not later than five years	284	399	448	681
	432	608	664	1,017
Less: Amount due within twelve months	(148)	(209)	(216)	(336)
Amount due after twelve months	284	399	448	681

(c) Bankers' acceptances

Bankers' acceptances bear effective interests at rates ranging from 3.51% to 4.70% (28.2.2019: 3.17% to 4.93%; 28.2.2018: 3.29% to 4.03% and 28.2.2017: 3.83% to 5.08%) per annum and is secured and supported as follows:

- (i) First party legal charge over the freehold lands and buildings as disclosed in Note 5;
- (ii) Corporate guarantee by operating entity;
- (iii) Joint and several guarantee by the Group's Directors; and
- (iv) Legal charge over the freehold lands and buildings of related party.

(d) Trust receipts

Trust receipts bear effective interests at rates ranging from 4.50% to 4.94% (28.2.2019: 3.17% to 5.12%; 28.2.2018 and 28.2.2017: NIL) per annum and is secured and supported as follows:

- (i) Legal charge over the freehold lands and buildings as disclosed in Note 5;
- (ii) Joint and several guarantee by the Group's Directors and key management personnel;
- (iii) Legal charge over the fixed deposit as disclosed in Note 10; and
- (iv) Corporate guarantee by operating entity.

(e) Bank overdrafts

The bank overdrafts bear interest rates of:

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

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
14. LOANS AND BORROWINGS (CONTINUED)
(e) Bank overdrafts (continued)

The bank overdrafts are secured and supported as follows:

- (i) First party legal charge over the freehold lands and buildings as disclosed in Note 5;
- (ii) First party legal charge over the investment properties as disclosed in Note 6; and
- (iii) Joint and several guarantee by the Group's Directors and key management personnel.

15. LEASE OBLIGATIONS

	Audited as at 30.11.2019 RM'000
Lease obligations	
Current	238
Non-current	648
	<u>886</u>

16. TRADE AND OTHER PAYABLES

	Note	← Audited as at →			
		28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Non-current:					
Non-trade					
Other payable		-	-	600	-
Amount owing to directors	(a)	1,294	1,901	-	-
		<u>1,294</u>	<u>1,901</u>	<u>600</u>	<u>-</u>
Current:					
Trade					
Trade payables					
- Third parties	(b)	32,035	29,667	29,329	34,217
- Related parties		24	-	-	-
		<u>32,059</u>	<u>29,667</u>	<u>29,329</u>	<u>34,217</u>
Non-trade					
Other payables		458	340	3,558	1,726
Amount owing to directors	(a)	-	351	688	150
Accruals		692	819	572	951
Deposits received		32	32	1,369	170
		<u>33,241</u>	<u>31,209</u>	<u>35,516</u>	<u>37,214</u>
Total trade and other payables (non-current and current)		<u>34,535</u>	<u>33,110</u>	<u>36,116</u>	<u>37,214</u>

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
16. TRADE AND OTHER PAYABLES (CONTINUED)
(a) Amount owing to directors

Amount owing to directors are unsecured, non-trade in nature, non-interest bearing and repayment upon demand.

(b) Trade payables

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

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

17. REVENUE

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
At a point in time:					
Sales of goods	114,509	124,193	134,373	104,084	95,670

18. OTHER INCOME

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised gain on foreign exchange	2	14	-	45	-
Unrealised gain on foreign exchange	19	-	-	-	-
Bad debts recoverable	-	-	17	29	12
Changes in fair value of investment properties	200	255	350	-	-
Gain on disposal of property, plant and equipment	-	17	97	31	-
Gain on disposal of asset classified as held for sales	-	-	-	439	-
Interest income	-	*	15	37	14
Reversal of impairment losses on trade receivables	265	412	289	132	87
Rental income	202	199	198	169	148
Waiver of amount owing to a director	-	-	348	-	-
Insurance cash surrender value	-	-	-	82	-
Insurance claim	-	-	386	80	189
Other income	29	59	11	46	-
	717	956	1,711	1,090	450

*Less than RM1,000

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCE COSTS

	← Audited → FYE 28 February			Audited	Unaudited
	2017 RM'000	2018 RM'000	2019 RM'000	FPE 30 November 2019 RM'000	2018 RM'000
Interest expense on:					
- Term loans	221	271	421	338	295
- Finance lease liabilities	16	28	29	38	19
- Lease obligations	-	-	-	18	-
- Bankers' acceptances	351	374	345	194	257
- Trust receipts	-	-	96	328	70
- Bank overdrafts	93	67	134	89	106
- Bank guarantees	1	*	3	*	2
	682	740	1,028	1,005	749

* Less than RM1,000

20. PROFIT BEFORE TAX

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

	Note	← Audited → FYE 28 February			Audited	Unaudited
		2017 RM'000	2018 RM'000	2019 RM'000	FPE 30 November 2019 RM'000	2018 RM'000
Auditors' remuneration:						
- current year		77	80	96	62	-
- prior year		-	3	-	(3)	-
Depreciation of property, plant and equipment	5	879	1,120	1,268	829	738
Depreciation of right-of-use assets	5	-	-	-	397	-
Property, plant and and equipment written off		-	-	-	14	-
Employee benefits expense	21	7,232	8,115	8,277	6,225	5,571
Impairment losses on trade receivables	9	503	318	342	209	1
Rental expenses						
- equipment		-	43	79	73	55
- premises		555	474	407	34	321
Realised foreign exchange loss		39	-	-	-	-
		39	-	-	-	-

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS EXPENSE

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	5,568	6,001	6,350	4,699	4,322
Defined contribution plans	636	707	700	522	517
Other staff related expenses	1,028	1,407	1,227	1,004	732
	<u>7,232</u>	<u>8,115</u>	<u>8,277</u>	<u>6,225</u>	<u>5,571</u>
Included in employee benefits expense are:					
- Directors' fees	168	168	168	86	126
- Directors' remuneration	484	496	409	230	325
- Directors' defined contribution plans	51	52	43	22	34
- Directors' other emolument	27	14	16	44	3
	<u>730</u>	<u>730</u>	<u>636</u>	<u>382</u>	<u>488</u>

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial periods ended 30 November 2019 and 30 November 2018 are as follows:

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Combined statements of comprehensive income					
Current income tax:					
- Current income tax charge	1,271	1,481	1,719	1,891	1,068
- Adjustment in respect of prior years	25	127	28	119	(6)
	<u>1,296</u>	<u>1,608</u>	<u>1,747</u>	<u>2,010</u>	<u>1,062</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

	← Audited →			Audited	Unaudited
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax: (Note 7)					
- (Reversal)/origination of temporary differences	(58)	20	28	(73)	-
- Adjustment in respect of prior years	79	(19)	(24)	(13)	-
	21	1	4	(86)	-
Income tax expense recognised in profit or loss	1,317	1,609	1,751	1,924	1,062

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

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below and annual sales less than RM50 million (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: NIL) is subject to the statutory tax rate of 17% (FYE 28.2.2019: 17%, FYE 28.2.2018: 18% and FYE 28.2.2017: 19%) on chargeable income up to RM600,000 (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: RM500,000). For chargeable income in excess of RM600,000 (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: RM500,000) and annual sales less than RM50 million (FYE 28.2.2019, FYE 28.2.2018 and FYE 28.2.2017: NIL), statutory tax rate of 24% is still applicable.

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

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

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	5,771	6,612	9,167	7,968	5,398
Tax at Malaysian statutory income tax rate of 24%	1,385	1,587	2,200	1,912	1,296
SME tax savings	(114)	(132)	(177)	(130)	(135)
Adjustments:					
- Income not subject to tax	(137)	(179)	(379)	(269)	(192)
- Non-deductible expenses	79	225	156	305	99
- Investment tax allowance incentives *	-	-	(53)	-	-
- Adjustment in respect of current income tax of prior years	25	127	28	119	(6)
- Adjustment in respect of deferred tax of prior years	79	(19)	(24)	(13)	-
Income tax expense	1,317	1,609	1,751	1,924	1,062

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

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

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

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

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	28.02.2017	28.02.2018	28.02.2019	30.11.2019	30.11.2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Group	3,836	4,333	6,871	5,927	3,849
Weighted average number of ordinary shares for basic and diluted earnings per share	2,500	2,500	2,500	2,501	2,500
Basic and diluted earnings per ordinary share	1.53	1.73	2.75	2.37	1.54

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

From 1 March 2018:

- (i) Amortised cost

On or before 28 February 2018:

- (i) Loans and receivables ("L&R")
- (ii) Other financial liabilities ("FL")

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R/(FL) RM'000
At 28 February 2017			
Financial assets			
Trade and other receivables less prepayments	9	31,354	31,354
Cash and short-term deposits	10	4,843	4,843
		<u>36,197</u>	<u>36,197</u>
Financial liabilities			
Loans and borrowings	14	(13,343)	(13,343)
Trade and other payables	16	(34,535)	(34,535)
		<u>(47,878)</u>	<u>(47,878)</u>
At 28 February 2018			
Financial assets			
Trade and other receivables less prepayments	9	28,997	28,997
Cash and short-term deposits	10	6,523	6,523
		<u>35,520</u>	<u>35,520</u>
Financial liabilities			
Loans and borrowings	14	(17,927)	(17,927)
Trade and other payables	16	(33,110)	(33,110)
		<u>(51,037)</u>	<u>(51,037)</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	Amortised Cost RM'000
At 28 February 2019			
Financial assets			
Trade and other receivables less prepayments	9	30,320	30,320
Cash and short-term deposits	10	9,711	9,711
		40,031	40,031
Financial liabilities			
Loans and borrowings	14	(26,340)	(26,340)
Trade and other payables	16	(36,116)	(36,116)
		(62,456)	(62,456)
At 30 November 2019			
Financial assets			
Trade and other receivables less prepayments	9	31,308	31,308
Cash and short-term deposits	10	9,442	9,442
		40,750	40,750
Financial liabilities			
Loans and borrowings	14	(24,072)	(24,072)
Lease obligations	15	(886)	(886)
Trade and other payables	16	(37,214)	(37,214)
		(62,172)	(62,172)

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management**

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

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

(i) Credit risk

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

Trade receivables

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

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

Credit risk concentration profile

At the end of the reporting period, the Group does not have any significant exposure to any individual customers.

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)**

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

	← Trade receivables →					Total RM'000
	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	> 90 days past due RM'000	
At 28 February 2019						
Expected credit loss rate	0%	0%	0%	0%	30%	3%
Gross carrying amount at default	17,390	6,391	2,957	1,248	2,764	30,750
Impairment losses	-	-	-	-	(823)	(823)
At 30 November 2019						
Expected credit loss rate	0%	0%	0%	0%	27%	3%
Gross carrying amount at default	19,030	5,834	2,729	967	3,266	31,826
Impairment losses	-	-	-	-	(883)	(883)

Other receivables and other financial assets

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)**

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

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

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

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

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

Refer to Note 3.10(a) for the Group's other accounting policies for impairment of financial assets.

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Financial guarantee contracts**

The Group is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to a related party. The Group monitors the result of the related party and their repayment on an on-going basis. The maximum exposure to credit risks amounts to NIL (28.2.2019, 28.2.2018 and 28.2.2017: RM500,000) representing the maximum amount the Group could pay if the guarantee is called on as disclosed in Note 24(b)(ii). As at the reporting date, there was no indication that the related party would default on repayment.

The financial guarantees have not been recognized since the fair value on initial recognition was not material.

(ii) Liquidity risk

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

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

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
24. FINANCIAL INSTRUMENTS (CONTINUED)
(b) Financial risk management (continued)
(ii) Liquidity risk (continued)
Maturity analysis

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

	Carrying amount RM'000	Contractual cash flows			Total RM'000
		On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	
At 28 February 2017					
Trade and other payables	34,535	33,241	1,294	-	34,535
Term loans	4,408	691	1,590	5,418	7,699
Finance lease liabilities	432	169	311	-	480
Bankers' acceptances	6,708	6,708	-	-	6,708
Bank overdrafts	1,795	1,795	-	-	1,795
Financial guarantee contracts	-	500	-	-	500
	47,878	43,104	3,195	5,418	51,717
At 28 February 2018					
Trade and other payables	33,110	31,209	1,901	-	33,110
Term loans	6,336	816	2,446	4,196	7,458
Finance lease liabilities	608	235	461	-	696
Bankers' acceptances	10,082	10,082	-	-	10,082
Bank overdrafts	901	901	-	-	901
Financial guarantee contracts	-	500	-	-	500
	51,037	43,743	4,808	4,196	52,747
At 28 February 2019					
Trade and other payables	36,116	35,516	600	-	36,116
Term loans	9,483	1,070	3,956	7,288	12,314
Finance lease liabilities	664	251	490	-	741
Bankers' acceptances	4,635	4,635	-	-	4,635
Trust receipts	10,549	10,549	-	-	10,549
Bank overdrafts	1,009	1,009	-	-	1,009
Financial guarantee contracts	-	500	-	-	500
	62,456	53,530	5,046	7,288	65,864

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
24. FINANCIAL INSTRUMENTS (CONTINUED)
(b) Financial risk management (continued)
(ii) Liquidity risk (continued)

	Carrying amount RM'000	Contractual cash flows			Total RM'000
		On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	
At 30 November 2019					
Trade and other payables	37,214	37,214	-	-	37,214
Term loans	8,936	836	5,754	4,119	10,709
Finance lease liabilities	1,017	384	743	-	1,127
Bankers' acceptances	3,808	3,808	-	-	3,808
Trust receipts	9,778	9,778	-	-	9,778
Bank overdrafts	533	533	-	-	533
Lease obligations	886	238	648	-	886
	62,172	52,791	7,145	4,119	64,055

(iii) Foreign currency risk

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

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Japanese Yen ("JPY") and Singapore Dollar ("SGD").

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

	Audited as at			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Financial assets and liabilities not held in functional currencies:				
<u>Cash and short-term deposits</u>				
USD	25	9	12	12
SGD	-	30	30	30
	25	39	42	42

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Liquidity risk (continued)**

	← Audited as at →			
	28.02.2017	28.02.2018	28.02.2019	30.11.2019
	RM'000	RM'000	RM'000	RM'000
<u>Trade receivable</u>				
SGD	38	-	-	-
<u>Trade payables</u>				
SGD	(14)	(123)	(214)	-
JPY	(189)	(16)	-	-
USD	-	-	-	(9)
	(203)	(139)	(214)	(9)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, JPY and SGD.

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

(iv) Interest rate risk

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

Sensitivity analysis for interest rate risk

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	Carrying amount RM'000	Movement in basis points	Effect on profit and equity for the financial year RM'000
Group			
28 February 2017			
Term loans	4,408	+ 50 - 50	(17) 17
Bankers' acceptances	6,708	+ 50 - 50	(25) 25
Bank overdrafts	1,795	+ 50 - 50	(7) 7
28 February 2018			
Term loans	6,336	+ 50 - 50	(24) 24
Bankers' acceptances	10,082	+ 50 - 50	(38) 38
Bank overdrafts	901	+ 50 - 50	(3) 3
28 February 2019			
Term loans	9,483	+ 50 - 50	(36) 36
Bankers' acceptances	4,635	+ 50 - 50	(18) 18
Trust receipts	10,549	+ 50 - 50	(40) 40
Bank overdrafts	1,009	+ 50 - 50	(4) 4

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	Carrying amount RM'000	Movement in basis points	Effect on profit and equity for the financial period RM'000
Group			
30 November 2019			
Term loans	8,936	+ 50	(34)
		- 50	34
Bankers' acceptances	3,808	+ 50	(14)
		- 50	14
Trust receipts	9,778	+ 50	(37)
		- 50	37
Bank overdrafts	533	+ 50	(2)
		- 50	2

(v) Fair value measurement

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(vi) Fair value measurement (continued)**

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

	Carrying amount RM'000	Fair value of financial instruments not carried at fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
28 February 2017					
Financial liabilities					
Non-current					
Term loans	3,945	-	-	3,903	3,903
Finance lease liabilities	284	-	-	272	272
28 February 2018					
Financial liabilities					
Non-current					
Term loans	5,750	-	-	4,157	4,157
Finance lease liabilities	399	-	-	419	419
28 February 2019					
Financial liabilities					
Non-current					
Term loans	8,679	-	-	6,723	6,723
Finance lease liabilities	448	-	-	447	447
30 November 2019					
Financial liabilities					
Non-current					
Term loans	8,352	-	-	6,657	6,657
Finance lease liabilities	681	-	-	683	683
Lease obligations	648	-	-	648	648

Level 3 fair valueFair value of financial instruments carried at fair value

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

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. COMMITMENTS

The Group has made commitments for the following capital expenditure:

	← Audited as at →			
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000	30.11.2019 RM'000
Approved and contracted for:				
- Property, plant and equipment	3,236	3,415	-	-
Approved but not contracted for:				
- Property, plant and equipment	-	-	17,961	17,961

Operating lease commitments – as lessee

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

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

	← Audited as at →		
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000
- Not later than one year	419	244	279
- More than one year and not later than five years	36	222	346
	<u>455</u>	<u>466</u>	<u>625</u>

Operating lease commitments – as lessor

The Group leases several of its investment properties which have remaining lease term less than one (1) year. Rental charges are revised every two (2) years to reflect current market conditions.

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

	← Audited as at →		
	28.02.2017 RM'000	28.02.2018 RM'000	28.02.2019 RM'000
- Not later than one year	39	156	65
- More than one year and not later than five years	-	65	-
	<u>39</u>	<u>221</u>	<u>65</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES

(a) Identification of related parties

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

Related parties of the Group include:

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

(b) Significant related parties transactions

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

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of goods					
- Entity owned by persons connected to a director	54	73	61	13	53
Purchases of motor vehicles					
- Entity in which certain directors have interest	-	(39)	-	-	-
Rental of office					
- Entity in which certain directors have interest	(26)	(26)	(26)	-	-
Disposal of asset classified as held for sale					
- Entity in which certain directors have interests	-	-	-	2,150	-

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**26. RELATED PARTIES (CONTINUED)****(c) Compensation of key management personnel**

	← Audited →			Audited	Unaudited
	FYE 28 February			FPE 30 November	
	2017	2018	2019	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	1,421	1,730	1,607	933	770
Defined contribution plans	145	158	158	90	88
Other staff related expenses	61	29	63	68	7
	1,627	1,917	1,828	1,091	865

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 28 February 2017, 28 February 2018 and 28 February 2019 and financial period ended 30 November 2019.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity of the Group. The gearing ratio as at 28 February 2017, 28 February 2018, 28 February 2019 and 30 November 2019 are as follows:

	Note	← Audited as at →			
		28.02.2017	28.02.2018	28.02.2019	30.11.2019
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings/total debts	14	13,343	17,927	26,340	24,072
Total equity		26,118	31,327	36,293	42,338
Gearing ratio (times)		0.51	0.57	0.73	0.57

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

The Group is required to comply with externally imposed capital requirements on leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

12. ACCOUNTANTS' REPORT (Cont'd)**ACO GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD****(a) Acquisition of ACO Holdings Sdn. Bhd.**

The Company had on 2 August 2019, entered into a conditional share sale agreement with the shareholders to acquire the entire issued share capital of ACO Holdings Sdn. Bhd. comprising 2,500,000 ordinary shares for total purchase consideration of RM35,320,350. The acquisition of ACO Holdings Sdn. Bhd. is to be wholly satisfied by the issuance of 235,469,000 new shares of the Company at an issue price of RM0.15 per share.

(b) Acquisition of non-controlling interest in Electric Master Sdn.Bhd.

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Gan Bee Hong to acquire 20% equity interest in Electric Master Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM684,750. The acquisition of Electric Master Sdn. Bhd. is to be wholly satisfied by the issuance of 4,565,000 new shares of the Company at an issue price of RM0.15 per share.

(c) Acquisition of non-controlling interest in Maylec Sdn. Bhd.

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Woo Yoong Eng to acquire 10% equity interest in Maylec Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM163,500. The acquisition of Maylec Sdn. Bhd. is to be wholly satisfied by the issuance of 1,090,000 new shares of the Company at an issue price of RM0.15 per share.

(d) Acquisition of non-controlling interest in Voltage Master Sdn. Bhd.

The Company and ACO Holdings Sdn. Bhd. had on 2 August 2019, entered into a conditional share sale agreement with Goh Bee Tin to acquire 7.5% equity interest in Voltage Master Sdn. Bhd., a subsidiary of ACO Holdings Sdn. Bhd. for a purchase consideration of RM131,250. The acquisition of Voltage Master Sdn. Bhd. is to be wholly satisfied by the issuance of 875,000 new shares of the Company at an issue price of RM0.15 per share.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

The acquisition of Aco Holdings Sdn. Bhd., acquisition of non-controlling interest in Electric Master Sdn.Bhd., acquisition of non-controlling interest in Maylec Sdn. Bhd. and acquisition of non-controlling interest in Voltage Master Sdn. Bhd. were completed on 22 January 2020.

12. ACCOUNTANTS' REPORT (Cont'd)
ACO GROUP BERHAD
 Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
30. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Segments	Product and services
Industrial users	Sales of electrical products and accessories to electrical contractors, electrical products manufacturers, factory and business owners, and others
Resellers	Sales of electrical products and accessories to intermediaries including distributors and retailers

Inter-segment pricing is determined on negotiated basis.

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
28 February 2017					
Revenue:					
Revenue from					
external customers	83,785	30,724	-	-	114,509
Inter-segment revenue	11,625	-	-	(11,625)	-
	95,410	30,724	-	(11,625)	114,509
Segment profit	14,452	2,962	-	-	17,414
Other income					717
Unallocated expenses					(11,678)
Finance costs					(682)
Income tax expense					(1,317)
Profit for the financial year					4,454
Results:					
<i>Included in the measure of segments profit are:</i>					
Employee benefits expense					7,232
Depreciation					879

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
28 February 2018					
Revenue:					
Revenue from					
external customers	83,002	41,191	-	-	124,193
Inter-segment revenue	11,382	-	416	(11,798)	-
	<u>94,384</u>	<u>41,191</u>	<u>416</u>	<u>(11,798)</u>	<u>124,193</u>
Segment profit	15,724	3,952	-	-	19,676
Other income					956
Unallocated expenses					(13,280)
Finance costs					(740)
Income tax expense					(1,609)
Profit for the financial year					<u>5,003</u>
Results:					
<i>Included in the measure of segments profit are:</i>					
Employee benefits expense					8,115
Depreciation					<u>1,120</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
28 February 2019					
Revenue:					
Revenue from					
external customers	95,559	38,814	-	-	134,373
Inter-segment revenue	9,134	-	600	(9,734)	-
	<u>104,693</u>	<u>38,814</u>	<u>600</u>	<u>(9,734)</u>	<u>134,373</u>
Segment profit	18,351	3,867	-	-	22,218
Other income					1,711
Unallocated expenses					(13,734)
Finance costs					(1,028)
Income tax expense					(1,751)
Profit for the financial year					<u>7,416</u>
Results:					
<i>Included in the measure of segments profit are:</i>					
Employee benefits expense					8,277
Depreciation					<u>1,268</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Management Fees RM'000	Adjustment and eliminations RM'000	Total RM'000
30 November 2019					
Revenue:					
Revenue from					
external customers	77,501	26,583	-	-	104,084
Inter-segment revenue	7,627	-	1,100	(8,727)	-
	<u>85,128</u>	<u>26,583</u>	<u>1,100</u>	<u>(8,727)</u>	<u>104,084</u>
Segment profit	16,651	2,922	-	-	19,573
Other income					1,090
Unallocated expenses					(11,690)
Finance costs					(1,005)
Income tax expense					(1,924)
Profit for the financial period					<u>6,044</u>
Results:					
<i>Included in the measure of segments profit are:</i>					
Employee benefits expense					6,225
Depreciation					<u>1,226</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ACO GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SEGMENT INFORMATION (CONTINUED)

	Industrial users RM'000	Resellers RM'000	Dividend income RM'000	Adjustment and eliminations RM'000	Total RM'000
30 November 2018					
Revenue:					
Revenue from					
external customers	67,151	28,519	-	-	95,670
Inter-segment revenue	7,173	-	600	(7,773)	-
	74,324	28,519	600	(7,773)	95,670
Segment profit	12,557	2,547	-	-	15,104
Other income					450
Unallocated expenses					(9,407)
Finance costs					(749)
Income tax expense					(1,062)
Profit for the financial period					4,336
Results:					
<i>Included in the measure of segments profit are:</i>					
Employee benefits expense					5,571
Depreciation					738

13. ADDITIONAL INFORMATION

13.1 EXTRACT OF OUR CONSTITUTION

The following provisions are reproduced from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution or the context otherwise require:-

13.1.1 Remuneration, voting and borrowing powers of Directors

(a) **Directors' remuneration**

"Clause 93(1) to (3) Remuneration of Directors

- (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 84 Remuneration of Managing Director or Executive Director

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine."

(b) **Voting and borrowing powers of Directors**

"Clause 94(1) and (2) Managing business and affairs of the Company

- (1) The business and affairs of the Company shall be managed by or under the direction and supervision of the Directors who may pay all expenses incurred in promoting and registering the Company.
- (2) The Directors may exercise all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company except any power that the Act or by this Constitution requires the Company to exercise in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

13. ADDITIONAL INFORMATION (Cont'd)

Clause 95 Borrowing Powers

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4)
 - (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 96 Operation of cheques, promissory notes etc.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for money paid to the Company, must be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by any two (2) Directors or in such other manner as the Directors may from time to time determine.

Clause 97 Power of attorney

- (1) The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for the purposes and with the powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for a period and subject to any conditions as the Directors may think fit.
- (2) Any powers of attorney granted under Clause 97(1) may contain provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate all or any of the powers, authorities, and discretions vested in the attorney.

13. ADDITIONAL INFORMATION (Cont'd)

Clause 99 Delegation of powers

Subject to the applicable laws and/or the Listing Requirements:

- (1) the Directors may delegate any of their powers to a committee or committees consisting of such their number as they think fit;
- (2) any committee formed under Clause 99(1) shall exercise the powers delegated in accordance with any directions of the Directors and a power so exercised shall be deemed to have been exercised by the Directors; and
- (3) the Board shall, subject to the Listing Requirements and upon the committee's recommendation (where applicable), appoint a chairperson of the committee and determine the period for which he is to hold office.

Clause 118 Voting at Board Meetings

- (1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119 Casting Vote

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

Clause 105 Directors' Interest in Contracts

- (a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

13. ADDITIONAL INFORMATION (Cont'd)

13.1.2 Changes to share capital

Clause 8 Variation of Rights

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:
 - (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
 - (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:
 - (a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;
 - (b) if that class of shares only has one (1) holder, a quorum is constituted by one (1) person present holding shares of such class; and
 - (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
 - (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12 Issue of Securities

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
 - (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
 - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

13. ADDITIONAL INFORMATION (Cont'd)

- (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.
- (3)
 - (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
 - (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
 - (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.
- (4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.

Clause 46 Alteration of Capital

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
 - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by special resolution and subject to other applicable requirements:

13. ADDITIONAL INFORMATION (Cont'd)

- (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

13.1.3 Transfer of securities

Clause 14 Transfer of Securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

13.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

As at the date of this Prospectus, we only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to Section 4.1 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

13.2 SHARE CAPITAL

- (i) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option.
- (ii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.
- (iii) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.
- (iv) Save as disclosed in Sections 4.1.1, 6.1.3 and 6.2 of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

13. ADDITIONAL INFORMATION (Cont'd)

13.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:-

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by our Group in respect of other companies' shares.

13.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:-

- (i) Sale and Purchase Agreement dated 28 November 2016 between Electric Master and Villy Trading (M) Sdn Bhd for the acquisition of a piece of land held under PN 48301, Lot 16700, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka containing an area measuring approximately 937 sq. m. and includes a building known as a corner 1½-storey Semi-Detached Factory (Extended and Renovated) bearing postal address No. 1, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka, for the purchase price of RM1,700,000 which was fully satisfied in cash. This transaction was completed on 2 August 2017;
- (ii) Sale and Purchase Agreement dated 28 November 2016 between Electric Master and Villy Trading (M) Sdn Bhd for the acquisition of a piece of land held under PN 48303, Lot 16701, Mukim Batu Berendam, Daerah Melaka Tengah, Negeri Melaka containing an area measuring approximately 876 sq. m. and includes a building known as a corner 1½-storey Semi-Detached Factory (Extended and Renovated) bearing postal address No. 3, Jalan IKS M4, Taman IKS Merdeka, Batu Berendam, 75350 Melaka, for the purchase price of RM1,600,000 which was fully satisfied in cash. This transaction was completed on 2 August 2017;
- (iii) Sale and Purchase Agreement dated 8 December 2017 between Maylec and Impression Unlimited Corporation Sdn Bhd for the acquisition of a piece of land held under GRN 456393, Lot 143286, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor containing an area measuring approximately 1,772 sq. m., together with a unit of single storey semi-detached light industrial factory with mezzanine floor erected thereon and known as No. 10, Jalan Kempas Utama 3/5, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim, for the purchase price of RM2,900,000 which was fully satisfied in cash. This transaction was completed on 11 April 2018;
- (iv) Sale and Purchase Agreement dated 29 March 2018 between Actgen and Soh Tian Yew for the acquisition of a piece of land held under GM 10124, Lot 12636, Mukim Bandar, Daerah Johor, Negeri Johor containing an area measuring approximately 145 sq. m., together with a 3-storey shop known as No. 10, Jalan Susur, Off Jalan Sungai Abong, 84000 Muar, Johor Darul Takzim, for the purchase price of RM950,000 which was fully satisfied in cash. This transaction was completed on 9 July 2018;
- (v) Share Sale Agreement dated 8 November 2018 between ACO Holdings and Lim May Hoon for the acquisition of 480,000 ordinary shares, representing 24.00% of Maydenki's issued share capital, for the purchase price of RM2,000,000 which is to be fully satisfied by 20 monthly cash instalments of RM100,000 commencing on 25 January 2019 and ending on 25 August 2020;

13. ADDITIONAL INFORMATION (Cont'd)

- (vi) Sale and Purchase Agreement dated 18 December 2018 between Actgen and Kompas for the disposal of a piece of land held under GRN 242295, Lot 51459, Mukim Plentong, Daerah Johor Bahru, Negeri Johor containing an area measuring approximately 670 sq. m. together with a unit of semi-detached workshop known as No. 133, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim, for the selling price of RM2,150,000 which was fully satisfied in cash. This transaction was completed on 26 March 2019;
- (vii) Conditional Share Sale Agreement dated 2 August 2019 entered into between ACO Holdings and ACO for the Acquisition of ACO Holdings for a purchase consideration of RM35,320,350 (excluding the Acquisitions of the Non-Controlling Interests) which was fully satisfied by way of issuance of 235,469,000 ACO Shares to the Vendors in proportion to their respective shareholdings in ACO Holdings ("**ACO Holdings SSA**"). This transaction was completed on 22 January 2020. Please refer to Section 4.1.1(a) of this Prospectus for further details;
- (viii) Conditional Share Sale Agreement dated 2 August 2019 entered into between Gan Bee Hong (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 20.00% shareholdings in Electric Master not already owned by ACO Holdings, for a purchase consideration of RM684,750 which was fully satisfied by way of issuance of 4,565,000 ACO Shares to Gan Bee Hong ("**Electric Master SSA**"). Upon completion of the Electric Master SSA on 22 January 2020, Electric Master became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition;
- (ix) Conditional Share Sale Agreement dated 2 August 2019 entered into between Goh Bee Tin (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 7.50% shareholdings in Voltage Master not already owned by ACO Holdings, for a purchase consideration of RM131,250 which was fully satisfied by way of issuance of 875,000 ACO Shares to Goh Bee Tin ("**Voltage Master SSA**"). Upon completion of the Voltage Master SSA on 22 January 2020, Voltage Master became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition; and
- (x) Conditional Share Sale Agreement dated 2 August 2019 entered into between Woo Yoong Eng (as vendor), ACO Holdings (as purchaser) and ACO for the acquisition of 10.00% shareholdings in Maylec not already owned by ACO Holdings, for a purchase consideration of RM163,500 which was fully satisfied by way of issuance of 1,090,000 ACO Shares to Woo Yoong Eng ("**Maylec SSA**"). Upon completion of the Maylec SSA on 22 January 2020, Maylec became our wholly-owned subsidiary. Please refer to Section 4.1.1(a) of this Prospectus for further details of this acquisition; and
- (xi) Underwriting Agreement dated 3 February 2020 entered into between ACO and the Sole Underwriter for the underwriting of 24,000,000 Issue Shares under the Public Issue, for the underwriting commission at the rate set out in Section 4.5.2 of this Prospectus.

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13. ADDITIONAL INFORMATION (Cont'd)

13.6 CONSENTS

- (i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors for the Listing, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn;
- (ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn; and
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

13.7 RESPONSIBILITY STATEMENTS

- (i) AIBB acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to the IPO.
- (ii) This Prospectus has been seen and approved by our Directors, Promoters and Offerors, and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

13.8 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six (6) months from the date of this Prospectus:-

- (i) Our Constitution;
- (ii) The Industry Overview referred to in Section 7 of this Prospectus;
- (iii) The Reporting Accountants' Report relating to the Pro Forma Consolidated Statements of Financial Position of our Group as at 30 November 2019 referred to in Section 11.9 of this Prospectus;
- (iv) The Accountants' Report as included in Section 12 of this Prospectus;
- (v) The Actgen-SE Distribution Agreement and the Maydenki-SE Distribution Agreement which are set out in Section 6.4.13 of this Prospectus;
- (vi) The material contracts referred to in Section 13.5 of this Prospectus;
- (vii) The letters of consent referred to in Section 13.6 of this Prospectus; and

13. ADDITIONAL INFORMATION (Cont'd)

- (viii) The audited financial statements of:-
- (a) ACO for the financial period ended 30 November 2019;
 - (b) ACO Holdings for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;
 - (c) Actgen for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;
 - (d) Maydenki for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;
 - (e) Electric Master for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019;
 - (f) Voltage Master for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019; and
 - (g) Maylec for the FYE 28 February 2017 to FYE 28 February 2019 and FPE 30 November 2019.

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14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 FEBRUARY 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 6 MARCH 2020

Applications for the Issue Shares will open and close at the dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for our Issue Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by eligible Directors and employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

14.2.2 Application by selected investors via placement

Types of Application	Application method
Applications by:- Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent's instructions.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) You must submit Applications by using only one of the following methods:-
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Applicants provided with Pink Form Allocation Forms may also apply for our Issue Shares offered to the Malaysian Public.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, AIBB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.28 for each Issue Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 692**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 6 March 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

- (i) reject Applications which:-
- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b)(i) of the Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

14.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our Issue Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Issue Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of Application		Parties to direct the enquiries
Application Form		Issuing House Enquiry Services Telephone at telephone no. 03-2783 9299
Electronic Application	Share	Participating Financial Institution
Internet Application	Share	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one (1) Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five (5) Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.