



G3 GLOBAL BERHAD

Company No. 200201002733 (570396-D)

Annual Report 2019



Blazing Trails in the **AI Industry**

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CORPORATE INFORMATION

Board of Directors

Datuk Wan Khalik Bin Wan Muhammad
Executive Chairman

Datuk Haji Khan Bin Mohd Akram Khan
Managing Director

Puan Chan Cheong
Non-Independent Non-Executive Director

Tan Kay Yen
Non-Independent Non-Executive Director

Yong Kim Fui
Independent Non-Executive Director

Salihin Bin Abang
Independent Non-Executive Director

Dirk Johann Quinten
Executive Director

Ahmad Rizan Bin Ibrahim
Non-Independent Non-Executive Director

Liew Kok Seong
Alternate Director to Tan Kay Yen

Lai Chin Tak
Independent Non-Executive Director

Secretaries

Chee Wai Hong (BC/C/1470)
(SSM PC No. 202008001804)

Foo Li Ling (MAISCA 7019557)
(SSM PC No. 201908001737)

Audit Committee

Yong Kim Fui
Chairman, Independent Non-Executive Director

Lai Chin Tak
Independent Non-Executive Director

Salihin Bin Abang
Independent Non-Executive Director

Risk Management Committee

Salihin Bin Abang
Chairman, Independent Non-Executive Director

Yong Kim Fui
Independent Non-Executive Director

Lai Chin Tak
Independent Non-Executive Director

Remuneration Committee

Lai Chin Tak
Chairman, Independent Non-Executive Director

Yong Kim Fui
Independent Non-Executive Director

Salihin Bin Abang
Independent Non-Executive Director

Tan Kay Yen
Non-Independent Non-Executive Director

Nominating Committee

Lai Chin Tak
Chairman, Independent Non-Executive Director

Yong Kim Fui
Independent Non-Executive Director

Salihin Bin Abang
Independent Non-Executive Director

Tan Kay Yen
Non-Independent Non-Executive Director

Solicitors

Zaid Ibrahim & Co.
Peter Ling & Van Geyzel

Principal bankers

Hong Leong Islamic Bank Berhad
Alliance Bank Berhad

Stock exchange listing

Main Market of Bursa Malaysia
Securities Berhad

Registered Office

51-13-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown, Penang
Tel : +604 228 9700
Fax: +604 227 9800

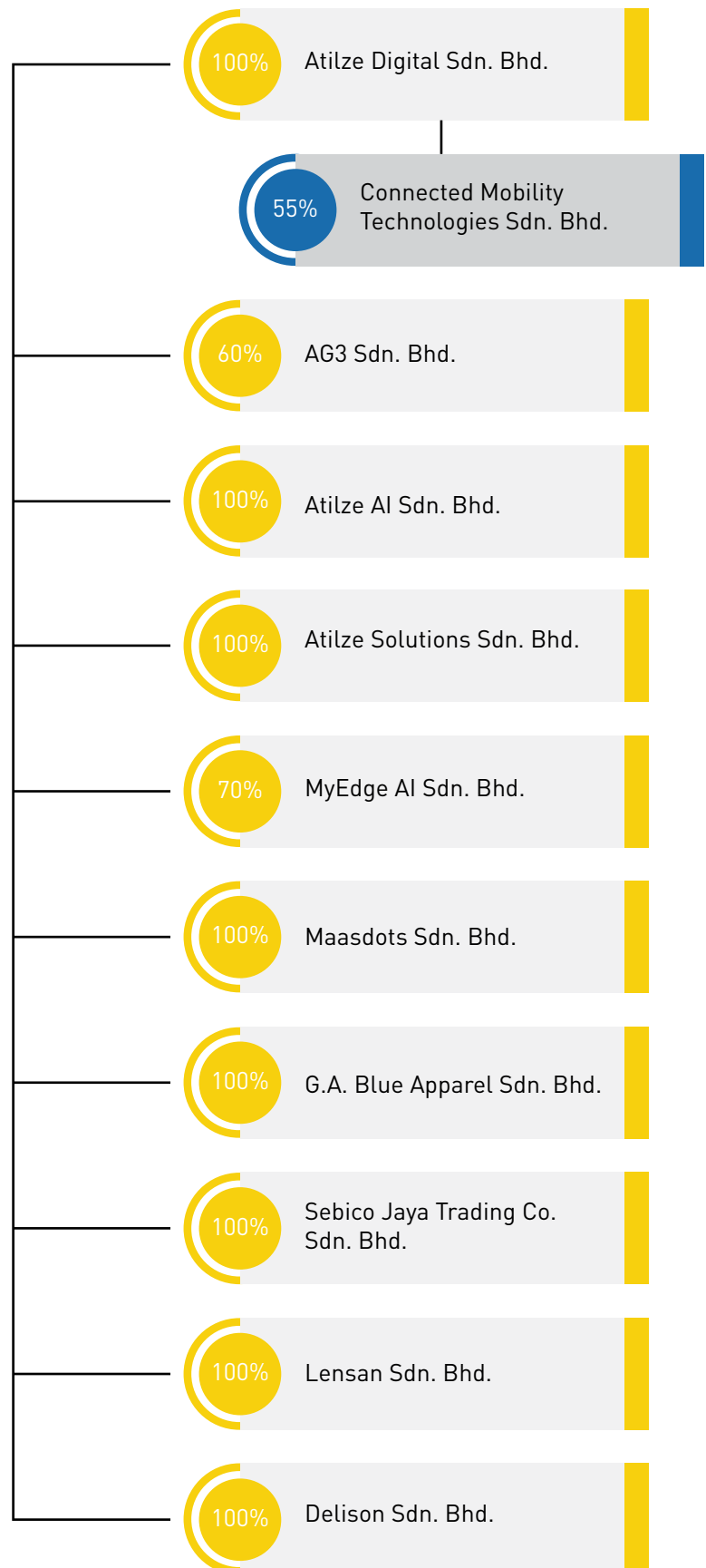
Business Address

T2 - L17, 1 & 3, Level 17
IOI City Tower 2 , Lebuhr IRC
IOI Resort City, 62502 Putrajaya
Malaysia
Tel : +603 5870 3660

Share Registrar

Agriteum Share Registration
Services Sdn Bhd
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah,
10050 Georgetown, Penang
Tel : +604 228 2321
Fax: +604 227 2391

CORPORATE STRUCTURE



CORPORATE MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Smart Internet of Things ("IoT")

In Malaysia, agriculture sector contributed RM99.5 billion to Gross Domestic Product. The maximization of crop and livestock yield becomes ever more important specially to meet the needs of increasing Malaysian population. Hence, various initiatives have been undertaken by the government to modernise and increase agricultural production.

One of the key initiatives is through implementation of IoT advance sensors and data analytics. The global agriculture IoT market is expected to be worth USD20.9bn by year 2024 with compound annual growth rate of 10.4%. While in Malaysia the IoT industry is expected to contribute RM42.5 billion by 2025.

Through G3's IoT agriculture system implemented in 2019, farmers enjoyed the rise in crop yield by approximately 64% and fertilizer savings by approximately 60%. Through this proven record that the Group is positive to grow alongside the growth in IoT agriculture sector.

Smart Mobility

Malaysia home to 15 million vehicles, motor insurance gross written premium of RM8.5 billion with a growth rate of 1.8% and road accident death rate of 23 per 100,000 population on the road. Smart mobility is and will be key driver to improve road safety, support reduction in insurance premium and autonomous driving.

The global market for telematics solutions stands at USD41 billion in 2022 with compound annual growth rate of 14%, autonomous vehicles at USD54 billion and 125 cities rolling out smart mobility projects. Malaysia is expected to reach 131 million trips by 2030, the demand for reliable telematics solutions becomes crucial.

The Group grew 17 times in fleet size between 2018 and 2019 proving the growth in demand for telematic products.

Smart AI

Global artificial Intelligence ("AI") market size stands at USD390 billion by 2025 with compound annual growth rate of 46%. In Malaysia, data and analytics software market is forecasted to reach RM595 million by 2021.

Through AI, it is estimated that innovation rate will be 1.8x by 2021 with employee productivity improves by 60%. With significant AI potential, already 26% organisation in Malaysia embarked on AI. Hence, a larger market potential for AI adoption in Malaysia.

AI has been currently equipped in office towers by developers, parking lots, court room, retail outlets, airport and various everyday online services. Workforce in Malaysia are also being upskilled to acquire data science and data engineering competencies. Thus, Malaysian has a strong maturity level to adopt AI.

With expected RM65 billion in IT spending per annum, one of the key main drivers is AI. As part of 2019 Malaysia Budget, RM3 billion fund under Malaysia Development Bank is created to accelerate development and adoption of smart technologies including AI and robotics. The future of AI growth in Malaysia outlook is positive.

GROUP'S FINANCIAL RESULTS

With the disposal of apparel business in December 2019, revenue from ICT business and the Group for the financial year of 2019 reached RM14.2 million from RM13.3 million in 2018. The Group achieved revenue growth of 7% for financial year 2019.

The total loss from the Group continuing operations stands at RM15.0 million in financial year 2019 as opposed to RM11.4 million in financial year 2018 due to disposal of apparel business leading to loss of RM2.3 million, expensed of research and development cost of RM1.2 million and increase in staff and business development cost to further grow the Group's Internet of Things, Mobility and Artificial Intelligence solutions.

As at the date of this report, the Group is unable to reliably estimate the financial impact of Coronavirus Disease 2019 ("COVID-19") on the Group's financial results for the year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Group will continuously assess the impact of COVID-19 on its operations.

CORPORATE MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK MANAGEMENT

Global events from trade war between China and United States and political instability in Malaysia which cause slowdown in global economy have a positive impact to the Group's performance in 2019. The opportunity for the Group to embark in AI, bringing foreign talents & expertise into Malaysia and having first mover advantage.

The memorandum of understanding between SenseTime Group Ltd, China Harbour Engineering Company Ltd and G3 Global Berhad on 26 April 2019 marks the first step for the Group to bring Malaysia towards regional AI Hub.

Rapid change in technology would place a risk to the Group. To manage the risk, the Group has dedicated team to constantly review and upgrade existing solutions to avoid obsolescence while searching complement products to enhance existing solutions.

CORPORATE DEVELOPMENTS

During the financial year, corporate developments in the Group are as follows:

- a) On 27th May 2019, the Company announced a proposal to dispose off the entire equity interest in three (3) wholly owned subsidiaries i.e Edwin Jeans (M) Sdn Bhd, GA Blue Corporation Sdn Bhd and Yen Retailing (M) Sdn Bhd for total consideration of RM4,384,000. Disposal has been completed on 13th December 2019 in accordance with the terms and conditions of the SSA
- b) On 29th March 2019, the Company announced a proposal to undertake the establishment and implementation of Share Grant Scheme (SGS) of up to 10% of the total number of issued shares of G3 (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for the Executive Directors and Employees of G3 and its subsidiaries who fulfil the eligibility criteria. The Proposal has been approved by shareholders at EGM on 22nd August 2019

- c) On 26th April 2019, the Company announced the signing of a Memorandum of Understanding with SenseTime Group Ltd of Hong Kong and China Harbour Co. Ltd of China for a proposed joint-venture to set-up an AI Park in Malaysia for the development of AI Solutions and other related technology, facilities and infrastructure. The project is still pending signing of any agreement.

DIVIDEND POLICY

The Board has not adopted any fixed dividend policy. The Board does not recommend payment of any dividend for the financial year ended 31st December 2019

FUTURE PROSPECTS

The Group expects to expand further into the ICT business especially in AI and Data Analytics. As global and local demand rises for Smart Technology (AI, mobility, smart IoT) to manage efficiency and cost, the Group will see continuous growth in revenue especially demand for AI in view of current COVID-19 outbreak.

The Group will continue to invest in growing the ICT business as we see the growth potential because as AI being applied in other industries and in various discipline due to its accuracy in capturing data, automatically analyse and help guide business strategies.

DIRECTORS' PROFILE

DATUK WAN KHALIK BIN WAN MUHAMMAD

(Executive Chairman)

Aged 47, Malaysian, Male

Datuk Wan Khalik, was appointed as the Executive Chairman of the company on 5th April 2019. He holds a Diploma in Public Administration from Universiti Teknologi MARA (UiTM) and he is also a postgraduate Master of Arts in Political Science from the Universiti Utara Malaysia (UUM).

He is the co-founder of a multi award-winning software development company which was established in the year 2000. He also ventured into businesses in other sectors such as food and beverage, marine works, telecommunications, construction and engineering.

Datuk Wan Khalik has vast experience in the areas of corporate planning, public administration, IT strategic planning and business development. He served the public and government sector for more than five (5) years as special officer & principal private secretary to the Chief Minister of Sarawak from 2013 until July 2018.

Datuk Wan Khalik is also currently the Executive Chairman of DWL Resources Berhad.

DATUK HAJI KHAN BIN MOHD AKRAM KHAN

(Managing Director)

Aged 50, Malaysian, Male

Datuk Khan, was appointed as the Managing Director of the company on 5th April 2019. He is a strategist and a serial entrepreneur in the field of Big Data Analytics, Automotive, Logistics & Trading and other related industries. As the founder of AGA Group, Datuk Khan's journey into Big Data Analytics started back in 2001. Being an advocate towards sustainable data management and governance, his National Data Ocean framework has been renowned and accepted by MAMPU and MDEC in pursuing the Beyond 2020 Roadmap.

Datuk Khan has almost 30 years of experience in the areas of Strategic Planning, Branding and Communication, Marketing, Digital Transformation and Data Analytics.

Being a prominent figure in the Big Data arena, Datuk Khan has been featured in many events, such as HACKATHON, and forums as a speaker in order to share his views on how businesses can capitalize data as the game changer to win deals. Armed with vast experience in various industries and with a strong believe that data is the primary component in transforming and optimizing business best practices, Datuk Khan has been proactively promoting the idea of Big Data Analytics based on his principles, methodology and architecture.

Currently, Datuk Khan also sits on the board of MMAG Holdings Berhad as Executive Chairman.

DIRK JOHANN QUINTEN

(Executive Director)

Age 51, German, Male

Dirk Quinten was appointed as Executive Director of G3 Global Berhad on 19th February 2020. He holds a Master Degree in Electrical Engineering & Automation from the University of Applied Science, Trier, Germany, and underwent the SMDP from Harvard Business School.

Born, raised and educated in Germany, Dirk started his career in 1995 with a multinational engineering company. In 2000 he came to Malaysia and shifted his focus towards project and corporate management. In the course of his career he worked with companies including FLSmidth, Conoco, Siemens, Alstom, TNB, SMS, Vale, Ferrostaal, Melewar and Pertamina in delivering complex projects, corporate turnarounds and capital market structures.

With his ability to engage teams and to merge various company departments into a cohesive organization, Dirk is driven to improve corporate governance and business structures in order to achieve stability and growth.

Dirk believes in transparent and ethical business conduct. He is a member of the Harvard Alumni Club as well as of the German Embassy's Round Table business forum in Malaysia.

Currently, Dirk also sits on the board of MMAG Holdings Berhad.

DIRECTORS' PROFILE (CONT'D)

AHMAD RIZAN BIN IBRAHIM

(Non-Independent Non-Executive Director)

Aged 57, Malaysian, Male

Encik Ahmad Rizan was appointed as a Non-Independent Non-Executive Director of the Company on 30 December 2019. He holds a Bachelor of Science degree in Computer Science, a Bachelor of Science in Management Science, a Master of Computer Science and an MBA from Oregon State University, USA.

Encik Ahmad Rizan has more than 30 years of management and strategic consulting experience; inclusive of senior leadership and operational roles, sales, marketing, business development and channel/alliance development.

He has worked in China, Vietnam, Cambodia, Myanmar, Indonesia, UAE, Oman, Hungary, Russia, United Kingdom and the United States. He is well versed in solution delivery to clients in the areas of strategic planning, merger and acquisitions (M&A), technology design and implementation, package and custom development and implementation, operations management, e-Business and project management; serving both public and private sectors locally and overseas. In recent years, he has been responsible for many mergers and acquisitions, due diligence and international ventures in the hospitality and leisure market.

Encik Ahmad Rizan was a partner with Arthur Andersen during which he held the role of Head of ASEAN Enterprise Application Line-of-Business and Asia Pacific Head of Enterprise Application for several years. Prior to joining Arthur Andersen, he was the Consulting Practice Director for Oracle Consulting Services Line-of-Business in Asia Pacific.

In 2002, Encik Ahmad Rizan together with a senior partner of Arthur Andersen, founded a consulting company called HRM Business Consulting Sdn. Bhd. The company was set up with 45 consulting professionals from the business consulting division of Hanafiah Raslan & Mohamed (HRM), a Malaysian-owned member firm of Arthur Andersen. The firm provided business strategy and ICT design and implementation services, which subsequently became a 51% own subsidiary of Dataprep Holdings Bhd., a Bursa Malaysia listed company.

He was also the President & CEO of MIMOS Berhad, a 100 percent Ministry of Finance (MoF) owned company, under the supervisory of Ministry of International Trade and Industry (MITI).

PUAN CHAN CHEONG

(Non-Independent Non-Executive Director)

Age 51, Malaysian, Male

Mr. Puan, was appointed as a Non-Independent Non-Executive Chairman of the Company on 14 September 2017. He was reappointed as Non-Independent Non-Executive Director of the Company on 14 August 2018. He holds a Bachelor of Science in Business Administration and Double major in Management Information Systems & Finance from University of Nebraska-Lincoln, USA.

Mr. Puan is the founder, Group Managing Director and CEO of Green Packet Berhad ("Green Packet"). Established in 2000, Green Packet is an international technology company with four core businesses namely connectivity (broadband devices), communications (wholesale voice and data), cashless commerce (Fintech) and community living (Proptech).

In 2014, Mr. Puan relinquished his executive roles at Green Packet to lead as CEO of 4G Telecommunications company ("Telco"), Packet One Networks (Malaysia) Sdn Bhd ("P1") until 2016. Established by Green Packet, P1 attracted the investment of Malaysia's leading broadband provider, Telekom Malaysia Berhad, which subsequently became its holding company. Mr. Puan led as CEO during the transition phase to fully capitalize on partnership synergies. He established P1's future blueprint and engineered key strategic transformations including the rebranding of P1 to Webe Digital Sdn Bhd ("Webe"). Thereafter, he transitioned to the Board of Webe and continued to help shape the company's progress.

During the early founding years, Mr. Puan steered the Green Packet start-up into a commercially viable and internationally recognised software platform and broadband device provider. He successfully listed the company on MESDAQ (ACE market) on 25 May 2005, followed by a KLSE Main Market listing on 18 July 2007.

DIRECTORS' PROFILE (CONT'D)

He returned as Group Managing Director and CEO of Green Packet on July, 2019 to lead the charge on delivering the Group's new strategic vision for long-term sustainable growth. Beyond broadband connectivity and wholesale voice, Mr. Puan will drive accelerated market traction for new growth areas in Financial Technology and Property Technology. He will also steer the Group's transformative journey underpinned by the Group's belief that 'Every Human Must Thrive with Life-Improving Digital Innovations.

A visionary and astutely entrepreneurial, Mr. Puan cofounded and sits on the board of Green Packet Berhad and several subsidiaries. He has more than 30 years of diversified business experience with strong successes in consulting and the development and management of large-scale telecommunications, infrastructure and property projects internationally. His personal accolades include the coveted PIKOM Technopreneur of the Year award.

TAN KAY YEN

(Non-Independent Non-Executive Director)
Age 48, Malaysian, Male

Mr Tan, was appointed as a Non-Independent Non-Executive Director of the Company on 23 September 2016. He graduated from the University of Nebraska-Lincoln, USA with a Bachelor of Science degree in Business Administration, with a double major in Finance and Management Information System in 1993.

He started his career with the Arab Malaysian Group in the financial sector. He joined the IBI group of companies, a diverse IT firm in 1996 holding a range of senior leadership positions.

He joined Green Packet Berhad as the Company's Group Chief Operating Officer in 2006 and also acting Group Chief Financial Officer from 25 April 2013 until 31 October 2014. He was appointed Chief Executive Officer cum Executive Director in 2014. In July 2019, he was redesignated as Executive Director and CEO of Kiplepay Sdn Bhd, to focus on and drive the group's financial technology (fintech) business.

LIEW KOK SEONG

(Alternate Director to Mr Tan Kay Yen)
Age 52, Malaysian, Male

Mr Liew, was appointed as an Alternate Director to Mr. Tan Kay Yen on 23 September 2016. He obtained his Bachelor of Accounting (Honours) from University Malaya in 1992 and is a Member of the Malaysian Institute of Accountants.

He started his career in 1992 with KPMG. Between 1997 and 2001, he joined a construction company for a brief period and subsequently joined an IT company as Senior Manager of Finance. In 2001, he joined The Store Corporation Berhad as Assistant General Manager of Finance. In 2006 to September 2012, he was heading Green Packet's Group Finance. He joined Cuscapi Berhad as CFO in 2012. Subsequently, he was appointed as CFO of OCK Group Berhad in 2014. He rejoined Green Packet as the Group CFO in 2016 up to present date.

Mr. Liew has over 27 years of experience in the areas of corporate finance, management accounting and reporting, business & strategic planning, treasury affairs and taxation. Throughout his career, he has served in various public listed companies and industries including IT, telecommunication, retail, property and construction and audit.

SALIHIN BIN ABANG

(Independent Non-Executive Director)
Age 47, Malaysian, Male

Encik Salihin was appointed as an Independent Non-Executive Director of the Company on 22nd November 2019. He is a Chartered Accountant and the immediate past president of the Malaysian Institute of Accountants (MIA) which is the sole regulatory body of the accounting profession in Malaysia.

As a visionary leader, Encik Salihin founded SALIHIN and its group of independent advisory firms offering audit and assurance, taxation, Shariah advisory, corporate advisory and digital consulting services. He serves as the Managing Partner of SALIHIN (AF1426). Apart from managing SALIHIN, Encik Salihin contributes his expertise in the governance and management

DIRECTORS' PROFILE (CONT'D)

of both public listed and non-public listed companies as well as government and State statutory bodies. With over 20 years of experience in the corporate world, he assumes Board and committee membership responsibilities in audit, risk, transformation, sustainability and corporate reporting. He is also the Treasurer of the Malaysian Islamic Chamber of Commerce (DPIM).

Encik Salihin is an Adjunct Professor at the School of Maritime Business and Management of Universiti Malaysia Terengganu (UMT) and Tunku Puteri Intan Safinaz School of Accountancy at Universiti Utara Malaysia (UUM). He also contributes to academia as an industry advisor to universities covering bachelor, master and doctoral levels. To further bridge the gap between theory and practice of accountancy, Encik Salihin led the establishment of Teaching Accountancy Firm (TAF) in four local universities, including UMT, Universiti Teknologi MARA (UiTM), Universiti Kuala Lumpur (UniKL) and Universiti Putra Malaysia (UPM). The TAF brings to light the concepts of 2u2i and 3u1i by the government and universities. It was recognised by the Ministry of Higher Education as one of the best and most innovative curriculum designs and study programmes (Anugerah Pemikiran & Reka Bentuk Semula Pendidikan Tinggi Malaysia 2017) and the Best Academia-Industry Collaboration Award 2017.

In recognition of his leadership and national and international contributions to both industry and academia in the areas of audit and assurance, accounting, taxation and business advisory, UMT conferred Honorary Doctorate Degree in Management to Encik Salihin during its 16th Convocation Ceremony on 11th November 2018. He obtained his Master of Science in Accounting and Bachelor of Accounting from International Islamic University Malaysia in 2008 and 1997 respectively. He also enrolled and participated in Harvard Business School Alumni Club of Malaysia's Senior Management Development Program (SMDP) in 2011.

Encik Salihin's professional qualifications include Chartered Accountant [C.A.(M)], ASEAN Chartered Professional Accountant (ACPA), Fellow member of the Association of International Accountants (FAIA, UK), Fellow member of Chartered Tax Institute of Malaysia (FCTIM), a member of the Financial Planning

Association of Malaysia (FPAM), Malaysian Association of Tax Accountants (MATA) and an honorary member of the Institute of Cooperative and Management Auditors (ICMA).

YONG KIM FUI

(Independent Non-Executive Director)

Age 48, Malaysian, Male

Mr Yong graduated in 1996 from the University of Southern Queensland and is a registered member of the Malaysian Institute of Accountants (MIA). He is also a Certified Practicing Accountant (CPA) in Australia.

After graduation, he started his career in accounting practice with Coopers & Lybrand (now known as PricewaterhouseCoopers) as auditor specializing in the financial and manufacturing sectors. During his tenure, he was exposed to transactions involving review of profit and cashflow forecast for corporate restructuring, tax investigation and review of financial statements for debt facilities and bonds.

Having garnered enough experience and expertise, he subsequently founded a company rendering accounting, taxation and advisory services targeting mainly SMEs to assist and support their growth.

In total he has accumulated close to 22 years of experience in the accounting, tax and advisory industries covering both SMEs and listed companies in various industries.

Currently, he is Chief Financial Officer and sitting on the Board of Securemetric Berhad.

LAI CHIN TAK

(Independent Non-Executive Director)

Age 58, Malaysian, Male

Mr Lai, was appointed as the Independent Non-Executive Chairman of the Company on 1 August 2018. He was re-designated as the Independent Non-Executive Director of the Company on 5 April 2019. He graduated with the Bachelor of Electrical Engineering from Queens University, Kingston, Ontario, Canada in 1985 and obtained his Master of Business Administration from Oklahoma State University, USA in 1987.

DIRECTORS' PROFILE (CONT'D)

He held various leadership roles in Malaysia and the region, moving from a marketing role with multinational technology company Oracle in Malaysia before joining mobile telecommunications provider Celcom (now known as Celcom Axiata) as its Senior Vice President in 2002 to 2005. Subsequently, he went on to head TM Net Sdn Bhd as its Chief Executive Officer ("CEO") from 2005 to 2006. He then assumed the post of CEO of Packet One Networks (Malaysia) Sdn Bhd (P1) from 2007 to 2013. From 2013 to 2015, he was the President Director/CEO of Innovate Indonesia (now known as MyRepublic Indonesia) and assumed the post of Group Director of Singapore-based regional broadband company, MyRepublic Group from 2015 to 2017.

Notes:

1. None of the Directors of the Company have any family relationship with any Directors or substantial shareholders of the Company except Mr Puan Chan Cheong, Mr Tan Kay Yen and Mr Liew Kok Seong are the nominees of Green Packet Berhad; En Wan Khalik and Datuk Khan are the nominees of Global Man Capital Sdn. Bhd.
2. All the Directors of the Company have no conflict of interest with the Company and have not been convicted of any offence within the past five (5) years.

KEY SENIOR MANAGEMENT

YM RAJA MUHAMMAD BADIUZZAMAN BIN RAJA CHULAN

[Chief Executive Officer]

Age 44, Malaysian, Male

YM Raja Muhammad Badiuzzaman Raja Chulan was appointed as Chief Executive Officer on November 28th 2019. He is a member of the Perak Royal Family and holds a Bachelor Of Science Degree (Hons) in Software Engineering from University of Canberra, Australia in 2001. In addition, advanced Diploma from United Kingdom National Computing Studies (NCC) in Business Computing.

He specializes in Information Technology, Telecommunication, Civil & Military Aviation, Defence Systems, Public Sector and Automotive. He has over 20 years experience in multiple fields of businesses. YM Raja Muhammad Badiuzzaman Raja Chulan's expertise is in developing new business areas, managing and growing local talent and products for specialised projects and national projects both in Defence Aviation and Information Technology. He has also been actively involved in military and aviation Operational Excellence for 9 years in his career and delivered successful projects in land and aviation systems.

Prior to his appointment at G3 Global Berhad, he was the Chief Executive Officer of Tass Tech (Malaysia) Sdn Bhd, an SPV entity appointed by the Government to develop and deliver the Malaysian Advance Passenger Screening System (APSS) in the year 2015. YM Raja Muhammad Badiuzzaman Raja Chulan served as Public Sector Head Of Consulting Business for 5 years in Oracle Corporation since 2010. Before that, he joined Weststar Group of Companies in 2008 for 2 years as Business Development Director. In the year 2006 he was appointed as Head of Local Programme, under Marketing and Branding for Malaysia Digital Economy Corporation (formerly known as Multimedia Development Corporation). YM Raja Muhammad Badiuzzaman Raja Chulan was attached to Military Aviation Division under DRB-Hicom Defence Technologies for 4 years prior to that and led the local setup of Regional Maintenance and Repair Organization (MRO) for Agusta Helicopters for military and civil applications. He started his career as a software engineer at Caidmark Sdn Bhd and delivered successful projects, mainly Mig-29 fighter jet maintenance systems, Malaysian Prison Management System and others.

RAHANA BINTI ABDUL RASHID

Chief Financial Officer

Age 58, Malaysian, Female

Rahana Binti Abdul Rashid was appointed as Chief Financial Officer on 20 March 2020. She completed her studies with a Bachelor of Science (Economics and Finance) in 1983 from Indiana State University, Terre Haute, Indiana, United States of America and continued her studies to receive a Master in Business Administration from the same university in 1984. Puan Rahana started her career as Trainee Officer, Corporate Services Department with Raleigh Berhad (now known as Inter-Pacific Industrial Group Berhad) in 1984 before she extended her career into investment banking by joining Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) in 1985. She joined Puncak Niaga (M) Sdn Bhd in 1996 as the General Manager, Corporate Finance. In 2001, Puan Rahana took a break from the corporate sector and undertook several consultancy assignments from various entrepreneurs. In 2014, Puan Rahana took up the position of Chief Financial Officer in ORO Financecorp Ltd, a licensed microfinance corporation in Phnom Penh, Cambodia. Upon her return to Malaysia, Puan Rahana joined Tass Tech (Malaysia) Sdn Bhd, an IT specialist company, as the Finance Consultant in July 2016 and subsequently promoted to Director of Finance in March 2017.

Currently, Rahana also sits on the board of WCT Holdings Berhad.

SUSTAINABILITY REPORT

INTRODUCTION

In April 2019 we had announced our collaboration agreement with SenseTime Group Ltd ("SenseTime"), a Chinese Government-backed artificial intelligence ("AI") company, from Beijing, China, to develop new AI products and solutions, and our intention, together with SenseTime, to enter into a collaboration with China Harbour Engineering Company Ltd to set up the first AI Park in Malaysia.

In December 2019 we completed the disposal of our apparel business, which follows the disposal of our apparel business during Financial Year ("FY") 2018. As of December 2019, we have become a technology Company focussed on the Internet of Things ("IoT") and Information and Communications Technology ("ICT") devices.

As we pursue a strategy of growth and profitability for our IoT and ICT businesses, we are mindful of the economic, environmental and social impacts of our business activities. We recognise that sustainability brings long-term value to the Group. The objective of our sustainability reporting is to convey a transparent and meaningful disclosure of our sustainability performance to our stakeholders.

REIMAGINING G3

We are now essentially in the business of providing sustainability solutions. Our Smart IoT solutions include, inter alia, Smart Farming and Smart Aquaculture. Smart Farming is a scalable agri-IoT solution which enables convenient real-time monitoring via an App or web platform of key farm productivity parameters, producing increased crop quality and yields and savings in manpower and fertilizer requirements. Smart Aquaculture automates processes to increase the productivity and yields of fish, prawn and cockle farming by ensuring the water quality and other parameters are always in check and it also reduces the manpower requirements.

Amongst our Smart Mobility solutions are the Driver Care Monitoring System ("DCMS") and Roadmio. DCMS offers an in-cabin camera with video output that activates an alarm when driver fatigue and distraction or speeding are detected. Roadmio provides real-time vehicle diagnostics with a range of 'fault-codes' derived from built-in sensors including vehicle mileage, speed, tyre pressure and temperature. Remote monitoring via an App facilitates vehicle preventive maintenance and driver behavioural analysis.

Advanced Driver Assistance Systems ("ADAS") is our collision avoidance technology which includes not only forward collision warning, lane departure warning and headway monitoring but also pedestrian or cyclist collision warnings. Abellio London Bus ("Abellio") which runs certain bus routes in London on behalf of Transport for London chose ADAS to help it achieve its commitment to Vision Zero with a goal of eliminating all road deaths and serious injuries by 2041. Abellio credits ADAS's headway monitoring for the 29% drop in the number of avoidable collisions and a 60% drop in the number of passenger injuries arising from avoidable collisions.

REPORTING STANDARDS

This Sustainability Report ("Report") has been prepared in accordance with Practice Note 9 of the Main Market Listing Requirements and the Sustainability Reporting Guide (2nd Edition) ("Reporting Guide") issued by Bursa Malaysia Securities Berhad.

The disclosure in this Report is based on the themes and indicators in the Reporting Guide which are applicable to all industrial sectors and to technology companies specifically.

SUSTAINABILITY REPORT (CONT'D)

REPORTING SCOPE AND BOUNDARIES

This Report is an overview of the economic, environmental and social impacts of the Group's technology activities for FY 2019. Where necessary, the disclosure has been updated to incorporate the latest available information. All the financial information included is as at the FY ended 31 December 2019.

The scope of this Report is limited to those sustainability matters affecting our technology operations. The complete shift from the apparel business to the IoT and ICT businesses also means that some of the disclosure in this Report is not comparable to the disclosure in previous FYs, which was to a significant extent factory-centric in nature.

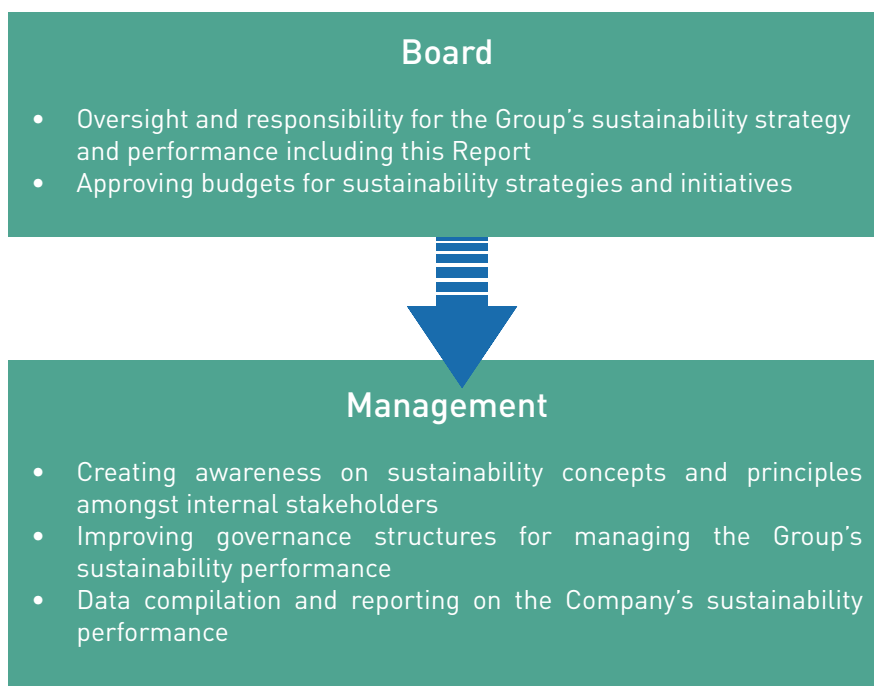
ASSURANCE

The information and data presented in this Report have not been independently verified by an external party. As our sustainability reporting matures, we may consider obtaining external assurance for our Report.

FEEDBACK

We welcome stakeholder feedback on our Report and any of the issues discussed herein. Comments, queries and suggestions regarding the contents of this Report may be emailed to contact@g3global.com.my

SUSTAINABILITY GOVERNANCE



SUSTAINABILITY REPORT (CONT'D)

The Group's sustainability governance structure is depicted below:

We continue to enhance our data collection and reporting processes. The Board and Management propose to implement the following sustainability steps:

1. Agree sustainability focus areas;
2. Establish annual resource needs;
3. Formalise responsibilities and reporting structure;
4. Set evaluation criteria;
5. Use relevant measures to monitor progress of sustainability initiatives;
6. Develop guidelines and templates for sustainability reporting; and
7. Develop a stakeholder engagement plan.

ASSESSMENT OF MATERIAL MATTERS

We did not conduct a materiality assessment in FY 2019 per se owing to a combination of factors, principally the limited engagement activities with our stakeholders, with the exception of our employees and customers, and the fact that our technology businesses are still in their infancy.

Our identification of risks and opportunities to our business and stakeholders for disclosure in this Report is guided by the Reporting Guide and the themes contained therein.

STAKEHOLDER ENGAGEMENT

Stakeholders are those parties who are directly or indirectly influenced by our business operations or can significantly influence our business operations. Our diverse group of stakeholders includes shareholders and investors, employees, customers, suppliers, regulators, Government agencies, Non-Governmental Organisations, society and the communities in which the Group conducts its business.

The effectiveness of our sustainability initiatives depends on whether we can assess and successfully address the needs of our diverse stakeholder group. Stakeholder engagement is critical if we are to create value for our stakeholders.

In FY 2019, our stakeholder engagement took the following forms:

Stakeholder	Forms of Engagement	Stakeholder Concerns / Expectations
 Shareholders and investors	• Corporate website • Annual & Quarterly Reports • Corporate announcements • General meetings	• Financial performance • Return on investment / equity • Environmental, Social and Governance performance
 Customers	• Corporate website • Direct engagement • Modern Agriculture Day, Kluang (October) • Design thinking workshop (December)	• Product and service quality and pricing • Product and service innovation • Customer service

SUSTAINABILITY REPORT (CONT'D)

Stakeholder	Forms of Engagement	Stakeholder Concerns / Expectations
 Suppliers	• Direct engagement • Periodic meetings	• Business continuity • Prompt payment of invoices
 Employees	• Quarterly townhall sessions • Ad hoc meetings • Employee performance appraisal	• Job security and competitive remuneration package • Training and development • Health and wellness
 Regulatory Authorities	• Reporting • Seeking regulatory approval for corporate exercises	• Compliance with all applicable laws, regulations, rules and guidelines.
 Community	• Internship programme	• Good corporate citizenship

Modern Agriculture Day was organised by the Mengkibol Assemblyman's Office on 15 October 2019 in collaboration with the Kluang District Agriculture Office and assisted by several bodies such as FAMA and Agrobank. The programme began with a site visit to a farm utilising our Smart Farming solution and later we conducted a technology briefing entitled "Kurangkan kekhuatiran, tingkatkan hasil pertanian dengan IoT". IoT solutions have inspired farmers to embark on modern agricultural technology and changed the perception of the agriculture sector.

We held a workshop for our fleet customers on 12 December 2019. The session was conducted using the Design Thinking methodology to encourage brainstorming and thinking in terms of fleet management. The main objective of this exercise was to enable fleet managers to get a blueprint on the solutions to achieve the ideal fleet management.

Our quarterly townhall sessions were held to facilitate bi-directional communication between management and employees, where management informed employees of changes to the Group's business and afforded employees the opportunity to raise their concerns regarding various aspects of the Group's business.

SUSTAINABILITY REPORT (CONT'D)

Aside from our employees and customers, our stakeholder engagement activities in FY 2019 were largely confined to engaging with our shareholders and regulators, in connection with the reorganisation of our corporate structure and businesses, and suppliers in the ordinary course of business. We propose to engage with a wider spectrum of stakeholders in a deeper context during FY 2020 in line with our previous FYs.

UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS ("SDGS")

In FY 2018, we had embarked on a journey to align our sustainability practices with selected United Nations SDGs, namely SDG 9 (Industry Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 12 (Responsible Consumption and Production), which we deemed relevant to our business operations.

We remain committed to achieving the aforementioned SDGs although we took a break in our journey during FY 2019 to attend to the pressing demands of our corporate and business restructuring exercises.

DISCLOSURE FRAMEWORK

The disclosure in this Report is based on the three (3) dimensions identified in the Reporting Guide viz. economic, environmental and social. The Reporting Guide provides the following explanations for these terms:



The following is a summary of our sustainability initiatives during FY 2019, categorised according to the economic, environmental and social dimensions:

Dimension	Themes	Initiatives
 Economic	- Community Investment - Climate-related Financial Risks and Opportunities	- Ongoing internship programme - Our Smart Farming, Smart Fertigation and Smart Aquaculture IoT solutions assist our customers to address the impacts of climate change

SUSTAINABILITY REPORT (CONT'D)

Dimension	Themes	Initiatives
 Environmental	- Emissions - Waste and effluent - Water - Energy	- Reducing our carbon footprint via virtual meetings - Our Connected Car real-time diagnostics IoT solution reduces emissions - Recycling of paper, plastic, aluminium and glass - Recycling of old computers via a licensed computer-items disposal company 'Think before you print' mentality and use of eco-friendly paper - Paperless procurement system - Efficient use of water - Energy-efficient building - Migration to energy-efficient lighting 'Last out - lights off' policy
 Social	- Diversity - Occupational health & safety - Succession planning - Disaster Recovery Planning - Cyber security - Employee rights and wellness - Training and development - Rewarding performance - Customer privacy and data protection - Customer satisfaction - Supply chain management - Compliance - Anti-competitive behaviour - Anti-corruption	- Equal-opportunities employer; no discrimination on the basis of ethnicity, religion, gender, age, disability or political affiliations - Use of personal protective equipment - Awareness training - Sustainable talent pipeline across all key job levels targeted - Secure backup servers ensure that data can be recovered in the event of an on-site emergency - Comprehensive infrastructure security technology in place - Working hours and leave entitlements comply with labour laws - Inclusive and healthy work environment - Internal and external training courses - Employee scorecard includes growth in learning and development - Share Grant Scheme - Privacy policy ensures the privacy and security of our customers' data and personal communications - Customer relationship management ("CRM") team manages customer interactions including grievances - Reputable suppliers who are specialists in their respective fields - Vendors are selected based on their technical suitability to the Malaysian market - Compliance with all applicable laws, regulations etc. is ensured by Legal and Compliance - Anti-competitive behaviour is prohibited by our Code of Ethics - External assurance on the adequacy of our anti-bribery and anti-corruption procedures

A more detailed discussion of these themes and initiatives is included in the following sections.

SUSTAINABILITY REPORT (CONT'D)

ECONOMIC IMPACTS

Community Investment

We are cognisant of our corporate social responsibility ("CSR") obligations. For example, under our established internship programme we offer several internships to graduates of universities in the local community. Many of these interns are subsequently absorbed into our workforce as permanent employees.

Our other CSR initiatives in FY 2019 were, however, relatively muted as our ICT business is still in its infancy.

Climate-related Financial Risks and Opportunities

This past decade has seen higher-than-average temperatures. Climate change is a direct consequence of heat-trapping greenhouse gases ("GHGs"), principally carbon dioxide, methane and nitrous oxide, being continuously added to the atmosphere by human activities. It manifests itself in rising average temperatures, melting polar ice caps and glaciers, rising seas, extreme weather events, forest fires, flooding, shifting wildlife habitats and other impacts. For humanity, climate change can result not only in financial loss but, more critically, the loss of livelihoods and lives.

The Group's activities are not directly impacted by climate change. We do, however, provide technological solutions to the problems caused by climate change including the Smart Farming and Smart Aquaculture IoT solutions mentioned earlier. Our Smart Fertigation farming system, a collaboration with Malaysia Digital Economy Corporation Sdn Bhd ("MDEC"), measures the impact of the climate on crops in terms of environment and water-level monitoring, and alerts farmers to the need to manage their crops in order to maintain their yields.

ENVIRONMENTAL IMPACTS

Emissions

The Group's activities do not result in the discharge of hazardous substances or GHGs such as CO₂. Our environmental impact, emission-wise, is restricted to indirect GHG emissions from the consumption of purchased electricity.

The United States Environmental Protection Agency reports that the transportation sector accounted for fourteen percent (14%) of global GHG emissions in 2010, involving fossil fuels burned for road, rail, air and marine transportation.

In lieu of physical meetings, our employees opt for virtual solutions such as conference calls or video conferencing, whenever possible, thereby minimising travelling, which helps to reduce the Group's carbon footprint.

One of our IOT solutions, the Connected Car real-time diagnostics, allows us to measure the performance of a vehicle and how efficiently the vehicle is used by the clients' employees from the fuel consumption to skidding. It also facilitates predictive maintenance and emergency responses. This will reduce the carbon emissions or footprint so long as the vehicle remains efficiently used.

SUSTAINABILITY REPORT (CONT'D)

Waste and Effluent

The Group's activities do not generate any hazardous waste or effluent i.e. liquid waste or wastewater.

We maintain recycling bins around our offices to ensure the proper segregation of non-hazardous waste including paper, plastic, aluminium and glass for recycling. As for electronic waste, we have appointed a licensed computer-items disposal Company to manage the disposal of our old computers.

The Group uses electronic media in preference to paper-based communication wherever possible and we have inculcated the 'think before you print' mentality in our employees. Where printing is necessary, paper which is certified eco-friendly, i.e. committed to zero deforestation, is used.

Our procurement process is paperless as we adopt the electronic procurement system where requests and approvals are done online.

Our conservation efforts are in line with the 'Reduce, Reuse, Recycle' waste hierarchy, which helps us to reduce the amount of waste discarded. This enables us to conserve natural resources, energy and landfill space.

Water

As the World's population grows so does the demand for water; it is our most precious resource. As a corollary of global warming, rising surface temperatures and depleting reservoirs mean that an uninterrupted water supply cannot be taken for granted.

Although the Group's water consumption is not significant owing to the nature and current scale of our operations, we believe that conserving water is a shared responsibility and ensure that water is used efficiently.

Energy

Given the Group's current scale of operations, electricity consumption is a minor aspect of our operating costs. Nonetheless, we strive to ensure that our offices are energy-efficient with light-emitting diode ("LED") light bulbs being used throughout our offices. LED light bulbs have a much longer lifespan than the equivalent conventional incandescent light bulbs and are significantly more energy-efficient than incandescent or fluorescent lamps. Behavioural measures such as 'last out - lights off' have long been instilled in our employees and we continue to explore other energy-saving avenues.

Atilze AI Sdn Bhd and Atilze Digital Sdn Bhd, respectively the Group's AI and IoT arms, are based at the Ascent Paradigm, a building with energy-saving features such as Variable Refrigerant Flow ("VRF") air-conditioning system and low-emissivity ("Low-E") glass windows. VRF air conditioning systems work only at the required rate at different load conditions resulting in substantial energy savings. The low-E glass coating reflects solar heat without minimising the amount of light passing through, keeping it cooler inside.

SOCIAL IMPACTS

Diversity

The Group is an inclusive, equal-opportunities employer and does not discriminate on the basis of ethnicity, religion, gender, age, disability or political affiliations.

SUSTAINABILITY REPORT (CONT'D)

Employee Gender Diversity

The composition of the Group's workforce by gender as at 31 December 2019 is as follows:

Employee Level	Female		Male		Total	
	No.	%	No.	%	No.	%
C-Suite	0	0.0%	2	3.0%	2	3.0%
Vice President	1	1.5%	1	1.5%	2	3.0%
Director	1	1.5%	5	7.7%	6	9.2%
Senior Manager	3	4.6%	4	6.2%	7	10.8%
Manager	3	4.6%	7	10.8%	10	15.4%
Senior Associate	8	12.4%	16	24.6%	24	37.0%
Associate / Executive	4	6.2%	8	12.4%	12	18.6%
Non-Executive	0	0.0%	2	3.0%	2	3.0%
Total	20	30.8%	45	69.2%	65	100%

Fig. 1: Analysis of the Group's workforce by gender as at 31 December 2019.

Women account for nearly a third (1/3) of our workforce and are represented at all employee levels from executive to vice president.

At the decision-making, senior management level, we recognise that there could be more female directors and C-Suite personnel. As an equal-opportunities employer, we would welcome applications from suitably qualified female applicants should vacancies for directors and C-Suite personnel arise in the future.

Employee Age Diversity

The Group's workforce analysed by age as at 31 December 2019 is depicted below:

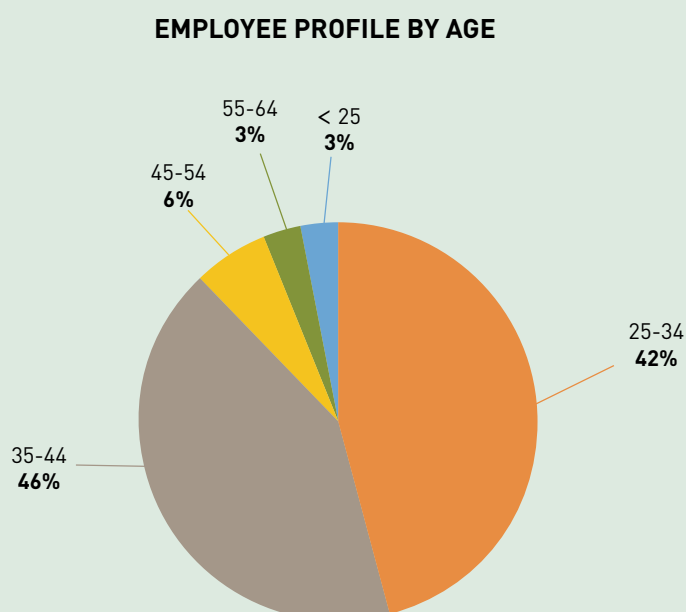


Fig. 2: Analysis of the Group's workforce by age as at 31 December 2019.

SUSTAINABILITY REPORT (CONT'D)

We embrace a multi-generational workforce; the ages of our employees range from the early twenties (20s) to the early sixties (60s). The twenty-five to thirty-four (25 – 34) and thirty-five to forty-four (35 – 44) age bands are the two (2) largest groupings, each accounting for over forty percent (40%) of our workforce.

Our millennial employees are digital natives while their more seasoned colleagues have greater business intuition. Leveraging on the relative strengths of each generation creates a more collaborative, productive and harmonious workplace.

Our senior management team – the directors, vice-presidents and C-Suite personnel – are aged from thirty-five (35) to sixty-three (63), creating a synergistic blend of experience and maturity with adaptability and flexibility. There is also a healthy pipeline of managers and senior managers aged below thirty-five (35) to facilitate succession planning i.e. the process of identifying and developing our future leaders.

Employee Ethnic Diversity

Our philosophy is that an ethnically diversified workforce is critical to sustainable development in a multiracial country like Malaysia, contributing different skills, experiences and viewpoints, and the flexibility to adapt to differing customer demands.

Our human resource policies also dictate that promotions and other opportunities for career advancement are based on merit.

The Group's workforce analysed by ethnicity as at 31 December 2019 is shown below:

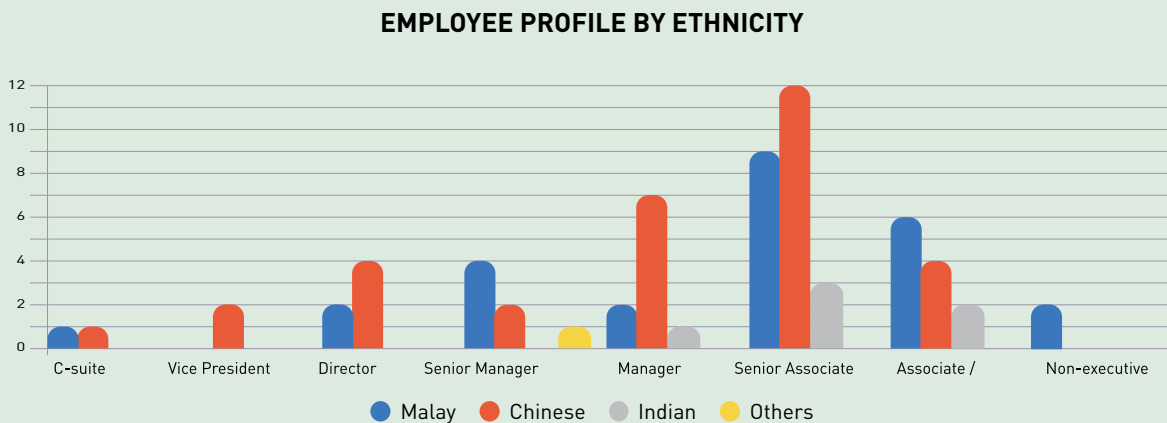


Fig. 3: Analysis of the Group's workforce by ethnicity as at 31 December 2019.

Our workforce reflects the ethnic composition of Malaysia and diversity is present in all levels save for vice-presidents and non-executives.

Board Gender Diversity

The Board believes in the practice of non-discrimination of any form, whether by age, race or gender. While we do not presently have a gender diversity policy, we hope to improve the representation of women on the Board when the opportunity arises.

SUSTAINABILITY REPORT (CONT'D)

Board Ethnic Diversity

The analysis of the Board's composition by ethnicity is shown below:

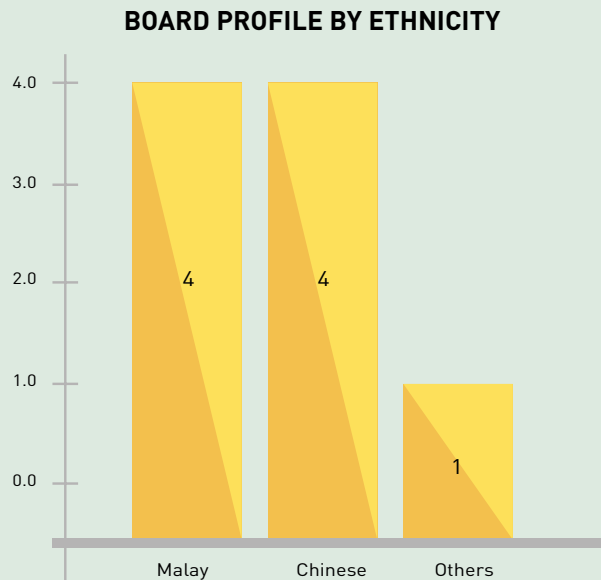


Fig. 4: Analysis of the Board's composition by ethnicity

The Board is both multiracial and binational in its composition. Nine (9) Board members (including the alternate director) are Malaysian while one (1) is a German expatriate.

Of the nine (9) Malaysian Directors, four (4) are Malay and five (5), including the alternate Director, are Chinese.

This multicultural nature better positions the Board to understand the Group's customer base and the business environment in which we operate to drive innovation and business growth.

Board Age Diversity

The analysis of the Board's composition by age is shown below:

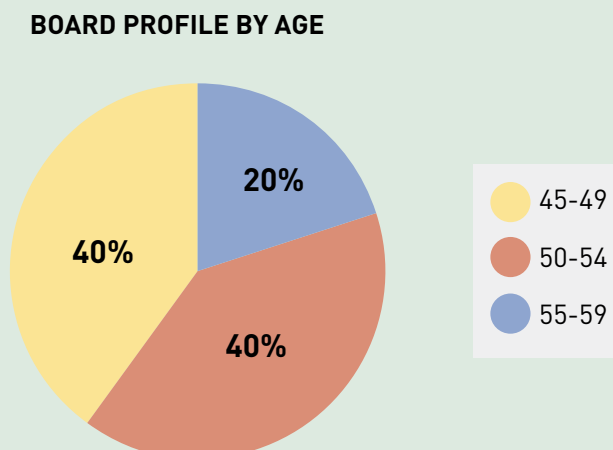


Fig. 5: Analysis of the Board's composition by age

SUSTAINABILITY REPORT (CONT'D)

The three (3) Executive Directors, who are responsible for the leadership role, are aged from forty-six (46) to fifty-one (51). Our four (4) Independent Non-Executive Directors who bring a broader, balanced perspective to the Board's discussions are aged from forty-six (46) to fifty-eight (58). The Non-Independent Non-Executive Directors (including the alternate Director) are aged from forty-eight (48) to fifty-one (51).

Age diversity complements the other forms of Board diversity. Embracing different viewpoints enhances the creative thinking in the Boardroom to address rapidly changing business and technological environments.

Further information on the Board may be found in the Corporate Governance Overview Statement in this Annual Report.

Occupational Health and Safety ("OHS")

The health and safety of our employees and our local community is of paramount importance to us. A safe workplace, without disruptions from hazards and accidents, is an efficient one. We have implemented proactive measures to minimise the risk of adverse incidents in the workplace including utilising standard personal protective equipment such as electrical gloves, test pens and safety boots.

Annually, thirty percent (30%) of our employees undergo training on OHS awareness of hazards, and our operations team attends annual OHS refresher courses. For FY 2019, there were no work-related injuries or fatalities and none of our employees required health surveillance.

To counter the spread of the coronavirus disease ("COVID-19") that was first reported from Wuhan, China, in December 2019, we have issued internal guidelines requiring our employees to take preventive measures to avoid contracting and spreading COVID-19, including assessing their risk of contact with a COVID-19 patient. Our team members who travel to COVID-19 high risk countries are expected to declare their travel plans and observe a fourteen (14)-day self-quarantine after returning, working from home during this period. Visitors to our offices are encouraged to use the face masks and hand sanitisers provided at our reception areas. We regularly monitor the Malaysian Ministry of Health and World Health Organisation websites for updates on this rapidly-evolving situation.

Succession Planning

Succession planning refers to the ongoing process of ensuring that employees are recruited and developed to fill each key role within an organisation. This serves to mitigate the risk of a key role falling vacant for which another employee is not prepared.

The responsibility for succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management falls within the purview of the Board. We endeavour to have in place a sustainable talent pipeline across all key job levels.

Disaster Recovery Planning ("DRP")

The integrity and security of our data and IT infrastructure is critical to us as a technology-based business. Our DRP is designed to allow us to recover sufficient data and system functionality to enable us to operate even possibly at a minimal level after an on-site or off-site emergency.

SUSTAINABILITY REPORT (CONT'D)

Currently, our DRP involves backup servers on Amazon Web Services, a secure cloud services platform, and on another floor of the Ascent Paradigm building. Our servers are configured for automatic daily backups. The backup data is stored in network-attached storage and on Google Drive. We plan to retire and decommission our current systems and replace them with a cloud Enterprise Resource Planning system during FY 2020. Our backup sites will be managed by the ERP vendor to be selected.

Cyber Security

The cybersecurity feature comprises network address translation (NAT) Gateway, Threat Detection Services (TDS) Enterprise edition, Web Application Firewall Enterprise edition, Anti-DDoS and Serverguard.

The Group did not suffer any cyberattacks or breaches of data security during FY 2019.

Employee Rights and Wellbeing

We treat our employees with dignity and respect their right to rest and leisure and freedom of opinion. Their working hours and entitlements to paid leave comply with Malaysian labour laws. We also respect our employees' right to fulfil their religious obligations during working hours.

We appreciate the vital role our employees play in the pursuit of our business strategy and strive to create a work environment that is conducive to their optimal performance. Interactions in non-work situations are encouraged to foster *esprit de corps* amongst our team members.

For FY 2019, our Group's internal activities' calendar looked like this:

Internal Activity	Frequency
"Supercharge" morning team meetings (with complimentary breakfast)	Mondays, Wednesdays and Fridays
Joint celebrations of staff birthdays	March, April, July, August, September, November and December
Festive celebrations	February, June and October
Stepathon	April
Badminton sessions	Weekly (beginning in November)

The "Supercharge" morning team meetings are designed to encourage our employees to network with colleagues from all functions. We held the Stepathon in April 2019 and commenced weekly badminton sessions in November 2019 to promote employee physical fitness.

We appreciate the importance of a work-life balance to employee health and emotional wellbeing. To the extent practicable, we allow employees the latitude to manage their work and personal lives. We offer flexible working hours; employees have the option of beginning work at either 7.30 a.m., 8.00 a.m. or 8.30 a.m. and finishing at 4.30 p.m., 5.00 p.m. or 5.30 p.m., respectively.

Training and Development

The Group operates at the cutting edge of IoT and ICT technologies. Providing employees the opportunity to develop and align their skillsets to changing customer needs enables us to maintain our competitive advantage in an era of rapid technological advances whilst facilitating employee retention. This resonates with our Vision and Mission which, inter alia, involve building a talented workforce.

SUSTAINABILITY REPORT (CONT'D)

Employee training is a proven method of nurturing career development and advancement. In FY 2019, our employees attended both internal and external courses, with external courses accounting for just over a third (1/3) of the three hundred and sixty-three (363) hours of training they attended. The internal training was primarily technology-focused whereas the external courses involved situational leadership, marketing and strategy design.

Each employee carries a scoreboard which includes a section for growth in learning and development. The progress of the growth plan is reviewed weekly and measured for performance-appraisal purposes. Lifelong learning is, after all, a necessity in the digital era.

Rewarding Performance

We embody a high-performance culture and reward our employees accordingly. In FY 2019, we implemented a Share Grant Scheme ("SGS") for our executive directors and employees who fulfil the eligibility criteria ("Eligible Persons") which includes the person's position, job performance, seniority, duration of service, potential for future development and contribution to the Group's success and development.

It involves the issuance of up to 10% of the total number of issued shares of G3 (excluding treasury shares, if any) at any point in time during the duration of the scheme to the Eligible Persons.

The rationale for the SGS is to, amongst others, incentivise Eligible Persons towards the achievement of our strategic business objectives and ensure that our remuneration scheme remains competitive to promote the retention of our Eligible Persons and the recruitment of prospective employees.

Customer Privacy and Data Protection

We take our responsibility to ensure the privacy and security of our customers' data and personal communications seriously. Our Privacy Policy, which is modelled on the Personal Data Protection Act 2010 ("PDPA"), obliges us to protect all personal data collected, processed and retained by us in respect of commercial transactions which, directly or indirectly, relate to our customers. The PDPA is an Act to regulate the processing of personal data in commercial transactions in Malaysia.

Customer Satisfaction

Customer satisfaction is vital to the success of our business strategy. Our CRM team manages customer interactions; existing and prospective customers may call our helpline or send their enquiries or messages to the team via email or the Group's websites. The CRM system utilises customer data to improve business relationships, customer retention and generate sales.

Our CRM includes a grievance mechanism which enables a dissatisfied customer to file a complaint via email or telephone. All complaints are acknowledged, registered and investigated. If the investigation finds a complaint to be valid, a decision has to be made whether it can be resolved internally or whether the manufacturer's assistance is required. A solution is then implemented. The complaint is monitored, recorded and closed. Feedback is provided to the manufacturer for improvements to be made. On average, the number of complaints received is relatively low, usually not more than ten (10) per month.

Supply Chain Management

A sustainable supply chain is critical for mitigating the risk of disruptions, ensuring efficiencies and avoiding reputational damage. The Group is committed to the responsible sourcing of products and services which are primarily stocks for our Smart Mobility and Smart IOT products.

For FY 2019 our purchases primarily comprised stocks for our Smart Mobility and Smart IOT products from vendors. For mobility stocks, there was a 99/1 split between imports and local sourcing respectively owing to the specialist nature of the product. As for our Smart IOT products, the split was 68/32 between imports and local sourcing respectively and we assemble the products in-house. Our suppliers are mainly well-known product specialists and we are their distributors, which simplifies the assessment process.

SUSTAINABILITY REPORT (CONT'D)

The Smart Mobility stocks we imported included the transport telematics FM-Eco4 light S compact GPS tracker designed for vehicle tracking from Ruptela, and Roadmio hardware and software, comprising on-board diagnostics (OBD) II dongle, an App and a cloud-based big data platform, from Teltonika, both based in Lithuania. For our Smart IoT products, we import soil moisture and temperature and electrical conductivity sensors from Dalian Endeavour Technology Co., Ltd. in China.

Our vendors are selected based on their technical suitability to the Malaysian market; this is important to ensure the safety of users, achieve travel efficiencies and efficient power consumption. To the extent possible, we ensure that the products we purchase comply with the relevant green standards.

We are confident that our supply chain is capable of withstanding external shocks, which has thus far had no impact on the supply of the major equipment purchased by us.

Compliance

With the increasing complexity of the regulatory landscape, the role of compliance cannot be overstated. Our legal and compliance team helps us to navigate any speedbumps along the journey by ensuring compliance with all applicable laws, regulations, rules and guidelines affecting the Group's business operations, including the environmental and social impact of our activities.

In FY 2019, we were neither fined nor had any non-monetary sanctions imposed on us by the regulatory authorities for non-compliance with applicable laws, regulations, rules or guidelines.

Anti-Competitive Behaviour

We uphold high ethical standards and do not indulge in anti-competitive behaviour which can disrupt market efficiency and reduce consumer choices. The Group's stance on anti-competitive behaviour is clearly stated in our Code of Ethics.

We have not faced any legal action, pending or completed, for anti-competitive behaviour.

Anti-Corruption

The Group maintains a proper segregation of duties between sales, procurement and finance to avoid leakages. All sales decisions are capped at a price list which vendors are made aware of. Given our scale of operations and the business model, our assessment is that corruption does not currently pose a threat to our operations.

We have a zero tolerance for bribery and corruption as spelt out in our Code of Ethics which also promotes transparency and contains safeguards against extortion, fraud, undue pressure or influence and anti-competitive behaviour. Our Whistleblowing Policy enables stakeholders to report suspected breaches of our Code of Ethics.

Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") which comes into force on 1 June 2020 places the onus on a commercial organisation to have adequate procedures in place to prevent persons associated with it from committing corrupt acts as defined under the MACC Act 2009. To this end, we have engaged an external consultant to provide assurance on the adequacy of our anti-bribery and anti-corruption procedures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors acknowledges the importance of maintaining good corporate governance within the Group to safeguard the interest of its shareholders and strives to continuously improve the effective application of the principles and best practices as laid down in the Malaysian Code on Corporate Governance issued in 2017 (MCCG) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

A. BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board is responsible to guide and monitor the affairs of the Group on behalf of the shareholders to retain full and effective control over the Group. This includes without limitation, the review of the strategic direction for the Group, overseeing the business operations of the Group, and evaluating whether these are being properly managed.

The Board assumes the following responsibilities to facilitate the discharge of their stewardship responsibilities:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and the statutory requirements are being complied;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Ensuring the adequacy of the management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines in the Group.

The combination of Executive Directors, who with their intimate knowledge of the business takes on primary responsibility for leadership of the company with the Non-Executive Directors, provides a broader view to the Company's activities and a balanced perspective.

The Board meets on a scheduled basis once in every quarter to primarily discuss the financial statements, corporate and strategic issues, performance of business units and factors relating to potential risk in the business of the Group. During the financial year under review, Five (5) Board meetings were held and the record of attendance of the members is as follows:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Datuk Wan Khalik Bin Wan Muhammad (appointed on 05.04.2019)	3/3
Datuk Haji Khan Bin Mohd Akram Khan (appointed on 05.04.2019)	2/3
Mr Lai Chin Tak	5/5
Mr Puan Chan Cheong	5/5
Mr Yong Kim Fui	4/5
Mr Tan Kay Yen	4/5
Mr Liew Kok Seong (Alternate Director)	5/5
Encik Salihin bin Abang (appointed on 22.11.2019)	1/1
Encik Ahmad Rizan bin Ibrahim (appointed on 30.12.2019)	0/0
Mr Dirk Johann Quinten (appointed on 19.02.2020)	0/0
Mr Lim Boon Hong (resigned on 05.04.2019)	2/2
En Saffie bin Bakar (resigned on 17.10.2019)	4/4
Mr Goh Kok Beng (resigned on 30.12.2019)	0/5
En Md Radzi bin Din (resigned on 19.02.2020)	5/5
Mr Yeoh Yeow Cheang (resigned on 13.03.2020)	4/5

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

BOARD CHARTER

The Board has established a Board Charter. The Board Charter clearly sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the management. It also defines the specific accountabilities and responsibilities of the Board to ensure smooth interaction between the management and the Board. It also reinforces the overall accountability of the Board and management towards the Company and stakeholders.

DIRECTORS' CODE OF ETHICS

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, the requirements of the Companies Act 2016 and the principles of MCCG. The Board has additionally put in place a Code of Ethics for all employees of the Group, including the Whistleblower Policy of the Group.

BOARD BALANCE

The Board composition comprises of ten (10) members with Datuk Wan Khalik Bin Wan Muhammad at the helm as Executive Chairman. Three of the Directors are Executive Directors, Four are Non-Independent Non-Executive Directors while the remaining three are Independent Non-Executive Directors.

The composition of the Board is deemed fairly balanced to complement the Board in providing industry-specific knowledge, technical, and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgment to various aspects of the Company's strategies and performance. The structure of the Board fairly reflects the investment of the minority shareholders through Board representation. The Board reviews its composition and size from time to time for appropriateness. The Board does not have a gender diversity policy and hopes to fulfill the gender diversity representation when the opportunity arises.

SUPPLY OF INFORMATION

All notices of meetings together with the agenda and discussion papers are served on the Directors in advance of meeting dates. Ample opportunities have been provided to the Directors to make enquiries and to obtain information and explanation on any issue at any time within the Group whether as a full Board or in their individual capacity in furtherance of their duties.

The availability of the Company Secretaries, financial and corporate officers within the Group as well as the engagement of panel lawyers enables the Directors to have easy access to their advice and services. They may take independent advice, at the Company's expense, if so required.

NOMINATION COMMITTEE

The Nomination Committee was established on 3 December 2003 and the current committee comprises of the following Directors:

- Mr. Lai Chin Tak, Independent Non-Executive Director (Chairman)
- Mr. Yong Kim Fui, Independent Non-Executive Director (Member)
- Encik Salihin Bin Abang, Independent Non-Executive Director (Member)
- Mr. Tan Kay Yen, Non-Independent Non-Executive Director (Member)

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

The Nomination Committee was established with defined terms of reference to assist them in discharging their duties. The Nomination Committee has met during the year to review the following:

- a) The performance of the Directors seeking re-election at the forthcoming AGM;
- b) The Annual Assessment on the effectiveness of the Board and individual directors; and
- c) Appointment of new Directors and key management personnel

For appointments of new Board members, the Committee will evaluate and assess the suitability of candidates based on the required mix of skills, knowledge, expertise and experience before recommending them to the Board for appointment.

RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Company's Articles of Association, an election of Directors shall take place each year and all Directors will retire from office at least once in every 3 years, but shall be eligible for re-election.

The particulars of the Directors seeking re-election at this coming AGM are disclosed in the Notice of Meeting.

CONFLICT OF INTEREST

Directors are required to declare their respective shareholdings in the Company and related companies and their interests in any contracts with the Group. The Board members' directorship in other companies are well within the restriction of not more than five in public listed companies as stated in the listing requirements of Bursa Malaysia.

BOARD AND INDIVIDUAL DIRECTORS' EFFECTIVENESS

The Board members undertake a formal process every year to assess the effectiveness of fellow Directors and the Board as a whole. The evaluation is based on answers to a detailed questionnaire which covers topics on responsibilities of the Board like strategic plan, risk management and internal audit.

DIRECTORS' TRAINING

The Directors are aware of the need for continuous update of their skills and knowledge to maximize their effectiveness as Directors and assist them in discharging their duties during their tenure of service. The Board has also undertaken an assessment of the training needs of each director.

All the Directors have attended the Mandatory Accreditation Programme as required under the Bursa Malaysia Main Market Listing Requirements.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

During the financial year, members of the Board have attended various training programmes and seminars, some of which are as follows:

Training Programmes Attended

1. "MyFintech Week 2019 ", 17 June 2019 (KT)
2. "Wild Digital SEA 2019", 3 July 2019 (KT)
3. "Identity Week Asia 2019 : The Future of Identity", 8 Oct 2019 (KT)
4. "Selangor Smart City & Digital Economy Convention 2019", 11 Oct 2019 (KT & CC)
5. "SCxSC Fintech Conference 2019", 22 Oct 2019 (KT & CC)
6. "The Role of the Nomination & Remuneration Committee in Human Capital Management", 23 July 2019 (LCT)
7. "CNBC Managing Asia Sustainable Entrepreneurship Conference ", 21st March 2019 (CC)
8. "Mentoring Masterclass by Clara Villa", 12th April 2019 (CC)
9. "Wild Digital SEA 2019", 3rd & 4th July 2019 (CC)
10. "5G & Beyond : Malaysia In the Age of Digitalisation", 16th July 2019 (CC)
11. "Belt and Road China-Malaysia Forum on People-to-People Exchange & Economic Cooperation", 27th July 2019 (CC)
12. "GSMA M360 Digital Societies Event + Launch of Mobile Money inc. Fintech Lab", 24th – 26th September 2019 (CC)
13. "MCCC/MYCYEC 2019", 12th October 2019 (CC)
14. "CETC Digital & Telecommunication Summit", 25 November 2019 (CC)
15. "Updates on MFRS 9 and MFRS 15", 14 Nov 2019 (SA)
16. "MIA International Accountants Conference 2019", 22-23 October 2019 (SA)
17. "MIA Thought Leadership Lecture - Leading With Ethics", 25 July 2019 (SA)
18. "MFRS Conference 2019 - Applications in Your Practice", 25 June 2019 (SA)
19. "CFO Conference 2019", 13-14 June 2019 (SA)
20. "Malaysian Tax Conference 2019", 3-4 April 2019 (SA)
21. "IAA-AFA-IAESB International Conference 2019", 11-12 April 2019 (SA)
22. "Dinner Talk by Prof Sunil Gupta – Driving Digital Strategy", 24 January 2019 (SA)
23. "Corporate Liability Under Section 17A of MACC (Amendment) Act 2019", 11 December 2019 (YKF)
24. "Malaysian Institute of Accountants Trust & Sustainability in a Digital", 22-23 October 2019 (YKF)
25. "Managing Change and Transformational Leadership, 5-6 November 2019 (YKF)
26. "MDEC GAIN Connex Thailand 2019", 27 November 2019 (YKF)

DIRECTORS' REMUNERATION

The Remuneration Committee ("RC") was established on 3 December 2003 and the current committee comprises of the following Directors:

- Mr. Lai Chin Tak, Independent Non-Executive Director (Chairman)
- Mr. Yong Kim Fui, Independent Non-Executive Director (Member)
- Encik Salihin Bin Abang, Independent Non-Executive Director (Member)
- Mr. Tan Kay Yen, Non-Independent Non-Executive Director (Member)

The RC was established with defined terms of reference to assist them in performing their duties. They shall be responsible for recommending the remuneration framework for Directors as well as the remuneration packages of Executive Directors of the Board.

Directors' fees are recommended by the Board and approved by shareholders at each Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

The details of Directors' remuneration for the financial year ended 31 December 2019 are as follows:

PARTICULARS	EXECUTIVE DIRECTORS		NON-EXECUTIVE DIRECTORS	TOTAL
	Company RM	Subsidiaries RM	Company RM	
Fees	91,250	–	147,083	238,333
Salaries & Allowances	–	1,187,317	–	1,187,317
Bonus	–	69,300	–	69,300
Total	91,250	1,256,617	147,083	1,494,950

The remuneration of the Directors summarised in bands of RM50,000 for the financial year ended 31 December 2019 are as follows:

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Below RM250,000	3	7
RM250,001 to RM300,000	–	–
RM300,001 to RM350,000	–	–
Above RM350,000	–	–

	Salaries & allowances RM	Bonus RM	Director's fee RM	Total RM
Executive Directors				
Datuk Wan Khalik Bin Wan Muhammad (appointed on 05.04.2019)	–	–	22,500	22,500
Datuk Haji Khan Bin Mohd Akram Khan (appointed on 05.04.2019)	–	–	18,750	18,750
Dirk Johann Quinten (appointed on 19.02.2020)	–	–	–	–
Yeoh Yeow Cheang (resigned on 13.03.2020)	225,845	28,600	25,000	279,445
Md Radzi bin Din (resigned on 19.02.2020)	460,888	–	25,000	485,888
Lim Boon Hong (resigned on 05.04.2019)	212,055	–	–	212,055
Goh Kok Beng (resigned on 30.12.2019)	288,529	40,700	–	329,229
Non-Executive Directors				
Lai Chin Tak	–	–	50,000	50,000
Puan Chan Cheong	–	–	25,000	25,000
Yong Kim Fui	–	–	45,000	45,000
Tan Kay Yen	–	–	25,000	25,000
Liew Kok Seong	–	–	–	–
Salihin bin Abang (appointed on 22.11.2019)	–	–	2,083	2,083
Ahmad Rizan bin Ibrahim (appointed on 30.12.2019)	–	–	–	–
En Saffie bin Bakar (resigned on 17.10.2019)	–	–	–	–
TOTAL	1,187,317	69,300	238,333	1,494,950

The Directors' remuneration is the total sum of the remuneration received by the Company's Directors from the Company and/or its subsidiaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements of the Group as set out in this Report are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for that year then ended.

The Directors consider that in preparing the financial statements:

- The Group has used appropriate accounting policies and are consistently applied;
- Reasonable and prudent judgements and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible to ensure that the Company maintains accounting records that discloses with reasonable accuracy, the financial position of the Group and of the Company, and that the financial statements comply with the Companies Act, 2016.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

FINANCIAL REPORTING

The Directors provide a balanced and meaningful assessment of the Group's position and prospects through the annual financial statements and quarterly announcements of results to the shareholders. The Audit Committee of the Board assists by scrutinising the information to be disclosed to ensure accuracy and adequacy.

INTERNAL CONTROL

In line with the requirement of the Bursa Malaysia, a statement on the Group's Internal Control Statement is attached.

RELATIONSHIP WITH AUDITORS

The Group has, through the Audit Committee, established a transparent and appropriate relationship with the Group's external auditors. A report of the Audit Committee and their terms of reference is included. In addition, the Chairman of the Audit Committee has met with the external auditors without the presence of other Executive Board members twice during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's operations and prospects each time it releases its quarterly and annual financial statements to shareholders. The Audit Committee reviews the reports to be released to ensure its accuracy and adequacy.

DIALOGUE BETWEEN THE COMPANY AND INVESTORS

The Company values dialogue with investors as a means of effective communication that enables the Board and management to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interest.

Information of the Group could be obtained from the Company's website at www.g3global.com.my. In addition, the latest annual report available in PDF format can be downloaded and printed. Quarterly announcement are also available at the website of Bursa Malaysia at www.bursamalaysia.com after announcement to the public.

ANNUAL GENERAL MEETING ("AGM")

The AGM is the principal forum for dialogue with shareholders. Notice of AGM and annual reports are sent out to the shareholders at least 21 days before the date of meeting.

The Company provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Group. All the Directors are available to provide responses to questions from the shareholders during these meetings.

Special business items are included in the notice of the meeting with sufficient explanatory notes to facilitate full understanding and evaluation of the issues involved.

COMPLIANCE WITH MCCG

The Group has complied with the Best Practices set out in the Code throughout the financial year, except as disclosed below, with the explanation for departure from best practice:

- The Board acknowledges the recommendations of the MCCG on the establishment of a gender diversity policy. The Board believes in the practice of non-discrimination of any form, whether age, race or gender and will strive to achieve diversity in its Board in the future as far as possible.
- The Code recommends that at least half the Board comprises independent directors. The Board has Three (3) Independent Non-executive Directors and is of the view that they are adequate to represent the interests of the minority shareholders
- The Board has not adopted a policy to limit the tenure of its independent directors to nine years.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") acknowledged their responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve corporate objective. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organizational, operational and compliance control.

The Board has extended the responsibilities of the Audit Committee to include the work of monitoring internal controls on its behalf, which includes identifying risk areas faced by the Group to be communicated to the Board of Directors.

INTERNAL AUDIT DIVISION

Axcelasia Columbus Sdn Bhd ("Axcelasia"), an independent professional firm, was appointed to support the Audit Committee ("AC") and existing independent audit function, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

Axcelasia reports to the Audit Committee ("AC") and contribute towards improving the Group's risk management and control systems. In assessing the adequacy and effectiveness of the system of internal control and financial control procedures of the Group, the AC reports to the Board on its activities, significant audit findings and the necessary recommendations of actions needed to be taken by Management to rectify those issues.

The internal audit work plan is routinely reviewed and approved by AC. The scope of Axcelasia's function covered the audit and review of the Group's processes.

The cost incurred for the aforesaid internal audit function in respect of the financial year ended 31 December 2019 was RM28,000.

RISK MANAGEMENT

The Board regards risk management as an integral part of business operations. The Group adopts an ongoing process of identifying, evaluating and managing any significant risks faced by the Group in its operations. The audit function undertakes the review and recommends any necessary actions to be taken to remedy any significant weaknesses identified.

OTHER KEY ELEMENTS OF RISK AND CONTROL PROCESS

With the assistance of the Audit Committee and the Internal Audit function, the Board has the following control processes in place:

- The full Board meets on a quarterly basis to discuss matters brought to its attention, thus ensuring effective supervision over the operations of the Group are maintained. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;
- An organizational structure with defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- Quarterly reviews by the Board on the adequacy and integrity of the system of internal control will be conducted, to establish the level of risk tolerance and identify key business risks to safeguard company assets; and
- Periodic testing of the effectiveness and efficiency of the internal control procedures were conducted by the internal audit function to ensure that the system is viable and robust.

There were no material losses incurred during the financial year as a result of weakness in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

CONCLUSION

During the financial year under review, the Board is satisfied that there is an ongoing process of identifying, evaluating and managing significant risk that may affect the achievement of the Group's corporate objectives for the year under review and up to the date of approval of this statement for inclusion in the annual report. The system of internal control will continue to be reviewed in line with the changes in the operating environment.

The Executive Directors have assured that the Group's Risk Management and Internal Control System is operating adequately and effectively, in all material aspect, based on the Risk Management and Internal Control System of the Group. There were no material or significant losses arising from deficiencies in internal control that would require separate disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement pursuant to the scope set out in Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants for inclusion in this Annual Report. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of risk management and internal control system of the Group.

AUDIT COMMITTEE REPORT

COMPOSITION

Mr. Yong Kim Fui, Chairman (Independent, Non-Executive Director)
Mr. Lai Chin Tak, Member (Independent, Non-Executive Director)
En. Salihin bin Abang, Member (Independent, Non-Executive Director)

OBJECTIVES

The principal objective of the Audit Committee (the Committee) is to assist the Board of Directors in discharging its duties and responsibilities in the area of corporate governance and internal audit with particular reference to the public accountability of the Company and its subsidiaries.

COMPOSITION

The Committee shall consist of at least three (3) members appointed by the Board from amongst the directors, comprising of Independent Non-Executive Directors.

The Board shall ensure that at least one member of the Committee shall be:

- i) A member of the Malaysian Institute of Accountants; or
- ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - a) He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - b) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act 1967.

An alternate director shall not be appointed as a member of the Committee. The members of the Committee shall select a chairman from amongst the Independent Non-Executive Directors.

AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference.

The Committee is also authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee has full and unrestricted access to any information pertaining to the Group and the resources, which are required to perform its duties.

DUTIES

The duties of the Committee shall include the following:

- To consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;

AUDIT COMMITTEE REPORT (CONT'D)

- To discuss with the external auditor their audit plan before the audit commences, the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- To review the system of internal control, and in particular review the external auditor's management letter and management's response;
- To ensure that adequate assistance is given by the employees of the Company to the external auditors;
- To ensure the adequacy of the scope and resources of the internal audit functions with the necessary authority for implementation;
- To review the internal audit programme and its findings, ensure that investigation is undertaken with the appropriate remedial action based on the recommendations of the internal audit function;
- To review any appraisal or assessment of the performance of members of the internal audit function;
- To approve any appointment or termination of senior staff members of the internal audit function;
- To be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning;
- To review the quarterly and year-end financial statements, prior to the approval by the board of directors, focusing particularly on:
 - i. Changes in or implementation of major accounting policies;
 - ii. Significant and unusual events;
 - iii. The going concern assumption; and
 - iv. Compliance with accounting standards and other legal requirements;
- To review management's monitoring of compliance with the Company's code of corporate conduct;
- To review with the Company's council, any legal matters that could have a significant impact on the Company's financial statements;
- To review the major findings of internal investigations and management's responses as well as any examinations by regulatory authorities;
- To review the allocation of options pursuant to share scheme for employees, transactions, procedure or course of conduct that raises questions of management integrity;
- To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- Such other responsibilities as may be agreed to or by the Committee and the Board of Directors.

AUDIT COMMITTEE REPORT (CONT'D)

RETIREMENT AND RESIGNATION

In the event of any vacancy in a Committee resulting in non-compliance with the minimum requisite number of members, the said vacancy must be filled within 3 months.

REVIEW OF THE AUDIT COMMITTEE

The Board of Directors of the Company must review the terms of office and performance of a Committee and each of its members at least once every 3 years to determine whether such Audit Committee and its members have carried out their duties in accordance with their terms of reference.

MEETINGS

The Committee shall meet at least four (4) times per financial year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The quorum of the meeting is two (2) and majority of members present must be independent directors.

A representative of the Company's department heads and the external auditors shall normally attend the meeting as and when required. However, at least twice a year the Committee shall meet with the external auditors without the Executive Board members present.

The Secretary to the Committee shall be the Company Secretary or any other person appointed by the Committee.

The procedures of the meeting are as follows:

- The members may regulate their meetings as they think fit;
- Every notice convening meetings shall specify the place, the day, time and the agenda of the meeting and shall be given to all members at least one day before the meeting;
- Any question arising at any meeting of members shall be decided by a majority of votes and a determination by a majority of members. In the case of an equality of votes the Chairman shall not have a casting vote including but not limiting to the case where the quorum is made up of only two (2) members;
- The minutes of the meetings shall be kept at the registered office of the Company; and
- The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee.

During the financial year ended 31 December 2019, four (4) meetings were held and the table of attendance of each committee member is as follows:

NAME	NO. OF MEETINGS ATTENDED
Mr. Yong Kim Fui	4/4
Mr. Lai Chin Tak	4/4
Encik Salihin bin Abang (appointed on 17.12.2019)	0/0
Encik Saffie bin Bakar (resigned on 17.10.2019)	3/3

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The activities of the Audit Committee for the financial year under review include the following:

1. Reviewing and recommending for the Board's approval on the quarterly financial results and audited financial statements.
2. Reviewing with the external auditors their audit plan and management letter.
3. Reviewing with the internal auditors their audit plan, management letter and audit findings.

INTERNAL AUDIT AND RISK MANAGEMENT

The staff of the Group assists the Committee in discharging its duties and responsibilities. Their role is to provide the Committee with independent and objective reports on the state of internal controls for high risk areas of the Group and the extent of compliance with established policies and procedures.

During the financial year ended 31 December 2019, the Group has carried out the following activities:

- Reviewed operational and financial risks of the Group; and
- Recommended and implemented appropriate actions to be taken and being carried out to mitigate probable risk areas.

OTHER INFORMATION

AUDIT AND NON-AUDIT FEES

During the financial year, audit fees and non-audit fees paid to the external auditors by the company and the Group incurred for services rendered are as follows:

	Company	Group
Audit Fees	RM48,000	RM102,000
Non-audit Fees	RM20,000	RM20,000

REVALUATION POLICY ON LANDED PROPERTIES

The Company does not adopt any revaluation policy on landed properties.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 December 2019 or entered into since the end of the previous financial year.

CORPORATE SOCIAL RESPONSIBILITY

There were no corporate social responsibility activities or practices undertaken by the Group for the financial year.

UTILISATION OF PROCEEDS

Proceeds amounting to RM55 million from the rights issue completed on 5 October 2017 has been fully utilised as at 31 December 2019.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Recurrent related party transaction of revenue or trading nature for the financial year ended 31 December 2019 made pursuant to a shareholders' mandate are as follows:

Company in G3 Global Group	Transacting Party /Provider	Recipient	Nature of transactions	Related Party	Amount approved at AGM on 24 June 2019 (RM)	31 Dec 2019 (RM)
Atilze Digital Sdn Bhd	Atilze Digital Sdn Bhd	Green Packet, Green Packet (S) Pte Ltd, Green Packet Networks S.P.C.	Sales of Wireless LAN Router	Green Packet, Green Packet (S) Pte Ltd, Green Packet Holdings Ltd, Puan Chan Cheong, Tan Kay Yen and Liew Kok Seong	15,000,000	12,387,862
Atilze Digital Sdn Bhd	Green Packet, Green Packet Networks (Taiwan) Pte Ltd	Atilze Digital Sdn Bhd	Purchases of Connected Car Solutions	Green Packet, Green Packet Networks (Taiwan) Pte Ltd, Green Packet Pte Ltd, Green Packet Holdings Ltd, Puan Chan Cheong, Tan Kay Yen and Liew Kok Seong	15,000,000	4,225,680
Atilze Digital Sdn Bhd	Green Packet International Sdn Bhd	Atilze Digital Sdn Bhd	Provision of Shared Services - IT services, Facilities Services.	Green Packet, Green Packet International Sdn Bhd, Green Packet Holdings Ltd, Puan Chan Cheong, Tan Kay Yen and Liew Kok Seong	720,000	-

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2019**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 7 to the Financial Statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year:-		
Loss from continuing operations	15,028,351	44,012,147
Loss from discontinued operations	1,368,109	-
	16,396,460	44,012,147
Attributable to:-		
Owners of the Company	16,392,766	44,012,147
Non-controlling interests	3,694	-
	16,396,460	44,012,147

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2019** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of report other than the following items which have been charged to the profit or loss for the financial year under review:-

	Group RM	Company RM
Allowance for expected credit losses	871,876	25,166,913
Impairment loss on intangible assets	1,152,770	-
Loss on disposal of subsidiaries	2,322,418	17,638,514

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019 (cont'd)

DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital was increased from RM68,750,000 to RM74,302,576 by the issuance of 55,525,762 new ordinary shares pursuant to warrants exercise at the exercise price of RM0.10.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

WARRANTS

The salient features of the Warrants are disclosed in Note 15 to the Financial Statements.

Details of Warrants issued to Directors are disclosed in the section on Directors' interest in this report.

DIRECTORS

The Directors who held office during the financial year and up to date of this report are as follows:-

Directors of the Company:-

Datuk Wan Khalik Bin Wan Muhammad (appointed on 5 April 2019)

Datuk Haji Khan Bin Mohd Akram Khan (appointed on 5 April 2019)

Salihin Bin Abang (appointed on 22 November 2019)

Ahmad Rizan Bin Ibrahim (appointed on 30 December 2019)

Dirk Johann Quinten (appointed on 19 February 2020)

Lai Chin Tak

Puan Chan Cheong

Yong Kim Fui

Tan Kay Yen

Liew Kok Seong (alternate Director to Tan Kay Yen)

Lim Boon Hong (resigned on 5 April 2019)

Saffie Bin Bakar (resigned on 17 October 2019)

Goh Kok Beng (resigned on 30 December 2019)

Md. Radzi Bin Din (resigned on 19 February 2020)

Yeoh Yeow Cheang (resigned on 13 March 2020)

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019 (cont'd)

DIRECTORS (CONT'D)

The Directors who held office during the financial year and up to date of this report are as follows (cont'd):-

Directors of the subsidiaries:-

Datuk Iskandar Bin Abdul Malik
Farisan Bin Mokhtar @ Mokhtar
Lim Boon Hong
Abdullah Junaidi Bin Monil
Goh Kok Beng
Goh Kok Heng
Goh Kok Peng
Md. Radzi Bin Din
Yeoh Yeow Cheang
Wan Siok Theng
Wang Zhijun
Xue Feng
Zhao Shounian

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings as required to be kept under Section 59 of the Companies Act, 2016, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year are as follows:-

	----- Number of ordinary shares -----			
	At 1.1.2019	Bought	Sold	At 31.12.2019
The Company				
Direct interest:-				
Yeoh Yeow Cheang	100,000	111,000	(181,000)	30,000
Md. Radzi Bin Din	-	20,000	-	20,000

Deemed interests:-

Puan Chan Cheong	132,000,000	-	-	132,000,000
Datuk Wan Khalik Bin Wan Muhammad	-	132,168,700	-	132,168,700
Datuk Haji Khan Bin Mohd Akram Khan	-	132,168,700	-	132,168,700

	----- Number of warrants -----			
	At 1.1.2019	Bought	Converted	At 31.12.2019
The Company				
Direct interest:-				
Yeoh Yeow Cheang	111,000	-	(111,000)	-
Deemed interests:-				
Puan Chan Cheong	76,312,500	-	-	76,312,500

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019 (cont'd)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

By virtue of their interests in the shares of the Company, **Datuk Wan Khalik Bin Wan Muhammad, Datuk Haji Khan Bin Mohd Akram Khan** and **Puan Chan Cheong** are also deemed interested in the shares of all the subsidiaries, to the extent that the Company has interests.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those related party transactions as disclosed in the Notes to the Financial Statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:-

- (i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the Directors:-

- (i) no contingent liability or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the Financial Statements.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The subsequent event after the reporting period is disclosed in Note 35 to the Financial Statements.

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2019 (cont'd)

AUDITORS

The total amount of fees paid to or receivable by the Auditors, **Grant Thornton**, as remuneration for their services as Auditors of the Group and of the Company for the financial year ended 31 December 2019 amounted to RM122,000 and RM68,000 respectively.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, **Grant Thornton**, have expressed their willingness to continue in office.

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

.....
**Datuk Wan Khalik Bin
Wan Muhammad**

.....
Dirk Johann Quinten

Kuala Lumpur
17 March 2020

DIRECTORS' STATEMENT

In the opinion of the Directors, the financial statements set out on pages 55 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2019** and of their financial performance and cash flows for the financial year then ended.

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

.....
**Datuk Wan Khalik Bin
Wan Muhammad**

.....
Dirk Johann Quinten

Kuala Lumpur
17 March 2020

STATUTORY DECLARATION

I, **Rahana Abdul Rashid**, the Officer primarily responsible for the financial management of **G3 Global Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 55 to 133 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.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in the)
Federal Territory this day of)
17 March 2020)

.....
Rahana Abdul Rashid

Before me,

.....
Commissioner for Oaths
P. Valliamah
No: W594

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **G3 Global Berhad**, which comprise the statements of financial position as at **31 December 2019** of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 133.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position as at **31 December 2019** and of their financial performance and of their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
<i>Impairment of trade receivables (Refer to Notes 2.5 and 10 to the Financial Statements)</i> The Group has significant trade receivables as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures included amongst others:- • Obtaining an understanding of:- - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the loss allowance of trade receivables; and - how the Group makes the accounting estimates for loss allowance. • Reviewing the ageing of trade receivables, the accuracy of which was tested. • Reviewing collections received after the end of the reporting period. • Evaluating the reasonableness and adequacy of the impairment loss recognised. • Assessing the consistency in methodology applied by the management in determining the impairment loss on trade receivables to those of prior years. • Evaluating techniques and methodology applied for the expected credit loss approach.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<i>Impairment of intangible assets (Refer to Notes 2.5 and 8 to the Financial Statements)</i> The Group has significant intangible assets as at the reporting date which consist mainly of development costs and goodwill. The intangible assets are subject to impairment assessment. The assessment has been performed by comparing the carrying amounts to their corresponding recoverable amounts. The recoverable amounts were determined using the value-in-use method, based on future financial information. We focused on these areas as significant judgment and estimates are applied in determining the recoverable amounts.	Our audit procedures included amongst others:- • Obtained management's impairment analysis and gained an understanding of their impairment assessment process. • Reviewing the reasonableness of the key assumptions used and judgement made in determining the recoverable amount. • Checked the sensitivity analysis on revenue growth, profit margin and discount rate.

There are no key audit matters in relation to the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):-

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial 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.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 GLOBAL BERHAD (CONT'D)

Other Matter

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

Grant Thornton
No. AF: 0042
Chartered Accountants

Tan Chee Beng
No.: 02664/02/2021 J
Chartered Accountant

Kuala Lumpur
17 March 2020

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,029,628	2,049,036	-	-
Investment property	6	-	106,500	-	-
Investment in subsidiaries	7	-	-	3,190,738	10,518,258
Intangible assets	8	3,512,084	5,358,810	-	-
Total non-current assets		5,541,712	7,514,346	3,190,738	10,518,258
Current assets					
Inventories	9	1,064,075	7,472,545	-	-
Trade receivables	10	10,813,177	11,719,389	-	-
Other receivables	11	18,437,487	1,411,164	7,925,916	360,469
Amount due from subsidiaries	12	-	-	27,653,888	68,675,790
Cash and cash equivalents	13	10,353,222	31,361,309	3,679,341	7,986,208
Total current assets		40,667,961	51,964,407	39,259,145	77,022,467
TOTAL ASSETS		46,209,673	59,478,753	42,449,883	87,540,725
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	74,302,576	68,750,000	74,302,576	68,750,000
Warrant reserve	15	16,301,539	22,306,914	16,301,539	22,306,914
Other reserve	15	(16,301,539)	(22,306,914)	(16,301,539)	(22,306,914)
(Accumulated losses)/Retained earnings		(34,496,516)	(18,101,179)	(34,569,071)	9,443,076
		39,806,060	50,648,821	39,733,505	78,193,076
Non-controlling interests (“NCI”)		35,568	39,536	-	-
Total equity		39,841,628	50,688,357	39,733,505	78,193,076
LIABILITIES					
Non-current liabilities					
Contract liabilities	16	55,864	-	-	-
Finance lease liabilities	17	-	260,928	-	-
Lease liabilities	18	536,425	-	-	-
Total non-current liabilities		592,289	260,928	-	-

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019 (cont'd)

		Group		Company	
	NOTE	2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	19	4,082,038	4,798,089	-	-
Other payables	20	1,379,070	3,603,001	852,986	921,008
Contract liabilities	16	28,070	23,480	-	-
Amount due to a Director	21	-	2,355	-	-
Amount due to subsidiaries	12	-	-	1,863,392	8,426,641
Finance lease liabilities	17	-	83,272	-	-
Lease liabilities	18	267,307	-	-	-
Tax payable		19,271	19,271	-	-
Total current liabilities		<u>5,775,756</u>	<u>8,529,468</u>	<u>2,716,378</u>	<u>9,347,649</u>
Total liabilities		<u>6,368,045</u>	<u>8,790,396</u>	<u>2,716,378</u>	<u>9,347,649</u>
TOTAL EQUITY AND LIABILITIES		<u>46,209,673</u>	<u>59,478,753</u>	<u>42,449,883</u>	<u>87,540,725</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Continuing operations					
Revenue	22	14,213,571	13,250,381	-	-
Cost of sales		<u>(14,032,927)</u>	<u>(17,321,792)</u>	<u>-</u>	<u>-</u>
Gross profit/(loss)		180,644	(4,071,411)	-	-
Other income		963,642	1,577,169	267,955	3,791,740
Administrative expenses		(11,658,580)	(7,819,062)	(1,474,675)	(1,337,666)
Selling and distribution expenses		-	(16,323)	-	-
Other expenses		(4,502,039)	(1,106,342)	(42,805,427)	(871,819)
Finance costs		<u>(12,018)</u>	<u>(1,687)</u>	<u>-</u>	<u>-</u>
(Loss)/Profit before tax	23	(15,028,351)	(11,437,656)	(44,012,147)	1,582,255
Tax expense	24	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/Profit from continuing operations		(15,028,351)	(11,437,656)	(44,012,147)	1,582,255
Discontinued operations					
Loss from discontinued operations, net of tax	25	<u>(1,368,109)</u>	<u>(5,676,778)</u>	<u>-</u>	<u>-</u>
(Loss)/Profit for the financial year/ Total comprehensive (loss)/income for the financial year		<u>(16,396,460)</u>	<u>(17,114,434)</u>	<u>(44,012,147)</u>	<u>1,582,255</u>
Total comprehensive (loss)/profit attributable to:-					
Owners of the Company		(16,392,766)	(17,108,950)	(44,012,147)	1,582,255
Non-controlling interests		<u>(3,694)</u>	<u>(5,484)</u>	<u>-</u>	<u>-</u>
		<u>(16,396,460)</u>	<u>(17,114,434)</u>	<u>(44,012,147)</u>	<u>1,582,255</u>
Loss per share attributable to owners of the Company					
Basic loss per share (sen)	26				
- From continuing operations		(3.57)	(2.77)		
- From discontinued operations		<u>(0.33)</u>	<u>(1.38)</u>		
		<u>(3.90)</u>	<u>(4.15)</u>		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019 (cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Loss per share attributable to owners of the Company (cont'd)					
Diluted loss per share (sen)	26				
- From continuing operations		(2.66)	(1.93)		
- From discontinued operations		<u>(0.24)</u>	<u>(0.96)</u>		
		<u>(2.90)</u>	<u>(2.89)</u>		

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

Attributable to Owners of the Company						
Non-distributable						
Note	Share capital RM	Warrant reserve RM	Other reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM
						Total equity RM
Group						
Balance at 1 January 2018, as previously reported	68,750,000	22,306,914	(22,306,914)	(908,795)	67,841,205	(423)
Adjustment on initial application of MFRS 9	-	-	-	(82,611)	(82,611)	-
Balance at 1 January 2018, restated	68,750,000	22,306,914	(22,306,914)	(991,406)	67,758,594	(423)
Total comprehensive loss for the financial year	-	-	-	(17,108,950)	(17,108,950)	(5,484)
Transactions with owners:-						
Acquisition of equity interest from non-controlling interests	-	-	-	-	-	45,020
Acquisition of ownership interest in a subsidiary	-	-	-	(823)	(823)	423
Total transactions with owners	-	-	-	(823)	(823)	45,443
Balance at 31 December 2018	68,750,000	22,306,914	(22,306,914)	(18,101,179)	50,648,821	39,536
Balance at 1 January 2019, as previously reported	68,750,000	22,306,914	(22,306,914)	(18,101,179)	50,648,821	39,536
Adjustment on initial application of MFRS 16	-	-	-	(3,165)	(3,165)	-
Balance at 1 January 2019, restated	68,750,000	22,306,914	(22,306,914)	(18,104,344)	50,645,656	39,536
Total comprehensive loss for the financial year	-	-	-	(16,392,766)	(16,392,766)	(3,694)
Transactions with owners:-						
Issuance of shares pursuant to warrant exercise	5,552,576	(6,005,375)	6,005,375	-	5,552,576	-
Acquisition of equity interest from non-controlling interests	-	-	-	-	-	300
Disposal of ownership interest in a subsidiary	-	-	-	594	594	(574)
Total transactions with owners	5,552,576	(6,005,375)	6,005,375	594	5,553,170	(274)
Balance at 31 December 2019	74,302,576	16,301,539	(16,301,539)	(34,496,516)	39,806,060	35,568

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019 (cont'd)

		----- Non-distributable -----			Distributable-	
					Retained earnings/ (Accumulated losses)	Total equity
	Note	Share capital RM	Warrant reserve RM	Other reserve RM	RM	RM
Company						
Balance at 1 January 2018		68,750,000	22,306,914	(22,306,914)	7,860,821	76,610,821
Total comprehensive income for the financial year		-	-	-	1,582,255	1,582,255
Balance at 31 December 2018		68,750,000	22,306,914	(22,306,914)	9,443,076	78,193,076
Total comprehensive loss for the financial year		-	-	-	(44,012,147)	(44,012,147)
Transaction with owners:-						
Issuance of shares pursuant to warrant exercise	14	5,552,576	(6,005,375)	6,005,375	-	5,552,576
Balance at 31 December 2019		74,302,576	16,301,539	(16,301,539)	(34,569,071)	39,733,505

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
OPERATING ACTIVITIES					
(Loss)/Profit before tax					
- Continuing operations		(15,028,351)	(11,437,656)	(44,012,147)	1,582,255
- Discontinued operations		(1,368,109)	(5,653,732)	-	-
Adjustments for:-					
Allowance for expected credit losses					
- Trade receivables		871,876	458,053	-	-
- Amount due from subsidiaries		-	-	25,166,913	-
Amortisation of intangible assets		1,397,829	963,424	-	-
Depreciation of property, plant and equipment		1,762,783	674,377	-	-
Depreciation of investment property		3,600	3,600	-	-
Loss on changes in fair value of short-term investments		294,355	-	-	-
Loss/(Gain) on disposal of subsidiaries		2,322,418	1,025,434	17,638,514	(3,788,995)
Gain on disposal of property, plant and equipment		(10,000)	(68,000)	-	-
Impairment loss on investment in subsidiaries		-	-	-	871,819
Impairment loss on intangible assets		1,152,770	-	-	-
Impairment loss on property, plant and equipment		343,432	-	-	-
Interest expenses		125,602	14,243	-	-
Interest income		(879,694)	(560,497)	(23,360)	(2,745)
Inventories written off		665,215	3,130,495	-	-
Provision for slow-moving inventories		101,388	-	-	-
Property, plant and equipment written off		64,023	109,752	-	-
Reversal of allowance for expected credit losses					
- Trade receivables		(428,465)	(52,326)	-	-
- Other receivables		(244,595)	-	(244,595)	-
Unrealised gain on foreign exchange		(7,677)	(194,428)	-	-
Operating loss before working capital changes		(8,861,600)	(11,587,261)	(1,474,675)	(1,337,666)
Changes in working capital:-					
Inventories		149,248	927,342	-	-
Contract liabilities		60,454	23,480	-	-
Receivables		(28,356,767)	(3,446,232)	(19,890,592)	(354,469)
Payables		26,384,819	(2,337,503)	(1,182,497)	(1,188,029)
Net cash used in operating activities		(10,623,846)	(16,420,174)	(22,547,764)	(2,880,164)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019 (cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
INVESTING ACTIVITIES					
Acquisition of shares in subsidiaries		-	(400)	(10,799)	(2,881)
Interest received		879,694	560,497	23,360	2,745
Proceeds from disposal of property, plant and equipment		10,000	68,000	-	-
Net changes on short-term investments		(294,355)	-	-	-
Net cash (outflows)/inflows from disposal of subsidiaries		(13,667,724)	12,986,000	4,384,020	9,959,538
Proceeds from disposal of shares of a subsidiary to NCI		20	-	-	-
Purchase of intangible assets		(703,873)	(2,989,053)	-	-
Purchase of property, plant and equipment	A	(1,530,512)	(663,082)	-	-
Net cash (used in)/from investing activities		(15,306,750)	9,961,962	4,396,581	9,959,402
FINANCING ACTIVITIES					
Advances from/(Repayment to) subsidiaries		-	-	8,291,740	(552,580)
Advances from Directors		347,645	-	-	-
Interest paid		(125,602)	(14,243)	-	-
Proceeds from issuance of shares		5,552,576	-	5,552,576	-
Proceeds from issuance of shares of subsidiaries to NCI		300	45,020	-	-
Repayments of bankers' acceptance		-	(2,032,000)	-	-
Repayments of lease liabilities		(894,227)	-	-	-
Repayments of finance lease liabilities		-	(52,159)	-	-
Net cash from/(used in) financing activities		4,880,692	(2,053,382)	13,844,316	(552,580)
CASH AND CASH EQUIVALENTS					
Net changes		(21,049,904)	(8,511,594)	(4,306,867)	6,526,658
Effect of foreign currency translation differences		41,817	(1,434)	-	-
Brought forward		31,361,309	39,874,337	7,986,208	1,459,550
Carried forward		10,353,222	31,361,309	3,679,341	7,986,208

NOTE TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total addition	3,610,664	933,082	-	-
Acquired under lease/finance lease liabilities	(1,747,633)	(270,000)	-	-
Reclassified to inventories	(332,519)	-	-	-
Total cash acquisition	1,530,512	663,082	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang.

The principal place of business of the Company is located at Unit T2-17-1&3, Level 17, IOI City Tower Two, Lebuhr IRC, IOI Resort City, 62502 Putrajaya.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 7 to the Financial Statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 March 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of Measurement (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset 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.

The Group used valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Group's and the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.4 MFRSs

2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all period presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2019.

Initial application of new standards/amendments/improvements to the standards did not have significant impact to the financial statements, except for those disclosed in Note 4 to the Financial Statements.

2.4.2 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been early adopted by the Group and the Company.

The management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impact to the financial statements of the Group and of the Company.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of depreciable and amortisable assets

The management estimates the useful lives of the property, plant and equipment and intangible assets to be 2 to 50 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to changes in the expected level of usage and developments, resulting in adjustment to the Group's assets.

The management expects that the expected useful lives of the property, plant and equipment and intangible assets would not have material difference from the management's estimation hence it would not result in material variance in the Group's losses for the financial year.

The carrying amount of the Group's property, plant and equipment and intangible assets at the reporting date is disclosed in Notes 5 and 8 to the Financial Statements respectively.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation of a net realisable value, hence, it would not result in material variance in the Group's losses for the financial year.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 9 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Estimation Uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of financial assets

Credit losses are the differences between all contractual cash flows that the Group and the Company is due and the cash flows that it actually expects to receive. An ECL is the probability-weighted estimate of credit losses which requires the Group's and the Company's judgement. The ECLs are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group and the Company use a provision matrix to calculate ECL for financial assets. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Group's and of the Company's receivables at the reporting date is disclosed in Notes 10, 11 and 12 to the Financial Statements.

Income taxes

Significant estimation is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Estimation Uncertainty (cont'd)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

2.5.2 Significant Management Judgement

The following is significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements:-

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.2 Significant Management Judgement (cont'd)

Capitalisation and amortisation of intangible assets

Intangible assets are capitalised in accordance with the accounting policy in Note 3.5 to the Financial Statements. Initial capitalisation of costs is based on management's judgement that it is probable that future economic future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of useful life. At the reporting date, the carrying amount of intangible assets of the Group are disclosed in Note 8 to the Financial Statements.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of respective components. The Group reviews the amortisation periods and useful lives at least once a year for intangible assets with finite lives. However, if there are indications that the intangible assets are unable to generate future cash flows, immediate impairment loss would be recognised in profit or loss. Further details are disclosed in Note 8 to the Financial Statements.

Leases

Management uses judgement in determining the rate to discount the lease payments and assess whether a right-of-use asset is impaired. Furthermore, the Group estimates the lease term and reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

In most cases, determining the appropriate discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In assessing the lease term and the likelihood of any extensions or early terminations, the management monitors the cash inflows from each right-of-use asset and evaluates whether such extensions or early terminations would lead to economic benefits for the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of an investment in a subsidiary, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

3.1.2 Business Combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:-

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree either at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

3.1.2 Business Combination (cont'd)

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.

3.1.3 Acquisitions of Non-Controlling Interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

3.1.4 Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for sale financial asset depending on the level of influence retained.

3.1.5 Non-Controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

3.1.6 Transactions Eliminated on Consolidation

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

3.2 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Land	6 years
Office premises	2 years
Outlet and factory	2 to 6 years
Machinery and factory equipment	5 to 10 years
Renovation	5 to 50 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases

3.3.1 Accounting policies applied from 1 January 2019

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group 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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:-
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

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

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 liability.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.1 Accounting policies applied from 1 January 2019 (cont'd)

As a lessee (cont'd)

The lease liability 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability 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 change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes their assessment of whether it will exercise a purchase, extension or termination option.

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

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.1 Accounting policies applied from 1 January 2019 (cont'd)

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.3.2 Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over its useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Motor vehicles which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.2 Accounting policies applied until 31 December 2018 (cont'd)

Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

3.4 Investment Property

Investment property is a property which is held to earn rental income, or for capital appreciation or for both. Such property is measured initially at cost. Initial cost comprises purchase price and any directly attributable expenditure for a purchased investment property. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold shoplot is depreciated on the straight-line method to write off the cost to its residual value over its estimated useful life at 2% per annum.

Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year in which it arises.

3.5 Intangible Assets

Trademarks

Trademarks are measured initially at cost. Subsequent to initial recognition, trademarks with definite life are stated at cost less accumulated amortisation and impairment losses while trademarks with indefinite life are stated at cost less impairment losses. Trade marks with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of a trade mark with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible Assets (cont'd)

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development Costs

All research costs are immediately recognised in profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the date the products are commercialised. Development costs is amortised over the estimated average life of 5 years.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

3.6 Impairment of Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Non-Financial Assets (cont'd)

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

3.7 Financial Instruments

3.7.1 Recognition and Derecognition

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.7.2 Classification and Initial Measurement of Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.2 Classification and Initial Measurement of Financial Assets (cont'd)

In the periods presented the Group and the Company do not have any financial assets categorised as FVOCI.

The classification is determined by both:-

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

3.7.3 Subsequent Measurement of Financial Assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):-

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The amortised cost of a financial assets is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade receivables, most of the other receivables, amount due from subsidiaries, and cash and cash equivalents fall into this category of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.3 Subsequent Measurement of Financial Assets (cont'd)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.7.4 Impairment of Financial Assets

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead the Group and the Company consider a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:-

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.4 Impairment of Financial Assets (cont'd)

Trade receivables, most of the other receivables and amount due from subsidiaries

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group and the Company assess impairment of receivables on a collective basis as they possess shared credit risk characteristics that have been grouped based on the days past due.

3.7.5 Classification and Measurement of Financial Liabilities

The Group's and the Company's financial liabilities include trade payables, most of the other payables, amount due to a Director, amount due to subsidiaries and finance lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company have designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.7.6 Offsetting of Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories comprise of trading goods which are stated at the lower of cost and net realisable value after adequate write down has been made for deteriorated, obsolete and slow-moving inventories.

The cost of inventories is based on a weighted average basis or first-in-first-out basis and includes value of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

For the purposes of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

3.10 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

(Accumulated losses)/Retained earnings include all current and prior financial years' (accumulated losses)/retained earnings.

All transactions with owners of the Company are recorded separately within equity.

3.11 Warrants

Warrants are classified as equity instruments and its fair value is allocated based on the Black-Scholes Option Pricing model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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. Where the effect of the time of money is material, provision is discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.14 Revenue Recognition

The Group recognises revenue from contracts with customers for goods or services based on the five-step model as set out in this standard:-

- i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer, either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue Recognition (cont'd)

The Group recognises revenue from contracts with customers for goods or services based on the five-step model as set out in this standard (cont'd):-

- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the Group satisfies a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:-

- i. Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or
- ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. Provides benefits that the customer simultaneously receives and consumes as the Group performs the obligation.

For performance obligations where any one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable.

3.14.1 Revenue from Sale of Goods and Services

Goods are sold when the customer obtains control of the goods. All contracts are completed at the delivery date. The revenue is recognised net of any related rebates, discounts and taxes. The Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 22 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue Recognition (cont'd)

3.14.2 Royalty Income

Royalty income is recognised on an accrual basis in accordance with the relevant agreement.

3.14.3 Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3.14.4 Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

3.14.5 Grant

Grants from Malaysia Digital Economy Corporation relating to expenditure on development cost of the Group are recognised in the profit or loss on a cash receipt basis.

3.15 Contract Balances

3.15.1 Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.16 Employee Benefits

3.16.1 Short-Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by the employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee Benefits (cont'd)

3.16.2 Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

3.17 Tax Expense

Tax expense comprises current tax and deferred tax. Current tax 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.

3.17.1 Current Tax

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

3.17.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax Expense (cont'd)

3.17.2 Deferred Tax (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.17.3 Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

3.20 Segment Reporting

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

3.21 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:-
 - (i) has control or joint control over the Group; or
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group including its ultimate holding company.
- (b) An entity is related to the Group if any of the following conditions applies:-
 - (i) The entity and the Group are members of the same group.
 - (ii) The entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 16 Leases

The Group has adopted MFRS 16 on 1 January 2019 using the modified retrospective method which the comparative information was not restated.

4.1.1 Effect of Initial Application

In summary, the adoption impact of MFRS 16 to the opening balances are as follows:-

Statements of Financial Position

		Impact of change in accounting policy		
		31 December	MFRS 16	1 January
		2018	adjustments	2019
	Note	RM	RM	RM
Group				
<u>Non-current asset</u>				
Property, plant and equipment	(1)	2,049,036	1,623,917	3,672,953
<u>Equity</u>				
Accumulated losses		(18,101,179)	(3,165)	(18,104,344)
<u>Non-current liabilities</u>				
Finance lease liabilities	(2)	260,928	(260,928)	-
Lease liabilities	(2)	-	1,238,312	1,238,312
<u>Current liabilities</u>				
Finance lease liabilities	(2)	83,272	(83,272)	-
Lease liabilities	(2)	-	732,970	732,970

Note:-

- (1) Right-of-use assets have been included in property, plant and equipment. The right-of-use assets represent the right to use of the underlying asset during the lease term. The right-of-use assets are measured at cost less accumulated depreciation and impairment losses if any, and adjusted for any re-measurement of the lease liability.
- (2) The lease liabilities are measured at present value of the lease payments that are not paid at 1 January 2019 using its incremental borrowing rate. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications if any.

The Group did not make any adjustment to the accounting for assets held as lessor under operating leases (Note 6) as a result of the adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM	Office premises RM	Outlet and factory RM	Machinery and factory equipment RM	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Cost								
At 1.1.2018	-	-	-	1,043,521	1,489,433	8,139,179	590,171	11,262,304
Additions	-	-	-	70,656	113,469	341,421	407,536	933,082
Disposals	-	-	-	-	-	-	(447,059)	(447,059)
Written off	-	-	-	(83,589)	(118,722)	(3,765,079)	-	(3,967,390)
Reclassification	-	-	-	-	9,626	(9,626)	-	-
At 31.12.2018	-	333,871	1,470,893	1,030,588	1,493,806	4,705,895	550,648	7,780,937
Adjustment on initial application of MFRS 16	-	-	-	-	-	-	-	1,804,764
At 1.1.2019	-	333,871	1,470,893	1,030,588	1,493,806	4,705,895	550,648	9,585,701
Additions	448,349	402,511	638,773	185,566	522,644	1,042,083	370,738	3,610,664
Disposals	-	-	-	-	-	(51,470)	-	(51,470)
Disposals of subsidiaries	-	-	(2,109,666)	(1,500)	(1,443,955)	(3,493,831)	(921,386)	(7,970,338)
Written off	-	(333,871)	-	(20,726)	(247,747)	(1,273,610)	-	(1,875,954)
At 31.12.2019	448,349	402,511	-	1,193,928	324,748	929,067	-	3,298,603
Accumulated depreciation								
At 1.1.2018	-	-	-	214,969	1,046,418	7,684,768	416,066	9,362,221
Charge for the financial year	-	-	-	203,875	126,749	260,214	83,539	674,377
Disposals	-	-	-	-	-	-	(447,059)	(447,059)
Written off	-	-	-	(38,718)	(98,622)	(3,720,298)	-	(3,857,638)
Reclassification	-	-	-	-	1,043	(1,043)	-	-
At 31.12.2018	-	-	-	380,126	1,075,588	4,223,641	52,546	5,731,901
Adjustment on initial application of MFRS 16	-	180,847	-	-	-	-	-	180,847
At 1.1.2019	-	180,847	-	380,126	1,075,588	4,223,641	52,546	5,912,748
Charge for the financial year	307,709	172,726	619,834	228,873	166,796	347,350	196,495	1,762,783
Disposals	-	-	-	-	-	(51,470)	-	(51,470)
Disposals of subsidiaries	-	-	(619,834)	(1,500)	(944,603)	(3,071,609)	(249,041)	(4,886,587)
Written off	-	(333,871)	-	(4,827)	(241,104)	(1,232,129)	-	(1,811,931)
At 31.12.2019	307,709	19,702	-	602,672	56,677	215,783	-	925,543

31 December 2019 (cont'd)

Group (cont'd)

At 1.1.2018/31.12.2018

Charge for the financial year

[illegible]

At 31.12.2019

417,640	382,809	-	247,824	268,071	713,284	-	2,029,628
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-	-	650,462	418,218	482,254	498,102	2,049,036
-	-	-	-	-	-	-

<u>Land</u> RM	<u>Office premises</u> RM	<u>Outlet and factory</u> RM	<u>Machinery and factory equipment</u> RM	<u>Renovation</u> RM	<u>Furniture, fittings and office equipment</u> RM	<u>Motor vehicles</u> RM	<u>Total</u> RM
-	-	-	-	-	-	-	-
-	-	-	343,432	-	-	-	343,432
-	-	-	343,432	-	-	-	343,432
417,640	382,809	-	247,824	268,071	713,284	-	2,029,628
-	-	-	650,462	418,218	482,254	498,102	2,049,036

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Motor vehicles with carrying amount of RM497,519 were acquired under finance lease in 2018 and are pledged as security for the related finance lease liabilities (Note 17).

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:-

	Group 2019 RM
Land	417,640
Office premises	382,809
	800,449

Additions to the right-of-use assets of the Group during the financial year 2019 amounted to **RM1,747,633**.

Depreciation charge of right-of-use assets are as follows:-

	Group 2019 RM
Land	30,709
Office premises	172,726
Outlet and factory	619,834
Motor vehicles	137,118
	960,387

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

6. INVESTMENT PROPERTY

	Freehold shoplot RM
Group	
Cost	
At 1.1.2018/31.12.2018	180,000
Disposal of subsidiaries	<u>(180,000)</u>
At 31.12.2019	<u>-</u>
Accumulated depreciation	
At 1.1.2018	69,900
Charge for the financial year	<u>3,600</u>
At 31.12.2018	73,500
Charge for the financial year	3,600
Disposal of subsidiaries	<u>(77,100)</u>
At 31.12.2019	<u>-</u>
Net carrying amount	
At 31.12.2019	<u>-</u>
At 31.12.2018	<u>106,500</u>

The investment property is held to earn rental income.

The amounts recognised in profit or loss are as follows:-

	Group	
	2019 RM	2018 RM
Rental income from investment property	900	10,800
Direct operating expenses arising from income generating investment property	<u>3,768</u>	<u>3,911</u>

The fair value measurement of the Freehold Shoplot is disclosed in Note 32.2 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	5,954,267	49,963,940
Less: Accumulated impairment losses		
Brought forward	39,445,682	38,880,339
Addition	-	871,819
Reversal due to disposal of subsidiaries	(36,682,153)	(306,476)
Carried forward	2,763,529	39,445,682
Net amount	3,190,738	10,518,258

Details of the subsidiaries, all of which were incorporated in Malaysia, are as follows:-

Name of company	Effective equity interest		Principal activities
	2019	2018	
Direct subsidiaries			
Edwin Jeans (M) Sdn. Bhd. (“EJMSB”)	-	100%	Marketing, distributing and retailing of jeanswear and other fashion apparels.
G.A. Blue Corporation Sdn. Bhd. (“GABCSB”)	-	100%	Manufacturing and marketing of jeanswear and its related products.
Yen Retailing (M) Sdn. Bhd. (“YRSB”)	-	100%	Distributing and retailing of other jeanswear, footwear and accessories.
G.A. Blue Apparel Sdn. Bhd.	100%	100%	Marketing of jeanswear and its related products. However, the subsidiary is dormant during the financial year.
Delison Sdn. Bhd.	100%	100%	Retail sale of articles of clothing, fur and clothing accessories. However, the subsidiary is dormant during the financial year.
Lensan Sdn. Bhd.	100%	100%	Retail sale of articles of clothing, fur and clothing accessories. However, the subsidiary is dormant during the financial year.
Sebico Jaya Trading Co. Sdn. Bhd.	100%	100%	Retailing of ready-made clothing, handbags and personal effects. However, the subsidiary is dormant during the financial year.
Atilze Digital Sdn. Bhd. (“ADSB”)	100%	100%	Supplier of telecommunication solutions, services and products.
Atilze Solutions Sdn. Bhd. (“ASSB”)	100%	100%	Sales of information, communications and technology (“ICT”) equipment, devices, wholesale voice and IT products and services. However, the subsidiary is dormant during the financial year.
Atilze AI Sdn. Bhd. (“AAISB”)	100%	100%	Provision of information technology service activities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, all of which were incorporated in Malaysia, are as follows (cont'd):-

Name of company	Effective equity interest		Principal activities
	2019	2018	
Direct subsidiaries (cont'd)			
AG3 Sdn. Bhd (“AG3SB”)	60%	80%	Provide security guards digital platform services. However, the subsidiary is dormant during the financial year.
Myedge AI Sdn. Bhd. (“MAISB”)	70%	-	Provision of AI solutions. However, the subsidiary is dormant during the financial year.
Maasdots Sdn. Bhd. (“MSB”)	100%	-	IT solutions provider in the artificial automotive industry. However, the subsidiary is dormant during the financial year.
Indirect subsidiaries			
<u>Subsidiary of Atilze Digital Sdn. Bhd.</u> Connected Mobility Technologies Sdn. Bhd. (“CMTSB”)	55%	55%	Sales of information, communications and technology (“ICT”) equipment, devices, wholesale voice and IT products and services. However, the subsidiary is dormant during the financial year.

2019

- (i) On 28 January 2019, the Company disposed 20% of the equity interest in AG3SB, comprising 20 shares for a total cash consideration of RM20.
- (ii) On 8 February 2019, the Company acquired additional 1,000,000 newly issued shares of ADSB at RM1 each, by way of capitalisation of amount due from ADSB of RM1,000,000, which did not result in changes in effective equity interest.
- (iii) On 7 May 2019, the Company together with a minority shareholder incorporated a subsidiary, MAISB, with an issued and paid-up capital of RM1,000 comprising 1,000 ordinary shares of which the Company owns 70% equivalent to 700 ordinary shares valued at RM700.
- (iv) On 8 May 2019, the Company acquired additional 9,999 newly issued shares of AAISB at RM1 each, for total cash consideration of RM9,999, which did not result in changes in effective equity interest.
- (v) On 24 June 2019, the Company incorporated a wholly-owned subsidiary, MSB, with a paid-up capital of RM100.
- (vi) On 13 December 2019, the Company disposed of its entire shareholding in EJMSB for a total cash consideration of RM3,411,000 and a waiver of debt owing by the subsidiary to the Company amounted to RM19,262,964.
- (vii) On 13 December 2019, the Company disposed of its entire shareholding in GABCSB for a total cash consideration of RM587,000 and a waiver of debt owing by the Company to the subsidiary amounted to RM6,693,224.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

2019 (cont'd)

- (viii) On 13 December 2019, the Company disposed of its entire shareholding in YRSB for a total cash consideration of RM386,000 and a waiver of debt owing by the subsidiary to the Company amounted to RM1,114,475.

Disposal of subsidiaries

The following summarises the major classes of consideration and the recognised amounts of assets disposed and transferred at the disposal date:-

	<u>EJMSB</u> RM	<u>GABCSB</u> RM	<u>YRSB</u> RM	<u>Total</u> RM
Fair value of identifiable net (liabilities)/assets				
Property, plant and equipment	3,290,583	134,147	-	3,424,730
Investment property	-	102,900	-	102,900
Inventories	4,000,399	1,062,218	97,483	5,160,100
Trade receivables	2,055,679	890,220	355,765	3,301,664
Other receivables	513,911	261,140	108,156	883,207
Amount due from related companies	-	1,039,878	9,677	1,049,555
Amount due from holding company	-	6,707,813	-	6,707,813
Cash and cash equivalents	3,952,118	176,731	238,660	4,367,509
Trade payables	(500,259)	(304,020)	(134,032)	(938,311)
Other payables	(5,568,578)	(1,314,284)	(16,146)	(6,899,008)
Amount due to holding company	(19,262,964)	-	(76,734)	(19,339,698)
Amount due to related companies	(971,848)	-	(1,114,475)	(2,086,323)
Amount due to a Director	(350,000)	-	-	(350,000)
Lease liabilities	(1,962,309)	(58,647)	-	(2,020,956)
Total identifiable net (liabilities)/assets	(14,803,268)	8,698,096	(531,646)	(6,636,818)
Cash consideration	3,411,000	587,000	386,000	4,384,000
Waiver of debts	(19,262,964)	6,693,224	(1,114,475)	(13,684,215)
Fair value of consideration	(15,851,964)	7,280,224	(728,475)	(9,300,215)
Fair value of identifiable net (liabilities)/assets	(14,803,268)	8,698,096	(531,646)	(6,636,818)
Loss on disposal of subsidiaries				
- Attributed to loss on disposed interest	(1,048,696)	(1,417,872)	(196,829)	(2,663,397)
- Realisation of fair value adjustment	340,979	-	-	340,979
	(707,717)	(1,417,872)	(196,829)	(2,322,418)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

2019 (cont'd)

Disposal of subsidiaries (cont'd)

The following summarises the major classes of consideration and the recognised amounts of assets disposed and transferred at the disposal date (cont'd):-

	<u>EJMSB</u> RM	<u>GABCSB</u> RM	<u>YRSB</u> RM	<u>Total</u> RM
Cash consideration	3,411,000	587,000	386,000	4,384,000
Less: Waiver of debts	(19,262,964)	6,693,224	(1,114,475)	(13,684,215)
Less: Cash and cash equivalents disposed	(3,952,118)	(176,731)	(238,660)	(4,367,509)
Net cash (outflow)/inflow from disposal of subsidiaries	(19,804,082)	7,103,493	(967,135)	(13,667,724)

2018

- (i) On 16 April 2018, the Company's subsidiary, ADSB, acquired the remaining 400 ordinary shares in ASSB from a former Director of ADSB for a total cash consideration of RM400. Consequent to the acquisition, ASSB became a wholly-owned subsidiary of ADSB.
- (ii) On 13 July 2018, ADSB incorporated a wholly-owned subsidiary, CMTSB, with a paid-up capital of RM100. Thereafter, CMTSB had allotted 99,900 new ordinary shares to ADSB, Gosuncn Welink (USA) Technology Co. Ltd and Prospect Industry LLC for a total cash consideration of RM99,900. Consequent to the allotment, the equity interest of ADSB was diluted from 100% to 55%.
- (iii) On 6 August 2018, the Company acquired 2,800 ordinary shares representing 100% equity interest in ASSB from ADSB for a total cash consideration of RM2,800. Consequently, ASSB became a direct wholly-owned subsidiary of the Company. The reorganisation does not have any effect on the Group's financial statements.
- (iv) On 21 September 2018, the Company incorporated a wholly-owned subsidiary, AAISB, with a paid-up capital of RM1.
- (v) On 24 December 2018, the Company together with a minority shareholder incorporated a subsidiary, AG3SB, with an issued and paid-up capital of RM100 comprising 100 ordinary shares of which the Company owns 80% equivalent to 80 ordinary shares valued at RM80.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

8. INTANGIBLE ASSETS

Group	<u>Trademarks</u> RM	<u>Goodwill</u> RM	<u>Development costs</u> RM	<u>Total</u> RM
Cost				
At 1.1.2018	2,235,149	129,776	3,493,558	5,858,483
Additions through internal development	-	-	1,801,050	1,801,050
Additions through separately acquired	-	-	1,188,003	1,188,003
At 31.12.2018	2,235,149	129,776	6,482,611	8,847,536
Additions through internal development	-	-	609,427	609,427
Additions through separately acquired	-	-	94,446	94,446
Disposal of subsidiaries	(2,235,149)	-	-	(2,235,149)
At 31.12.2019	-	129,776	7,186,484	7,316,260
Accumulated amortisation				
At 1.1.2018	-	-	290,153	290,153
Charge for the financial year	-	-	963,424	963,424
At 31.12.2018	-	-	1,253,577	1,253,777
Charge for the financial year	-	-	1,397,829	1,397,829
At 31.12.2019	-	-	2,651,406	2,651,406
Accumulated impairment loss				
At 1.1.2018/31.12.2018	2,235,149	-	-	2,235,149
Charge for the financial year	-	-	1,152,770	1,152,770
Disposal of subsidiaries	(2,235,149)	-	-	(2,235,149)
At 31.12.2019	-	-	1,152,770	1,152,770
Net carrying amount				
At 31.12.2019	-	129,776	3,382,308	3,512,084
At 31.12.2018	-	129,776	5,229,034	5,358,810

Impairment test on intangible assets

For the purpose of impairment testing, the trademarks, goodwill and development costs have been allocated to the Group's operating divisions which represent the lowest cash-generating unit ("CGU") level within the Group at which these intangible assets are monitored for internal management purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

8. INTANGIBLE ASSETS (CONT'D)

Impairment test on intangible assets (cont'd)

The trademarks have been allocated to the apparel business segment while the goodwill has been allocated to Atilze Digital Sdn. Bhd., under the information and communications technology ("ICT") business segment.

For annual impairment testing purposes, the recoverable amounts of the CGUs are determined based on their value-in-use, which apply a discounted cash flow model using cash flow projections based on the approved financial budget and projections.

The key assumptions on which the management has based on for the computation of value-in-use are as follows:-

(i) Cash flow projections and growth rate

The **5 years** (2018: 3 years) cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate for the subsequent years.

(ii) Pre-tax discount rate

The pre-tax discount rate of **7.00%** (2018: 7.00%) is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group adjusted to reflect the specific risks relating to the relevant business segments.

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the intangible assets to exceed the recoverable amount of each unit. Based on the above review, there is no evidence of impairment on the Group's intangible assets.

9. INVENTORIES

	Group	
	2019	2018
	RM	RM
Inventories, at cost	1,165,463	7,472,545
Less: Provision for slow-moving inventories	(101,388)	-
Carrying amount	1,064,075	7,472,545

Inventories represent trading goods and are stated at cost.

	Group	
	2019	2018
	RM	RM
Recognised in profit or loss:-		
Inventories recognised as cost of sales	13,340,289	28,324,162
Inventories written off	665,215	3,130,495
Provision for slow-moving inventories	101,388	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

10. TRADE RECEIVABLES

	Group	
	2019 RM	2018 RM
Gross amount	11,051,064	12,678,022
Less: Allowance for expected credit losses	(237,887)	(958,633)
Carrying amount	10,813,177	11,719,389

The foreign currency profile exposure of trade receivables is as follows:-

	Group	
	2019 RM	2018 RM
United States Dollar ("USD")	4,519,365	2,920,365

Trade receivables are non-interest bearing and credit terms are generally ranged from **0 to 90 days** (2018: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10.1 Allowance for expected credit losses

The movements are as follows:-

	Group	
	2019 RM	2018 RM
At 1 January	958,633	484,873
Adjustment on initial application of MFRS 9	-	82,611
Charge for the financial year	871,876	458,053
Disposal of subsidiaries	(1,164,157)	-
Reversal of impairment losses	(428,465)	(52,326)
Written off	-	(14,578)
At 31 December	237,887	958,633

10.2 Related parties

Included in trade receivables are the following:-

	Group	
	2019 RM	2018 RM
A major shareholder of the Company	5,714,735	5,247,908
Subsidiaries of a major shareholder of the Company	4,535,813	2,920,365
	10,250,548	8,168,273

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

11. OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-trade receivables				
- Amount due from former subsidiaries	3,975,296	-	3,975,296	-
- Deposit placed with solicitors	3,945,600	-	3,945,600	-
- Others	3,592	858,490	20	599,063
Gross amount	7,924,488	858,490	7,920,916	599,063
Less: Allowance for expected credit losses				
At 1 January	244,594	-	244,594	-
Transferred from amount due from subsidiaries	-	244,594	-	244,594
Reversal	(244,594)	-	(244,594)	-
At 31 December	-	244,594	-	244,594
Carrying amount	7,924,488	613,896	7,920,916	354,469
Refundable deposits	7,158,313	506,588	5,000	6,000
Non-refundable deposits	-	124,857	-	-
Advances to suppliers	3,283,984	-	-	-
Prepayments	65,371	43,431	-	-
GST receivable	5,331	122,392	-	-
	18,437,487	1,411,164	7,925,916	360,469

The foreign currency profile exposure of other receivables is as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
USD	3,275,006	1,059	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

11. OTHER RECEIVABLES (CONT'D)

Included in the Group's non-trade receivables is an amount of **RM320** (2018: RM15,000) due from corporate shareholders of subsidiaries of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

Included in the Group's non-trade receivables is an amount of **RM1,111** (2018: RMNil) due from a major shareholder of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

Included in the Group's deposits is an amount of **RM5,050,000** (2018: RMNil) relating to preliminary consultancy works for an AI Park and an amount of **RM2,000,000** (2018: RMNil) relating to the advances under business development activities in AI and security business.

12. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019 RM	2018 RM
<u>Amount due from subsidiaries</u>		
Gross amount	52,820,801	68,675,790
Less: Allowance for expected credit losses		
At 1 January	-	244,594
Charge for the financial year	25,166,913	-
Transferred to other receivables	-	(244,594)
At 31 December	25,166,913	-
Carrying amount	27,653,888	68,675,790
<u>Amount due to subsidiaries</u>		
Gross amount/Carrying amount	(1,863,392)	(8,426,641)

The amount due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term investments	3,011,187	21,353,613	-	-
Cash and bank balances	7,342,035	10,007,696	3,679,341	7,986,208
	10,353,222	31,361,309	3,679,341	7,986,208

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

13. CASH AND CASH EQUIVALENTS (CONT'D)

The foreign currency profile exposure of cash and cash equivalents is as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
USD	66,793	44,345	-	-

The effective interest rates of the short-term investments as at the end of the reporting period ranged from **3.35%** to **3.73%** (2018: 3.55% to 3.70%) per annum.

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
<u>Issued and fully paid:-</u>				
At 1 January	412,500,000	412,500,000	68,750,000	68,750,000
Allotment of shares pursuant to warrant exercise	55,525,762	-	5,552,576	-
At 31 December	468,025,762	412,500,000	74,302,576	68,750,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. WARRANT RESERVE/OTHER RESERVE

On 9 October 2017, the Company issued 206,249,978 5-years free detachable warrants ("Warrants") pursuant to the Company's Rights Issue. The Warrants are listed on Bursa Malaysia on 9 October 2017. During the financial year, 55,525,762 Warrants were exercised.

The movements of the warrants are as follows:-

	Group and Company			
	Number of warrants		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
At 1 January	206,249,978	206,249,978	22,306,914	22,306,914
Exercised during the financial year	(55,525,762)	-	(6,005,375)	-
At 31 December	150,724,216	206,249,978	16,301,539	22,306,914

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

15. WARRANT RESERVE/OTHER RESERVE (CONT'D)

The main features of the Warrants are as follows:-

- (i) Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.10 per ordinary share.
- (ii) The exercise price and/or the number of Warrants in issue shall be subject to adjustments in accordance with the provisions of the deed poll during the exercise period.
- (iii) The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants until the last market day prior to the fifth anniversary of the date of issuance of the Warrants.
- (iv) The Warrant holders are not entitled to any dividends, rights, allotments and/or other distribution, the entitlement date of which is prior to the date of issuance and allotment of ordinary shares upon the exercise of the warrants. The warrant holders are not entitled to voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless such Warrant holders exercise their Warrants for the new ordinary shares.
- (v) All new ordinary shares to be issued upon the exercise of the Warrants shall, on allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of the Company save and except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares, and will be subject to all provisions of the Articles of Association of the Company.
- (vi) At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

16. CONTRACT LIABILITIES

	Group	
	2019	2018
	RM	RM
Contract liabilities arising from receiving deposits for sales orders	83,934	23,480

The contract liabilities relate to unfulfilled performance obligations arising from deposit received from customers before the production activity commences. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

16. CONTRACT LIABILITIES (CONT'D)

The Group expects revenue to be recognised from unfulfilled performance obligation as follows:-

	Group	
	2019	2018
	RM	RM
Within 1 year	28,070	23,480
Between 2 to 5 years	55,864	-
	83,934	23,480

The movements in contract liabilities are as follows:-

	Group	
	2019	2018
	RM	RM
At 1 January	23,480	296,606
Additions	73,704	23,480
Recognised as revenue	(13,250)	(296,606)
At 31 December	83,934	23,480

17. FINANCE LEASE LIABILITIES

	Group
	2018
	RM
Minimum lease payments	
- Within 1 year	101,352
- Between 2 to 5 years	286,035
	387,387
Less: Future finance charges	(43,187)
Present value of finance lease liabilities	344,200
Present value of finance lease liabilities	
- Within 1 year	83,272
- Between 2 to 5 years	260,928
	344,200

The finance lease liabilities are secured over the leased assets (Note 5).

The effective interest rates of the finance lease liabilities are ranged from 2.67% to 3.26% per annum in 2018.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019 (cont'd)****18. LEASE LIABILITIES**

	Group 2019 RM
Minimum lease payments	
- Within 1 year	293,362
- Between 2 to 5 years	517,214
- More than 5 years	<u>56,000</u>
	866,576
Less: Future finance charges	<u>(62,844)</u>
Present value of lease liabilities	<u>803,732</u>
Present value of lease liabilities	
- Within 1 year	267,307
- Between 2 to 5 years	481,218
- More than 5 years	<u>55,207</u>
	<u>803,732</u>

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the measurement of the lease liabilities is as follows:-

	Group 2019 RM
Short-term leases	817,042
Leases of low value assets	2,340
Variable lease payments	<u>14,326</u>
	<u>833,708</u>

The effective interest rates of the lease liabilities are at 3.82% per annum in 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

19. TRADE PAYABLES

The foreign currency profile exposure of trade payables is as follows:-

	Group	
	2019 RM	2018 RM
Chinese Renminbi ("RMB")	-	1,952,800
Hong Kong Dollar ("HKD")	-	138,954
Singapore Dollar ("SGD")	43,590	-
USD	3,785,563	1,486,677

The trade payables are non-interest bearing and credit terms are generally settled within **0 to 90 days** (2018: 30 to 180 days).

Included in the Group's trade payables is an amount of **RM3,785,563** (2018: RMNil) due to a subsidiary of a major shareholder of the Company.

20. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-trade payables	844,086	1,471,353	380,534	256,958
Deposits received	-	1,000	-	-
Accrual of expenses	534,984	2,130,648	472,452	664,050
	1,379,070	3,603,001	852,986	921,008

The foreign currency profile exposure of other payables is as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
USD	49	-	-	-
Indonesia Rupiah ("IDR")	2,228	2,175	-	-

Included in the Group's non-trade payables are amount of **RMNil** (2018: RM12,000) and **RM21,060** (2018: RM856) due to a company in which person connected to a Director of the Company has substantial financial interest and subsidiaries of a major shareholder of the Company, respectively. The amounts are unsecured, non-interest bearing and repayable on demand.

Included in the Group's and the Company's non-trade payables is an amount of **RM109,129** (2018: RMNil) and **RM108,156** (2018: RMNil) due to a subsidiary disposed during the financial year. The amount is unsecured, non-interest bearing and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

21. AMOUNT DUE TO A DIRECTOR

Group

The amount due to a Director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

22. REVENUE

Disaggregated revenue information

	Group	
	2019	2018
	RM	RM
Apparels		
<u>Recognised at a point in time:-</u>		
- Sales of jeans wear	-	798,703
Information and communication technologies ("ICT")		
<u>Recognised at a point in time:-</u>		
- Sales of products and solutions	13,771,339	12,232,152
- Services rendered	25,734	21,138
- Others	75,385	2,898
	<u>13,872,458</u>	<u>12,256,188</u>
<u>Recognised over time:-</u>		
- Services rendered	<u>341,113</u>	<u>195,490</u>
Total revenue from contracts with customers	<u>14,213,571</u>	<u>13,250,381</u>
Geographical markets		
- Malaysia	11,101,051	10,304,883
- Singapore	3,072,731	2,889,269
- Others	39,789	56,229
Total revenue from contracts with customers	<u>14,213,571</u>	<u>13,250,381</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

23. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been determined after charging/(crediting) amongst others, the following:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Allowance for expected credit losses				
- Trade receivables	237,887	-	-	-
- Amount due from subsidiaries	-	-	25,166,913	-
Amortisation of intangible assets	1,397,829	963,424	-	-
Auditors' remuneration				
- Statutory audit	102,000	64,000	48,000	30,000
- Other services	20,000	10,000	20,000	10,000
Depreciation of property, plant and equipment	593,586	293,724	-	-
Directors' fee for non-executive Directors	147,083	162,150	147,083	162,150
Loss/(Gain) on disposal of subsidiaries	2,322,418	1,025,434	17,638,514	(3,788,995)
Loss on changes in fair value of short-term investments	294,355	-	-	-
Gain on disposal of property, plant and equipment	-	(38,000)	-	-
Grant received	-	(175,000)	-	-
Impairment loss on investment in subsidiaries	-	-	-	871,819
Impairment loss on intangible assets	1,152,770	-	-	-
Impairment loss on property, plant and equipment	343,432	-	-	-
Interest expenses				
- Bank overdraft	-	1,687	-	-
- Lease liabilities	12,018	-	-	-
Interest income	(711,325)	(560,497)	(23,360)	(2,745)
Inventories written off	1,859	-	-	-
Provision for slow-moving inventories	101,388	-	-	-
Property, plant and equipment written off	18,858	80,908	-	-
Realised loss on foreign exchange	29,072	86,640	-	-
Rental income	-	(729,207)	-	-
Rental of equipment	-	29,999	-	-
Rental of premises	-	284,460	-	-
Reversal of allowance for expected credit losses				
- Other receivables	(244,595)	-	(244,595)	-
* Staff costs	6,869,846	3,655,894	91,250	79,200
Unrealised gain on foreign exchange	(7,677)	(47,961)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

23. (LOSS)/PROFIT BEFORE TAX (CONT'D)

(Loss)/Profit before tax has been determined after charging/(crediting) amongst others, the following (cont'd):-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
* Staff costs				
- Salaries, allowance, commission and bonus	6,134,777	3,192,947	-	-
- EPF	602,489	357,815	-	-
- SOCSO	32,285	20,113	-	-
- EIS	9,045	5,819	-	-
- Directors' fee	91,250	79,200	91,250	79,200
	6,869,846	3,655,894	91,250	79,200

Directors' remuneration

Included in the staff costs of the Group and of the Company are Directors' remuneration as shown below:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors of the Company:-				
Directors' emoluments				
- Salaries, allowance and bonus	410,768	55,861	-	-
- EPF	48,580	6,643	-	-
Directors' fee	91,250	79,200	91,250	79,200
Benefits-in-kind	1,540	-	-	-
	552,138	141,704	91,250	79,200
Executive Directors of the subsidiaries:-				
Directors' emoluments				
- Salaries, allowance and bonus	192,135	586,246	-	-
- EPF	18,240	64,800	-	-
- Benefits-in-kind	1,680	-	-	-
	212,055	651,046	-	-
Total Executive Directors' remuneration	764,193	792,750	91,250	79,200

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

24. TAX EXPENSE

There is no provision of tax expense as the Group and the Company do not have chargeable income during the financial year.

A reconciliation of tax expense applicable to (loss)/profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	(15,028,351)	(11,437,656)	(44,012,147)	1,582,255
Tax at Malaysian statutory tax rate of 24% (2018:24%)	(3,606,804)	(2,745,038)	(10,562,915)	379,741
<u>Tax effects in respect of:-</u>				
Income not subject to tax	(66,151)	(914,550)	(64,309)	(910,018)
Expenses not deductible for tax purposes	591,955	2,236,095	10,627,224	530,277
Movement of deferred tax assets not recognised	3,081,000	1,423,493	-	-
	-	-	-	-

Deferred tax assets that have not been recognised in respect of the following items due to uncertainty of its recoverability are as follows:-

	Group	
	2019 RM	2018 RM
Property, plant and equipment	(45,000)	(41,000)
Unabsorbed business losses	6,124,000	4,478,000
Unutilised capital allowances	283,000	187,000
Others	1,349,000	6,000
	7,711,000	4,630,000

The potential deferred tax assets of the Group are not recognised in the financial statements as it is anticipated that the tax effects of such benefits will not be realised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

24. TAX EXPENSE (CONT'D)

The amount and future availability of unabsorbed business losses and unutilised capital allowances of the Group for which the related tax effects have not been accounted for at the end of the reporting period are estimated at **RM25,517,000** (2018: RM18,660,000) and **RM1,180,000** (2018: RM779,000) respectively.

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unabsorbed business losses. The unabsorbed business losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025) and any balance of the unabsorbed business losses thereafter shall be disregarded.

The unabsorbed business losses and unutilised capital allowances are available to be carried forward for set off against future assessable income of the respective subsidiaries. However, deferred tax assets have not been recognised on these temporary differences as the management is unable to determine whether the Group will have chargeable income in the foreseeable future to the extent that the above deductible temporary differences can be utilised in view of the uncertain business environment.

25. DISCONTINUED OPERATIONS

On 27 May 2019, the Company has entered into a Share Sale Agreement to dispose of its entire shareholding in EJMSB, GABCSB and YRSB ("discontinued operations"). As a result, the results of the discontinued operations are presented separately in the statements of profit or loss and other comprehensive income under Discontinued Operations. The disposal was completed during the financial year and the related information are disclosed in Note 7 to the Financial Statements.

The results of the discontinued operations of the Group are as follows:-

	<u>EJMSB</u> <u>RM</u>	<u>GABCSB</u> <u>RM</u>	<u>YRSB</u> <u>RM</u>	<u>Elimination</u> <u>RM</u>	<u>Total</u> <u>RM</u>
2019					
Revenue	11,920,743	3,285,584	1,173,730	(1,262,221)	15,117,836
Cost of sales	(5,200,113)	(2,115,173)	(784,206)	1,262,221	(6,837,271)
Gross profit	6,720,630	1,170,411	389,524	-	8,280,565
Other income	1,643,062	2,026,463	15,060	(1,841,000)	1,843,585
Administrative expenses	(6,366,572)	(2,258,909)	(197,048)	1,841,000	(6,981,529)
Selling and distribution costs	(3,719,590)	(574,371)	(103,185)	-	(4,397,146)
Finance costs	(109,789)	(3,795)	-	-	(113,584)
(Loss)/Profit before tax	(1,832,259)	359,799	104,351	-	(1,368,109)
Tax expense	-	-	-	-	-
(Loss)/Profit for the financial year	(1,832,259)	359,799	104,351	-	(1,368,109)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

25. DISCONTINUED OPERATIONS (CONT'D)

The results of the discontinued operations of the Group are as follows (cont'd):-

	<u>EJMSB</u> RM	<u>GABCSB</u> RM	<u>YRSB</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
2018					
Revenue	12,251,514	5,303,145	901,598	(1,868,880)	16,587,377
Cost of sales	(8,041,617)	(4,423,791)	(650,773)	1,868,880	(11,247,301)
Gross profit	4,209,897	879,354	250,825	-	5,340,076
Other income	1,249,803	2,709,381	696	(2,345,000)	1,614,880
Administrative expenses	(6,627,063)	(2,762,273)	(222,718)	2,345,000	(7,267,054)
Selling and distribution costs	(3,476,717)	(1,335,600)	(82,190)	-	(4,894,507)
Other expenses	(307,292)	(89,345)	(37,934)	-	(434,571)
Finance costs	(6,975)	(5,581)	-	-	(12,556)
Loss before tax	(4,958,347)	(604,064)	(91,321)	-	(5,653,732)
Tax expense	-	(23,046)	-	-	(23,046)
Loss for the financial year	(4,958,347)	(627,110)	(91,321)	-	(5,676,778)

The loss for the year of discontinued operations of **RM1,368,109** (2018: RM5,676,778) of the Group is attributable entirely to the owners of the Company.

(Loss)/Profit before tax of the discontinued operations of the Group has been determined after charging/(crediting) amongst others, the following:-

	<u>EJMSB</u> RM	<u>GABCSB</u> RM	<u>YRSB</u> RM	<u>Total</u> RM
2019				
Allowance for expected credit losses				
- Trade receivables	567,111	59,128	7,750	633,989
Auditors' remuneration				
- Statutory audit	18,000	15,000	5,000	38,000
Depreciation of property, plant and equipment	1,069,516	99,681	-	1,169,197
Depreciation of investment property	-	3,600	-	3,600
Gain on disposal of property, plant and equipment	-	(10,000)	-	(10,000)
Interest expenses				
- Lease liabilities	109,789	3,795	-	113,584
Interest income	(168,369)	-	-	(168,369)
Inventories written off	519,835	143,521	-	663,356
Property, plant and equipment written off	16,777	28,388	-	45,165
Realised loss/(gain) on foreign exchange	3,258	(2,478)	-	780
Rental income	-	(900)	-	(900)
Reversal of allowance for expected credit losses				
- Trade receivables	(295,520)	(117,885)	(15,060)	(428,465)
Royalty income	(1,085,720)	(56,000)	-	(1,141,720)
Staff costs	3,601,617	2,161,504	59,804	5,822,925

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

25. DISCONTINUED OPERATIONS (CONT'D)

(Loss)/Profit before tax of the discontinued operations of the Group has been determined after charging/(crediting) amongst others, the following (cont'd):-

	<u>EJMSB</u> RM	<u>GABCSB</u> RM	<u>YRSB</u> RM	<u>Total</u> RM
2018				
Allowance for expected credit losses				
- Trade receivables	321,364	98,871	37,818	458,053
Auditors' remuneration				
- Statutory audit	18,000	15,000	5,000	38,000
Depreciation of property, plant and equipment	260,058	120,230	365	380,653
Depreciation of investment property	-	3,600	-	3,600
Gain on disposal of property, plant and equipment	-	(30,000)	-	(30,000)
Interest expenses				
- Finance lease liabilities	6,975	5,581	-	12,556
Inventories written off	2,922,680	207,815	-	3,130,495
Property, plant and equipment written off	9,394	18,638	812	28,844
Realised gain on foreign exchange	(3,904)	-	-	(3,904)
Rental income	-	(44,900)	-	(44,900)
Rental of premises	1,378,066	-	43,400	1,421,466
Reversal of allowance for expected credit losses				
- Trade receivables	(23,466)	(28,164)	(696)	(52,326)
Royalty income	(1,176,606)	(150,320)	-	(1,326,926)
Staff costs	4,261,879	2,870,579	80,568	7,213,026
Unrealised gain on foreign exchange	(45,827)	(100,640)	-	(146,467)

Directors' remuneration

Included in the staff costs of the discontinued operations of the Group are Directors' remuneration as shown below:-

	Group	
	2019 RM	2018 RM
Executive Directors of the Company:-		
Directors' emoluments		
- Salaries, allowance and bonus	518,316	813,200
- EPF	54,258	85,356
Benefits-in-kind	11,100	11,100
	583,674	909,656
Executive Directors of the subsidiaries:-		
Directors' emoluments		
- Salaries, allowance and bonus	554,647	569,400
- EPF	61,452	63,456
	616,099	632,856
Total Executive Directors' remuneration	1,199,773	1,542,512

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

25. DISCONTINUED OPERATIONS (CONT'D)

The cash flows from/(used in) discontinued operations of the Group are as follows:-

	<u>EJMSB</u> <u>RM</u>	<u>GABCSB</u> <u>RM</u>	<u>YRSB</u> <u>RM</u>	<u>Total</u> <u>RM</u>
2019				
Operating activities	4,015,167	1,089,092	(962)	5,103,297
Investing activities	(914,233)	(22,720)	-	(936,953)
Financing activities	(395,593)	(1,089,216)	-	(1,484,809)
Net cash inflows/(outflows)	<u>2,705,341</u>	<u>(22,844)</u>	<u>(962)</u>	<u>2,681,535</u>
2018				
Operating activities	(1,326,821)	545,963	38,299	(742,559)
Investing activities	(370,177)	(23,478)	-	(393,655)
Financing activities	2,388,085	(484,650)	100,946	2,004,381
Net cash inflows	<u>691,087</u>	<u>37,835</u>	<u>139,245</u>	<u>868,167</u>

26. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of shares outstanding during the financial year calculated as follows:-

	Group	
	2019 RM	2018 RM
Loss from continuing operations	(15,024,657)	(11,432,172)
Loss from discontinued operations	<u>(1,368,109)</u>	<u>(5,676,778)</u>
Loss attributable to owners of the Company	<u>(16,392,766)</u>	<u>(17,108,950)</u>
Weighted average number of ordinary shares (unit)	<u>420,800,386</u>	<u>412,500,000</u>
Basic loss per share from continuing operations (sen)	(3.57)	(2.77)
Basic loss per share from discontinued operations (sen)	<u>(0.33)</u>	<u>(1.38)</u>
	<u>(3.90)</u>	<u>(4.15)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

26. LOSS PER SHARE (CONT'D)

Diluted loss per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company to the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares calculated as follows:-

	Group	
	2019 RM	2018 RM
Loss from continuing operations	(15,024,657)	(11,432,172)
Loss from discontinued operations	(1,368,109)	(5,676,778)
Loss attributable to owners of the Company	<u>(16,392,766)</u>	<u>(17,108,950)</u>
Weighted average number of ordinary shares (unit)	420,800,386	412,500,000
Effects of warrants outstanding (unit)	<u>143,647,962</u>	<u>179,807,673</u>
	<u>564,448,348</u>	<u>592,307,673</u>
Diluted loss per share from continuing operations (sen)	(2.66)	(1.93)
Diluted loss per share from discontinued operations (sen)	(0.24)	(0.96)
	<u>(2.90)</u>	<u>(2.89)</u>

27. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments.

The business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

For management purpose, the Group is organised into three business segments as follows:-

- | | |
|--|---|
| (i) Investment holding | Investment activities in unquoted securities held by the Group on a long-term basis. |
| (ii) Apparels | Manufacturing, marketing, distribution and retailing of jeanswear, other fashion apparels and accessories. However, all companies under Apparels are dormant for the financial years 2019 and 2018. |
| (iii) Information, communications and technology ("ICT") | Supply of telecommunication solutions, services and related products. |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

27. SEGMENTAL INFORMATION (CONT'D)

Business segments

Group 2019	Note	Investment holding RM	Apparels RM	ICT RM	Elimination RM	Total continuing operations RM	Total discontinued operations RM	Total RM
Revenue:								
External sales		-	-	14,213,571	-	14,213,571	15,117,836	29,331,407
Results:								
Interest income		23,360	-	687,965	-	711,325	168,369	879,694
Finance costs		-	-	(12,018)	-	(12,018)	(113,584)	(125,602)
Depreciation and amortisation		-	-	(1,991,415)	-	(1,991,415)	(1,172,797)	(3,164,212)
Taxation		-	-	-	-	-	-	-
Non-cash expenses other than depreciation and amortisation		(2,077,823)	-	(2,142,872)	-	(4,220,695)	(904,045)	(5,124,740)
Segment loss	A	(3,529,138)	(27,549)	(11,471,664)	-	(15,028,351)	(1,368,109)	(16,396,460)
Assets:								
Additions to non-current assets	B	-	-	2,322,442	-	2,322,442	1,992,095	4,314,537
Segment assets	C	42,449,883	1,864,291	34,570,600	(32,675,101)	46,209,673	-	46,209,673
Liabilities:								
Segment liabilities	D	2,716,378	1,727,359	61,952,103	(60,027,795)	6,368,045	-	6,368,045

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

27. SEGMENTAL INFORMATION (CONT'D)

Business segments (cont'd)

	Note	Investment holding RM	Apparels RM	ICT RM	Elimination RM	Total continuing operations RM	Total discontinued operations RM	Total RM
Group (cont'd)								
2018								
Revenue:								
External sales		-	798,703	12,451,678	-	13,250,381	16,587,377	29,837,758
Results:								
Interest income		2,745	-	557,752	-	560,497	-	560,497
Finance costs		-	(1,687)	-	-	(1,687)	(12,556)	(14,243)
Depreciation and amortisation		-	(8,210)	(1,248,938)	-	(1,257,148)	(384,253)	(1,641,401)
Taxation		-	-	-	-	-	(23,046)	(23,046)
Non-cash (expenses)/income other than depreciation and amortisation	A	(1,025,434)	2,442	2,611	-	(1,020,381)	(3,388,599)	(4,408,980)
Segment loss		(2,053,125)	(2,559,424)	(6,825,107)	-	(11,437,656)	(5,676,778)	(17,114,434)
Assets:								
Additions to non-current assets	B	-	-	3,277,480	-	3,277,480	644,655	3,922,135
Segment assets	C	87,540,725	2,178,905	37,003,685	(87,734,081)	38,989,234	20,489,519	59,478,753
Liabilities:								
Segment liabilities	D	9,347,649	2,014,424	48,619,715	(77,290,599)	(17,308,811)	26,099,207	8,790,396

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

27. SEGMENTAL INFORMATION (CONT'D)

Business segments (cont'd)

Notes to segment information:-

A Other non-cash (expenses)/income consist of the following items:-

	Group	
	2019	2018
	RM	RM
Allowance for expected credit losses	(871,876)	(458,053)
Gain on disposal of property, plant and equipment	10,000	68,000
Impairment loss on property, plant and equipment	(343,432)	-
Impairment loss on intangible assets	(1,152,770)	-
Inventories written off	(665,215)	(3,130,495)
Loss on disposal of subsidiaries	(2,322,418)	(1,025,434)
Loss on changes in fair value of short-term investments	(294,355)	-
Provision for slow-moving inventories	(101,388)	-
Property, plant and equipment written off	(64,023)	(109,752)
Reversal of allowance for expected credit losses	673,060	52,326
Unrealised gain on foreign exchange	7,677	194,428
	<u>(5,124,740)</u>	<u>(4,408,980)</u>

B Additions to non-current assets consists of:-

	Group	
	2019	2018
	RM	RM
Property, plant and equipment	3,610,664	933,082
Intangible assets	703,873	2,989,053
	<u>4,314,537</u>	<u>3,922,135</u>

C The following items are adjusted from segment assets to arrive at total assets reported in the statements of financial position:-

	Group	
	2019	2018
	RM	RM
Investment in subsidiaries	3,245,738	10,573,258
Inter-segment balances	29,559,139	77,290,599
Goodwill	(129,776)	(129,776)
	<u>32,675,101</u>	<u>87,734,081</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

27. SEGMENTAL INFORMATION (CONT'D)

Business segments (cont'd)

Notes to segment information (cont'd):-

D The following items are adjusted from segment liabilities to arrive at total liabilities reported in the statements of financial position:-

	Group	
	2019 RM	2018 RM
Inter-segment balances	<u>60,027,795</u>	<u>77,290,599</u>

Geographical segments

The business segment of the Group is managed principally in Malaysia and its products are distributed in Malaysia, Singapore and others.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas non-current assets are based on the geographical location of assets.

	Revenue		Non-current assets	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Group</u>				
Continuing operations				
Malaysia	11,101,051	10,304,883	5,541,712	7,514,346
Singapore	3,072,731	2,889,269	-	-
Others	39,789	56,229	-	-
	14,213,571	13,250,381	5,541,712	7,514,346
Discontinued operations				
Malaysia	15,117,836	16,587,377	-	-
	<u>29,331,407</u>	<u>29,837,758</u>	<u>5,541,712</u>	<u>7,514,346</u>

Information about major customers

The followings are the major customer with revenue equal or more than 10% of the Group's revenue:-

	Segment	2019 RM	2018 RM
Customer A	ICT	9,341,242	9,104,913
Customer B	ICT	<u>3,046,620</u>	<u>2,889,269</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

28. COMMITMENTS

	Group	
	2019 RM	2018 RM
Capital commitment		
Contracted but not provided for:-		
- Property, plant and equipment	-	62,259
Operating lease commitment		
Future minimum rentals payable:-		
- Within 1 year	-	941,825
- Between 2 to 5 years	-	549,232
	-	1,491,057

Operating lease commitments represent rentals payable for use of buildings. Leases are negotiated for terms ranging from two to three years.

29. RELATED PARTY DISCLOSURES

(a) Related party transactions

	Group	
	2019 RM	2018 RM
Rental income from a related party	-	(90,000)
Sales to related parties	(12,414,542)	(12,096,980)
Purchases from related parties	7,296,922	6,795,843
Purchase of property, plant and equipment from related parties	14,870	-

- (b) The outstanding balances arising from related party transactions at the reporting date are disclosed in Notes 10, 11, 12, 19, 20 and 21 to the Financial Statements.
- (c) Key management personnel is defines as the person having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The Group has no other members of key management personnel other than those disclosed in Note 23 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS

30.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised costs ("AC") and fair value through profit or loss ("FVTPL").

	Carrying Amount RM	AC RM	FVTPL RM
2019			
<u>Group</u>			
Financial assets			
Trade receivables	10,813,177	10,813,177	-
Other receivables	15,082,801	15,082,801	-
Cash and cash equivalents	10,353,222	7,342,035	3,011,187
	36,249,200	33,238,013	3,011,187
Financial liabilities			
Trade payables	4,082,038	4,082,038	-
Other payables	1,379,070	1,379,070	-
	5,461,108	5,461,108	-
<u>Company</u>			
Financial assets			
Other receivables	7,925,916	7,925,916	-
Amount due from subsidiaries	27,653,888	27,653,888	-
Cash and cash equivalents	3,679,341	3,679,341	-
	39,259,145	39,259,145	-
Financial liabilities			
Other payables	852,986	852,986	-
Amount due to subsidiaries	1,863,392	1,863,392	-
	2,716,378	2,716,378	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised costs ("AC") and fair value through profit or loss ("FVTPL") (cont'd).

	Carrying Amount RM	AC RM	FVTPL RM
2018			
<u>Group</u>			
Financial assets			
Trade receivables	11,719,389	11,719,389	-
Other receivables	1,120,484	1,120,484	-
Cash and cash equivalents	31,361,309	10,007,696	21,353,613
	44,201,182	22,847,569	21,353,613
Financial liabilities			
Trade payables	4,798,089	4,798,089	-
Other payables	3,603,001	3,603,001	-
Amount due to a Director	2,355	2,355	-
	8,403,445	8,403,445	-
<u>Company</u>			
Financial assets			
Other receivables	360,469	360,469	-
Amount due from subsidiaries	68,675,790	68,675,790	-
Cash and cash equivalents	7,986,208	7,986,208	-
	77,022,467	77,022,467	-
Financial liabilities			
Other payables	921,008	921,008	-
Amount due to subsidiaries	8,426,641	8,426,641	-
	9,347,649	9,347,649	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's and the Company's exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group and the Company do not require collateral in respect of financial assets.

The areas where the Group and the Company are exposed to credit risk are as follows:-

Receivables

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer and reviewed quarterly. Any credit exceeding those limits require approval from the management.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit Risk (cont'd)

Receivables (cont'd)

The following table provides information about the credit risk exposure on the Group's trade receivable using a provision of matrix:-

	Current	Days past due			Total
		1 to 60 days	61 to 120 days	More than 120 days	
	RM	RM	RM	RM	RM
2019					
ECLs rate	0.63%	0.82%	1.65%	3.17%	
Gross carrying amount	3,746,287	482,017	349,205	6,473,555	11,051,064
ECLs	23,602	3,742	5,331	205,212	237,887
2018					
ECLs rate	-	-	-	44.28%	
Gross carrying amount	6,449,840	2,947,283	1,116,200	2,164,699	12,678,022
ECLs	-	-	-	958,633	958,633

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except for **93%** (2018: Nil) of total Group's trade receivables which were due from **2** (2018: Nil) customers.

In respect of most of the other receivables, the Group and the Company are not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 10, 11 and 12 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit Risk (cont'd)

Receivables (cont'd)

Concentration of credit risk (cont'd)

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Intercompany Balances

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by its carrying amount in the Company's statement of financial position.

The Company has recognised loss allowance equal to lifetime ECL on the amount due from a subsidiary as it anticipates that there is a significant increase in credit risk of which the subsidiary's financial position deteriorates significantly.

Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparty is reputable bank with high quality external credit ratings.

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity Risk (cont'd)

In managing its exposures to liquidity risk arises principally from its various payables and amount due to subsidiaries, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

	Within <u>1 year</u> RM	Between <u>2 to 5 years</u> RM	More than <u>5 years</u> RM	<u>Total</u> RM
2019				
<u>Group</u>				
Non-derivative financial liabilities				
Trade payables	4,082,038	-	-	4,082,038
Other payables	1,379,070	-	-	1,379,070
Lease liabilities	293,362	517,214	56,000	866,576
Total undiscounted financial liabilities	5,754,470	517,214	56,000	6,327,684
<u>Company</u>				
Non-derivative financial liabilities				
Other payables	852,986	-	-	852,986
Amount due to subsidiaries	1,863,392	-	-	1,863,392
Total undiscounted financial liabilities	2,716,378	-	-	2,716,378

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity Risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below (cont'd):-

	Within 1 year RM	Between 2 to 5 years RM	Total RM
2018			
<u>Group</u>			
Non-derivative financial liabilities			
Trade payables	4,798,089	-	4,798,089
Other payables	3,603,001	-	3,603,001
Amount due to a Director	2,355	-	2,355
Finance lease liabilities	101,352	286,035	387,387
Total undiscounted financial liabilities	<u>8,504,797</u>	<u>286,035</u>	<u>8,790,832</u>
<u>Company</u>			
Non-derivative financial liabilities			
Other payables	921,008	-	921,008
Amount due to subsidiaries	8,426,641	-	8,426,641
Total undiscounted financial liabilities	<u>9,347,649</u>	<u>-</u>	<u>9,347,649</u>

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest Rate Risk (cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date are as follows:-

	Group	
	2019	2018
	RM	RM
Fixed rate instruments		
Net financial assets	<u>3,011,187</u>	<u>21,353,613</u>

Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(d) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the respective functional currencies of the Group entities. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Renminbi ("RMB"), Singapore Dollar ("SGD") Indonesian Rupiah ("IDR") and Hong Kong Dollar ("HKD").

Sensitivity Analysis for Foreign Currency Risk

Below demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's loss before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased/decreased loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) Foreign Currency Risk (cont'd)

Sensitivity Analysis for Foreign Currency Risk (cont'd)

	Group	
	2019 RM	2018 RM
USD	407,555	147,909
RMB	-	(195,280)
SGD	(4,359)	-
IDR	(223)	(218)
HKD	-	(13,895)
Decrease/(Increase) in loss before tax	<u>402,973</u>	<u>(61,484)</u>

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The movement of financial liabilities arising from financing activities during the financial year is as follows:-

	Bankers acceptance RM	Finance lease liabilities RM	Lease liabilities RM	Total RM
Group				
At 1 January 2018	2,032,000	126,359	-	2,158,359
Addition	-	270,000	-	270,000
Net cash flows	<u>(2,032,000)</u>	<u>(52,159)</u>	<u>-</u>	<u>(2,084,159)</u>
At 31 December 2018	-	344,200	-	344,200
Effect of adoption of MFRS 16	-	(344,200)	1,971,282	1,627,082
Additions	-	-	1,747,633	1,747,633
Net cash flows	-	-	(894,227)	(894,227)
Disposal of subsidiaries	-	-	(2,020,956)	(2,020,956)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>803,732</u>	<u>803,732</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

The movement of financial liabilities arising from financing activities during the financial year is as follows (cont'd):-

	Amount due to subsidiaries RM	Total RM
Company		
At 1 January 2018	8,426,919	8,426,919
Net cash flows	(278)	(278)
At 31 December 2018	8,426,641	8,426,641
Net cash flows	129,975	129,975
Disposal of subsidiaries	(6,693,224)	(6,693,224)
At 31 December 2019	<u>1,863,392</u>	<u>1,863,392</u>

32. FAIR VALUE MEASUREMENT

32.1 Fair Value Measurement of Financial Instruments

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximate their fair values due to their short-term nature and insignificant impact of discounting.

The following table shows the levels within the hierarchy of financial instruments for which fair value is disclosed as at the end of the reporting period:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Group					
2019					
Short-term investments	<u>3,011,187</u>	-	-	<u>3,011,187</u>	<u>3,011,187</u>
2018					
Short-term investments	<u>21,353,613</u>	-	-	<u>21,353,613</u>	<u>21,353,613</u>

32.2 Fair Value Measurement of Non-Financial Assets

The following table shows the levels within the hierarchy of non-financial assets for which fair value is disclosed as at the end of the reporting period:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Group					
2018					
Investment property					
- Freehold shoplot	-	-	357,000	357,000	106,500

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

32. FAIR VALUE MEASUREMENT (CONT'D)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, level 2 and level 3 during the financial year.

Level 1 fair value

Level 1 fair value of short-term investments is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 3 fair value

Level 3 fair value of freehold shoplot has been derived by Directors' estimation using the sales comparison approach. Sale prices of comparable properties 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 properties.

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial period under review as compared to the previous financial year.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 26 April 2019, the Company announced the signing of Memorandum of Understanding with SenseTime Group Ltd of Hong Kong and China Harbour Co. Ltd of China for a proposed joint-venture to set-up an AI Park in Malaysia for the development of AI Solutions and other related technology, facilities and infrastructure. The project is still pending signing of any agreement.
- (b) On 27 May 2019, the Company has entered into a Share Sale Agreement to dispose of its entire shareholding in Edwin Jeans (M) Sdn. Bhd., G.A. Blue Corporation Sdn. Bhd. and Yen Retailing Sdn. Bhd.. The disposals were completed on 13 December 2019 and the financial impacts on the disposals were disclosed in Note 7 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (cont'd)

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (c) On 22 August 2019, an extraordinary general meeting was held, the Company's shareholders approved the establishment and implementation of a share grant scheme for the eligible executive Directors and employees of the Group. During the financial year, there is no share granted for the executive Directors and employees of the Group.

35. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The current outbreak of Coronavirus Disease 2019 ("COVID-19") since the end of 2019 has no significant impact on financial statements for the financial year ended 31 December 2019. As at the date of this report, the Group is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the financial year ending 31 December 2020 as the pandemic has yet to run its full course, hence the current situation is still fluid. The Group will continuously assess the impact of COVID-19 on its operations.

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020

- A.** Total Number of issued shares : 468,063,662
 Class of Shares : Ordinary Shares
 Voting Rights : On a poll – One vote for one ordinary share

B. ANALYSIS OF SHAREHOLDINGS AS AT 15 APRIL 2020

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total number of issued shares
1 - 99	187	14.61	8,134	0.00 [^]
100 - 1,000	183	14.30	113,541	0.02
1,001 - 10,000	584	45.62	2,363,250	0.51
10,001 - 100,000	235	18.36	7,377,362	1.58
100,001 - 23,403,182*	86	6.72	153,349,350	32.76
23,403,183 and above**	5	0.39	304,852,025	65.13
Total	1,280	100.00	468,063,662	100.00

REMARK : * - Less than 5% of issued shares
 : ** - 5% and above of issued shares
 : ^ - negligible

C. SUBSTANTIAL SHAREHOLDERS AS AT 15 APRIL 2020

Name	←-----Number of Shares Held-----→			
	Direct	%	Deemed	%
Green Packet Berhad	132,000,000	28.20	–	–
Green Packet Holdings Ltd	–	–	132,000,000 ^(a)	28.20
Puan Chan Cheong	–	–	132,000,000 ^(b)	28.20
Global Man Capital Sdn Bhd	132,168,700	28.24	–	–
Datuk Wan Khalik bin Wan Muhammad	–	–	132,168,700 ^(c)	28.24
Datuk Haji Khan bin Mohd Akram Khan	–	–	132,168,700 ^(c)	28.24
Fountainberry Sdn Bhd	71,263,025	15.23	–	–
Chin Boon Long	4,220,000	0.90	71,263,025 ^(d)	15.23

Notes:-

- (a) Deemed interested by virtue of its shareholdings in Green Packet Berhad pursuant to Section 8 of the Companies Act 2016.
 (b) Deemed interested by virtue of his shareholdings in Green Packet Berhad pursuant to Section 8 of the Companies Act 2016.
 (c) Deemed interested by virtue of their shareholdings in Global Man Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
 (d) Deemed interested by virtue of his shareholdings in Fountainberry Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020 (cont'd)

D. DIRECTORS' SHAREHOLDINGS AS AT 15 APRIL 2020

Name	←-----Number of Shares Held-----→			
	Direct	%	Deemed	%
Datuk Wan Khalik bin Wan Muhammad	–	–	132,168,700 ^(b)	28.24
Datuk Haji Khan bin Mohd Akram Khan	–	–	132,168,700 ^(b)	28.24
Dirk Johann Quinten	–	–	–	–
Puan Chan Cheong	–	–	132,000,000 ^(a)	28.20
Ahmad Rizan Bin Ibrahim	–	–	–	–
Tan Kay Yen	–	–	–	–
Liew Kok Seong	–	–	–	–
Lai Chin Tak	–	–	–	–
Yong Kim Fui	–	–	–	–
Salihin Bin Abang	–	–	–	–

Note:-

(a) Deemed interested by virtue of his shareholdings in Green Packet Berhad pursuant to Section 8 of the Companies Act 2016.

(b) Deemed interested by virtue of their shareholdings in Global Man Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020 (cont'd)

LIST OF TOP 30 SHAREHOLDERS AS AT 15 APRIL 2020

NO	SHAREHOLDER	SHARES	%
1	GREEN PACKET BERHAD	132,000,000	28.2013
2	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLOBAL MAN CAPITAL SDN BHD	71,589,000	15.2947
3	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLOBAL MAN CAPITAL SDN BHD (THIRD PARTY)	40,000,000	8.5458
4	GRANDSTEAD SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOUNTAINBERRY SDN BHD	31,746,625	6.7825
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOUNTAINBERRY SDN BHD (THIRD PARTY)	29,516,400	6.3061
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLOBAL MAN CAPITAL SDN BHD (THIRD PARTY)	20,000,000	4.2729
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	11,665,000	2.4922
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOUNTAINBERRY SDN BHD (THIRD PARTY)	10,000,000	2.1365
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	9,167,100	1.9585
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	8,531,000	1.8226
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SMART WISDOM SDN BHD	8,000,000	1.7092
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SMART WISDOM SDN BHD (THIRD PARTY)	7,600,000	1.6237
13	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	7,440,000	1.5895
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN SWEE YING (MY2512)	5,000,000	1.0682
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FRESH GEAR SDN BHD	4,625,000	0.9881
16	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN BOON LONG (MY2296)	4,220,000	0.9016
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH LEE YIN	4,000,000	0.8546
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG SENG WUI	3,840,400	0.8205
19	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	3,500,000	0.7478
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	3,500,000	0.7478
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG MONG HUAY	3,075,000	0.6570

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020 (cont'd)

NO	SHAREHOLDER	SHARES	%
22	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MASTER KNOWLEDGE SDN BHD	3,046,000	0.6508
23	SMART WISDOM SDN BHD	3,011,400	0.6434
24	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEOK KUANG YI	2,720,000	0.5811
25	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH LEE YIN	2,520,900	0.5386
26	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	2,417,800	0.5166
27	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TECHASIA BOUTIQUE SDN BHD	1,988,000	0.4247
28	GRANDSTEAD SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUMMIT SYNERGY LIMITED	1,500,000	0.3205
29	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN PEI WEN	1,370,000	0.2927
30	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN LOY SHIN	1,300,000	0.2777
TOTAL		438,889,625	93.7672

ANALYSIS OF WARRANTS HOLDINGS

As at 15 April 2020

A. WARRANTS 2017/2022

Issued	:	206,249,978
Exercised to date	:	55,563,662
Outstanding	:	150,686,316
Class of Security	:	Warrants 2017/2022
Voting Rights	:	The holders of the Warrants will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in our Company until and unless such holders of the Warrants exercise their Warrants into new G3 Global Berhad ordinary shares

B. ANALYSIS OF WARRANTS HOLDINGS

Size of Warrants holdings	No. of Warrants holders	%	No. of Warrants	%
1 - 99	28	12.22	892	0.00 [^]
100 - 1,000	16	6.99	6,854	0.01
1,001 - 10,000	92	40.17	397,620	0.26
10,001 - 100,000	73	31.88	2,364,575	1.57
100,001 - 7,534,314 [*]	16	6.99	26,692,225	17.71
7,534,315 and above ^{**}	4	1.75	121,224,150	80.45
Total	229	100.00	150,686,316	100.00

REMARK : * - Less than 5% of issued Warrants

: ** - 5% and above of issued Warrants

: ^ - negligible

C. DIRECTORS' WARRANTS HOLDINGS

Name	←-----Number of Warrants Held-----→			
	Direct	%	Deemed	%
Datuk Wan Khalik bin Wan Muhammad	-	-	-	-
Datuk Haji Khan bin Mohd Akram Khan	-	-	-	-
Dirk Johann Quinten	-	-	-	-
Puan Chan Cheong	-	-	76,312,500 ^(a)	50.6433
Ahmad Rizan Bin Ibrahim	-	-	-	-
Tan Kay Yen	-	-	-	-
Liew Kok Seong	-	-	-	-
Lai Chin Tak	-	-	-	-
Yong Kim Fui	-	-	-	-
Salihin Bin Abang	-	-	-	-

Note:-

(a) Deemed interested by virtue of his shareholdings in Green Packet Berhad pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF WARRANTS HOLDINGS

As at 15 April 2020 (cont'd)

LIST OF TOP 30 WARRANTS HOLDERS AS AT 15 APRIL 2020

NO	WARRANTS HOLDERS	WARRANTS	%
1	GREEN PACKET BERHAD	76,312,500	50.6433
2	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN SWEE YING	20,106,050	13.3430
3	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	17,097,500	11.3464
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	7,708,100	5.1153
5	SMART WISDOM SDN BHD	7,410,000	4.9175
6	GRANDSTEAD SDN BHD PLEDGED SECURITIES ACCOUNT FOR MASTER KNOWLEDGE SDN BHD	5,402,175	3.5850
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEOK KUANG YI	3,141,000	2.0845
8	GRANDSTEAD SDN BHD	3,000,000	1.9909
9	GRANDSTEAD SDN BHD PLEDGED SECURITIES ACCOUNT FOR PENTAGON PARADE SDN BHD	2,029,200	1.3466
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG MONG HUAY	1,550,000	1.0286
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG SENG WUI	1,110,950	0.7373
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH LEE YIN	710,800	0.4717
13	GAN LAM SEONG	523,500	0.3474
14	GRANDSTEAD SDN BHD	337,400	0.2239
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHOOI TENG	320,000	0.2124
16	GRANDSTEAD SDN BHD	300,000	0.1991
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	204,600	0.1358
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIN CHIN CHAI	150,000	0.0995
19	NGAN CHAI NENG	142,500	0.0946
20	NG THEM SEANG	128,600	0.0853
21	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR LIM SIEW PING	123,500	0.0820
22	NGAN NAM CHANG	108,000	0.0717
23	SHUE TEE WOH	84,000	0.0557
24	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG MOK HOCK (08E00033Q-008)	77,700	0.0516
25	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE MIK SEN	72,400	0.0480
26	GOH LEONG YEONG	72,200	0.0479
27	TAN GINN AN	72,000	0.0478
28	TAN HAI LING	71,700	0.0476
29	LEONG YAIK SOON	67,500	0.0448
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI KIM CHUAN	67,500	0.0448
TOTAL		148,501,375	98.5500

G3 GLOBAL BERHAD



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