ICT ZONE ASIA BERHAD

Registration No.: 201901003459 (1312785-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
28 JANUARY 2019 (DATE OF INCORPORATION)
TO 31 JANUARY 2020
(In Ringgit Malaysia)

ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Company for the financial period from 28 January 2019 (date of incorporation) to 31 January 2020.

Principal activities

The Company is principally engaged to carry on the business of an investment and holding company. The principal activities of the subsidiaries are as disclosed in Note 11 to the financial statements.

Results

	Group RM	Company RM
Profit/(Loss) for the financial period attributable to:		
Owners of the parent	1,048,971	(169,914)

Reserves and provisions

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

Dividends

No dividend has been paid or declared by the Company and the Directors do not recommend any dividend payments in respect of the financial period from 28 January 2019 (date of incorporation) to 31 January 2020.

Directors

The Directors of the Company in office during the financial period and during the period from the end of the financial period to the date of this report are:

Datuk Ng Thien Phing	- First Director
Lim Kok Kwang	- First Director
Vincent Ng Soon Kiat	- Appointed on 13 January 2020
Lok Rikhai	- Appointed on 14 November 2019 and resigned on 13 January 2020

The name of the Director of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already listed above is:

Kwan Thean Poh

Directors' interest

The directors holding office at the end of the financial period and their beneficial interests in ordinary shares of the Company and its related corporations during the financial period from 28 January 2019 (date of incorporation) to 31 January 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of Ordinary Shares			
	Balance as at 28.1.2019 (date of incorporation	**Bought**	**Sold**	**Balance as at 31.1.2020**
Direct interest in the Company:				
Datuk Ng Thien Phing	6,000	-	6,000	-
Lim Kok Kwang	4,000	-	4,000	-
Vincent Ng Soon Kiat	-	22,500,000	-	22,500,000
Indirect interest				
Datuk Ng Thien Phing	-	427,720,000	-	427,720,000
Lim Kok Kwang	-	427,720,000	-	427,720,000
Direct interest in the holding company:				
Vincent Ng Soon Kiat	388,500	-	-	388,500

Directors' benefits

Since the date of incorporation, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during or at the end of the financial period, which had the object 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.

Directors' remuneration and fee

Directors' remuneration of the Group is amounting to RM401,523 during the financial period as disclosed in Note 5 to the financial statements.

None of the directors received fee from the Group and the Company during the financial period.

Indemnity and insurance for directors, officers and auditors

There was no indemnity given to or insurance effected for any director, officer and auditor of the Company.

Issue of shares and debentures

On 12 November 2019, the Company increased its issued ordinary share capital from RM10,000 to RM20,000 by allotment of 10,000 ordinary shares of RM1 each for cash consideration for working capital purpose.

On 9 December 2019, the Company increased its issued ordinary share capital from RM20,000 to RM15,326,000 by allotment of 510,200,000 of RM0.03 each for consideration other than cash for working capital purpose.

On 22 January 2020, the Company increased its issued ordinary share capital from RM15,326,000 to RM18,936,000 by allotment of 22,562,500 of RM0.16 each for consideration other than cash for working capital purpose.

On 22 January 2020, the Company allotted 72,200,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.20 each for consideration other than cash for working capital purpose.

The ordinary shares issued during the financial period rank pari passu in all respects with the existing issued ordinary shares of the Company.

The features of the newly issued ICPS is as disclosed in Note 18(b) to the financial statements.

There were no debentures issued during the financial period.

Options granted over unissued shares

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

Other statutory information

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

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

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

(i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company 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 period and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial period.

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 period which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial period from 28 January 2019 (date of incorporation) to 31 January 2020 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 the financial period and the date of this report.

Holding company

The Directors regard ICT Zone Holdings Sdn. Bhd., a company incorporated in Malaysia, as the holding company.

Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

The auditors' remuneration of the Group and of the Company amounted to RM55,500 and RM16,000 respectively for the financial period from 28 January 2019 (date of incorporation) to 31 January 2020.

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

DATUK NG THIEN PHING

LIM KOK KWANG

Kuala Lumpur

30 JUN 2020

ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
(Incorporated in Malaysia)
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STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016 IN MALAYSIA

In the opinion of the Directors, the accompanying financial statements as set out on pages 11 to 67 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 January 2020 and of their financial performance and their cash flows for the financial period from 28 January 2019 (date of incorporation) to 31 January 2020.

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

DATUK NG THIEN PHING

LIM KOK KWANG

Kuala Lumpur

30 JUN 2020

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016 IN MALAYSIA

I, LIM KOK KWANG, being the Director primarily responsible for the financial management of ICT ZONE ASIA BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 11 to 67 are in my opinion 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 above-named at Kuala Lumpur in Wilayah Persekutuan on)

30 JUN 2020

LIM KOK KWANG

Before me,

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
1 JAN 2019 31 DIS 2021
MALAYSIA

COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

PKF

Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
(Incorporated in Malaysia)
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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ICT ZONE ASIA BERHAD, which comprise the statements of financial position as at 31 January 2020, 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 period from 28 January 2019 (date of incorporation) to 31 January 2020, and notes to the financial statement, including a summary of significant accounting policies, as set out on pages 11 to 67.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2020, and of their financial performance and their cash flows for the financial period from 28 January 2019 (date of incorporation) to 31 January 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We 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.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ICT ZONE ASIA BERHAD
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(continued)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ICT ZONE ASIA BERHAD
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(continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 or 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.

- 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.

PKF
Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
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(continued)

Other Matters

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.

PKF
AF 0911
CHARTERED ACCOUNTANTS

NGU SIOW PING
03033/11/2021 J
CHARTERED ACCOUNTANT

Kuala Lumpur

30 June 2020

ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 28 JANUARY 2019 (DATE OF INCORPORATION) TO 31 JANUARY 2020

	Note	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Revenue	3	38,910,078	-
Cost of goods sold		(30,021,874)	-
Gross profit		8,888,204	-
Other income	4	628,259	-
Net gain on impairment of financial assets measured at amortised cost		47,697	-
Other expenses		(3,695,464)	(169,455)
Profit/(Loss) from operations		5,868,696	(169,455)
Finance cost	6	(4,488,137)	(459)
Loss before tax		1,380,559	(169,914)
Tax expenses	7	(331,588)	-
Total comprehensive income/(loss) for the financial period		1,048,971	(169,914)

ICT ZONE ASIA BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2020

	Note	Group 2020 RM	Company 2020 RM
ASSETS			
Non-current assets			
Property, plant and equipment	8	38,032,003	-
Right-of-use assets	9	61,773	-
Investment properties	10	11,300,000	-
Investment in subsidiaries	11	-	30,306,000
Net investment in sub-lease	12	4,786	-
Capital reserve fund	13	1,003,000	-
		50,401,562	30,306,000
Current assets			
Inventories	14	433,755	-
Trade receivables	15	10,965,490	-
Non-trade receivables, deposits and prepayments	16	1,194,553	3,050,000
Tax recoverable		222,569	-
Fixed deposits with licensed banks	17	382,206	-
Net investment in sub-lease	12	540,935	-
Capital reserve fund	13	22,080,000	-
Cash and bank balances		843,015	19,541
		36,662,523	3,069,541
TOTAL ASSETS		87,064,085	33,375,541
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	27,593,773	27,593,773
Retained earnings	19	9,090,477	(169,914)
Merger reserve	20	(8,106,000)	-
Total equity		28,578,250	27,423,859
Non-current liabilities			
ICPS	18	5,782,227	5,782,227
ICT Interest Value	21	1,350,609	-
Deferred tax liabilities	22	3,468,366	-
Lease liabilities	23	51,191	-
Borrowings	24	1,656,162	-
		12,308,555	5,782,227

STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2020 (CONTINUED)

	Note	Group 2020 RM	Company 2020 RM
Current liabilities			
ICT Interest Value	21	14,979,818	-
Trade payables	25	18,668,150	-
Non-trade payables and accruals	26	8,284,059	169,455
Borrowings	24	3,616,250	-
Tax payable		99,234	-
Lease liabilities	23	529,769	-
		46,177,280	169,455
Total liabilities		58,485,835	5,951,682
TOTAL EQUITY AND LIABILITIES		87,064,085	33,375,541

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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 28 JANUARY 2019 (DATE OF INCORPORATION) TO 31 JANUARY 2020

	Share capital RM	Retained earnings RM	Merger reserve RM	Total RM
Group				
At 28 January 2019 (date of incorporation)	7,210,000	8,041,506	-	15,251,506
Acquisition of interests in common entities	(7,200,000)	-	(8,106,000)	(15,306,000)
Issuance of ordinary shares	18,926,000	-	-	18,926,000
Issuance of ICPS	8,657,773	-	-	8,657,773
Total comprehensive income for the financial period	-	1,048,971	-	1,048,971
At 31 January 2020	27,593,773	9,090,477	(8,106,000)	28,578,250

	Share capital RM	Accumulated losses RM	Total RM
Company			
At 28 January 2019 (date of incorporation)	10,000	-	10,000
Issuance of ordinary shares	18,926,000	-	18,926,000
Issuance of ICPS	8,657,773	-	8,657,773
Total comprehensive loss for the financial period	-	(169,914)	(169,914)
At 31 January 2020	27,593,773	(169,914)	27,423,859

ICT ZONE ASIA BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 28 JANUARY 2019 (DATE OF INCORPORATION) TO 31 JANUARY 2020

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Cash flows from operating activities		
Profit/(Loss) before tax	1,380,559	(169,914)
Adjustments for:		
Depreciation of property, plant and equipment	13,680,447	-
Depreciation of right-of-use assets	110,551	-
Effective interim nett yield on ICT Interest Value	3,926,999	-
Interest expenses	544,228	-
Reversal of impairment loss on:		
- trade receivables	(24,050)	-
- related party	(23,647)	-
Interest income from net investment in sub-lease	(40,680)	-
Gain on disposal of property, plant and equipment	(1,828,469)	-
Operating profit/(loss) before working capital changes	17,725,938	(169,914)
Decrease in inventories	1,007,924	-
Decrease in amount due from related parties	84,468	-
Decrease in net investment in sub-lease	1,222,681	-
Increase in receivables	(3,548,694)	-
Increase in capital reserve fund	(5,990,500)	-
Increase in payables	6,656,850	20,000
Cash generated from/(used in) operations	17,158,667	(149,914)
Interest received from net investment in sub-lease	40,680	-
Tax paid	(168,273)	-
Tax refunded	13,650	-
Net cash from/(used in) operating activities	17,044,724	(149,914)
Cash flows from investing activities		
Net cash outflows on acquisition of subsidiaries	(15,306,000)	(30,306,000)
Advance to a subsidiary	-	(2,900,545)
Net changes in fixed deposits with licensed banks	(222,536)	
Proceeds from disposal of property, plant and equipment	4,094,436	-
Acquisition of property, plant and equipment	(23,384,789)	-
Net cash used in investing activities	(34,818,889)	(33,206,545)

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 28 JANUARY 2019 (DATE OF INCORPORATION) TO 31 JANUARY 2020 (CONTINUED)

	Note	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Cash flows from financing activities			
Drawdown of term loan		4,600,000	-
Repayment of term loan		(1,492,416)	-
Repayment of lease liabilities		(1,120,008)	-
Interest paid - others		(498,048)	-
Interest paid - lease liabilities		(46,180)	-
Net changes in short-term borrowings		(530,981)	-
Withdrawal of ICT Interest Value		(13,330,973)	-
Proceeds from issuance of ordinary shares		18,926,000	18,926,000
Proceeds from issuance of ICPS		14,440,000	14,440,000
Interim nett yield on ICT Interest Value		(3,926,999)	-
Net cash from financing activities		17,020,395	33,366,000
Net (decrease)/increase in cash and cash equivalents		(753,770)	9,541
Cash and cash equivalents at 28 January 2019 (date of incorporation)		1,756,455	10,000
Cash and cash equivalents at 31 January	(i)	1,002,685	19,541

Notes:

(i) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Cash and bank balances	843,015	19,541
Fixed deposits with original maturity less than 3 months	159,670	-
Total cash and cash equivalents	1,002,685	19,541

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 28 JANUARY 2019 (DATE OF INCORPORATION) TO 31 JANUARY 2020 (CONTINUED)

Notes: (continued)

(ii) ***Reconciliation of liabilities arising from financing activities***

	28 January 2019 (date of incorporation) RM	Initial recognition of lease liabilities RM	Cash flows RM	31 January 2020 RM
Group				
ICT Interest Value	29,661,400	-	(13,330,973)	16,330,427
Term loan	1,025,571	-	3,107,584	4,133,155
Bankers' acceptance and trust receipts	1,670,238	-	(530,981)	1,139,257
Lease liabilities	1,646,936	54,032	(1,120,008)	580,960

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

1. Basis of preparation

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

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as a going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

The financial statements are presented in the Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(a) Standards issued but not yet effective

The Group and the Company have not adopted the following accounting standards, amendments and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• Amendments to References to the Conceptual Framework in MFRS Standards	
- Amendments to MFRS 2 *Share-based Payment*	1 January 2020
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2020
- Amendments to MFRS 14 *Regulatory Deferral Accounts*	1 January 2020
- Amendments to MFRS 101 *Presentation of Financial Statements*	1 January 2020
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
- Amendments to MFRS 134 *Interim Financial Reporting*	1 January 2020
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2020
- Amendments to MFRS 138 *Intangible Assets*	1 January 2020
- Amendments to IC Interpretation 12 *Service Concession Arrangements*	1 January 2020

1. Basis of preparation

(a) Standards issued but not yet effective (continued)

Description	**Effective for annual periods beginning on or after**
• Amendments to References to the Conceptual Framework in MFRS Standards	
- Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2020
- Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2020
- Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2020
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*	1 January 2020
• Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures: Sales and Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

1. Basis of preparation (continued)

(b) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(ii) *Depreciation*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

1. Basis of preparation (continued)

(b) Critical accounting estimates and judgements (continued)

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at every end of the reporting period.

(v) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

1. Basis of preparation (continued)

(b) Critical accounting estimates and judgements (continued)

(vi) Classification between Investment 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 independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals 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. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. 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 investment property.

(vii) Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. The valuation of these properties are carried out by independent professional property valuers by reference to open market values using the comparison method as disclosed in Note 10 to the financial statements.

2. Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

Control is achieved when the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's return.

Inter-company transactions, balances and unrealised gains on transaction between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Common control entities

Business combination involving entities under common control are accounted for by applying the merger accounting principles. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements.

In a business combination involving entities under common control, any difference between the cost of the merger and the share capital of the "acquired" entity is reflected within equity as merger reserve.

The combined financial statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

2. Summary of significant accounting policies

(a) Basis of consolidation (continued)

(iii) Loss of control

Upon loss of control of a subsidiary, the Group derecognises:

- the assets (including any goodwill) and liabilities of the former subsidiary; and
- non-controlling interests in the former subsidiary (including any components of other comprehensive income attributable non-controlling interests)

from consolidated statement of financial position.

Any gain or loss associated with the loss of control attributable to the former subsidiary is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value when control is lost and subsequently accounted for as a financial asset or investment in an associate or joint venture.

(b) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(i) Sales of goods

The Group sells a range of computer hardware to local customers. Revenue are recognised at a point in time when control of the asset is transferred, being when the products are delivered to the customer. The contract price is variable for different contracts as the revenue is recognised based on the assets price. The normal credit term is 60 days upon delivery.

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

2. Summary of significant accounting policies

(b) Revenue (continued)

(i) Sales of goods (continued)

To determine the point in time at which the customer obtain control of a promised asset and satisfies the performance obligation, the Group has considered indicators of the transfer of control, which include, but are not limited to, the following:

(a) The Group has present right to payment for the asset;
(b) The customer had legal title to the assets;
(c) The Group has transferred physical possession of the asset;
(d) The customer has the significant risks and rewards of ownership of the asset; and
(e) The customer has accepted the asset.

(ii) Rental income

Rental income from the rental asset is recognised in profit or loss on a straight-line basis over the term of the lease.

(c) Employee benefits expense

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences, such as paid annual leave, are recognised when services are rendered by 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.

(ii) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

2. Summary of significant accounting policies

(d) Tax expense

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

2. Summary of significant accounting policies (continued)

(d) Tax expense (continued)

(ii) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost.

(e) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, which 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12-months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk.

2. Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance amount.

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

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

(ii) Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

2. Summary of significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets (continued)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in subsequent periods.

(f) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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 Company and the cost of the item can be measured reliably.

2. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	20%
Furniture and fittings	10%
Computer and software	20%
Electrical fittings	10%
Renovation	20%
Signboard	10%
Motor vehicle	20%
Rental equipment	20% - 33%

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (continued)

(g) Investment properties

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

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment properties are measured initially at cost including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

Subsequent to recognition, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The gain or loss arising from derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss in the year the asset is derecognised.

(h) Capital reserve fund

The capital reserve fund is set up for the purpose towards the refund of the ICT Interest Value to, and redemption of each ICT Interest from, the ICT Interest Holders after the maturity date.

Upon each anniversary of the initial launch date of the ICT Zone Ventures Scheme 1 ("the Scheme 1") and the ICT Zone Ventures Scheme 2 ("the Scheme 2", and collectively, "the Schemes"), ICT Zone Ventures Berhad ("ICTZV") is obliged to make an annual contribution to the Capital Reserve Fund from the net annual revenue received by ICTZV from the ICT equipment rental operations and the amount of such contribution shall be calculated based on the following table where the monetary value of the annual contribution is shown as percentage of the ICT Interest Value received by the Schemes from the holders of ICT interest ("ICT Interest Holders"):

2. Summary of significant accounting policies (continued)

(h) Capital reserve fund (continued)

Year	Annual contribution to Capital Reserve Fund by ICTZV as a percentage of the ICT Interest Value received by the Schemes from the ICT Interest Holder
1	5%
2	5%
3	5%
4	10%
5	10%
6	10%
7	15%
8	20%
9	20%

ICTZV shall within seven (7) days from the date of receipt of any ICT Interest Value remit such ICT Interest Value to the Trustee and, upon receipt of such ICT Interest Value the Trustee shall forthwith deposit such ICT Interest Value into the Trust Account.

Upon expiry of the Cooling-Off Period, which is ten (10) working days (from the day the application for the subscription of an ICT Interest is lodged with the Company), the Trustee shall release to ICTZV all and any ICT Interest Value received and deposited in the Trust Account.

Any ICT Interest Value deposited into the Trust Account by the Management Company prior to the expiry of the Cooling-Off Period shall be held in trust by the Trustee for the Applicant until the expiry of the Cooling-Off Period and in the event that any Applicant is withdrawn by an Applicant during the Cooling-Off Period, the Trustee shall release such ICT Interest Value to the Applicant.

2. Summary of significant accounting policies (continued)

(i) Financial assets

(i) Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Subsequent measurement

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

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

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

The Group and the Company reclassified debt investments when and only when its business model for managing those asset changes.

(a) Amortised cost

Financial asset is measured at amortised cost when the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from financial asset measured at amortised cost is recognised in profit or loss using the effective interest method. Any gain or loss on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gain and losses.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Subsequent measurement (continued)

(b) Fair value through other comprehensive income ("FVOCI") – debt investment

Debt investment, which is not designated as at fair value through profit or loss, is measured at FVOCI when the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments to principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income calculated using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Impairment expenses are presented as a separate line item in the statement of profit or loss.

(c) FVOCI – equity investment

Equity investment is measured at FVOCI when the Group and the Company made an irrevocable election to present changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Subsequent measurement (continued)

(d) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument).

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risk and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

Any cumulative gain or loss arise from fair value changes in equity investment that had been recognised in other comprehensive income is transferred within equity when the equity investment is derecognised whereas any cumulative gain or loss arise from fair value changes in debt investment that had been recognised in other comprehensive income is transferred to profit or loss when the debt investment is derecognised.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits with financial institution, 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.

2. Summary of significant accounting policies (continued)

(k) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

At initial recognition, the Group and the Company measure a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issue of the financial liability.

(ii) Subsequent measurement

The categories of financial liabilities at initial recognition are as follows:

(a) Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities where it is designated as FVTPL.

Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(b) FVTPL

Financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition are measured at FVTPL.

Financial liabilities may be designated upon initial recognition at FVTPL only if the criteria in MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014) are satisfied. The Company has not designated any financial liability as at FVTPL.

Financial liabilities categorised at FVTPL are subsequently carried at fair value with the gain or losses recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(k) Financial liabilities (continued)

(ii) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liability assumed, is recognised in profit or loss.

(l) Leases

(i) Initial recognition and measurement

(a) As a lessee

The Group recognises right-of-use asset and lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises as follows:

- the initial amount of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- 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.

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.

2. Summary of significant accounting policies (continued)

(l) Leases (continued)

(i) Initial recognition and measurement (continued)

(a) As a lessee (continued)

Variable lease payments that do not depends on an index or a rate are excluded from lease liability and right-of-use asset and recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases.

Leases which transfer substantially all of the risks and rewards incidental to ownership of the underlying asset is a finance lease; if not, then it is an operating lease.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Initial direct costs, other than those incurred by manufacturer or dealer lessors, are included in the initial measurement of the investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right- of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

2. Summary of significant accounting policies (continued)

(l) Leases (continued)

(ii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses determined in accordance with Note 2(d)(i) to the financial statements, if any, and adjusted for certain remeasurements of the lease liability.

The carrying amount of lease liability is subsequently increased by interest on the lease liability and reduced by lease payments made. It is remeasured when there is a change in lease term, assessment of an option to purchase the underlying asset, future lease payments arising from the change in an index or rate, the Group's estimate of the amount expected to be payable under a residual value guarantee or in-substance fixed lease payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

Finance income from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease whereas lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

(m) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability outflow of economic benefits is remote.

(ii) Contingent assets

Where an inflow of economic benefits of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of benefit is virtually certain, then the related asset is recognised.

(o) Equity instrument

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 recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised from equity in the period in which they are distributed.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

3. Revenue

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Revenue from contract customers		
At point in time		
Sales of assets	15,829,646	-
IT Services	129,069	-
	15,958,715	-
Other source of income		
Rental income from:		
- Computer hardware	3,644,016	-
- ICT Equipment	19,307,347	-
	22,951,363	-
	38,910,078	-

4. Other income

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Gain on disposal of property, plant and equipment	109	-
Interest income from net investment in sub-lease	40,680	-
Lease income	578,040	-
Others	9,430	-
	628,259	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

5. Employee benefits expense

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
(a) Staff cost		
Salaries, allowances and bonus	1,207,149	-
Contributions to defined contribution plan	133,943	-
Social security contributions	14,206	-
Other short-term employee benefits	70,741	-
	1,426,039	-
(b) Director remuneration		
Salary and other emoluments	364,600	-
Contributions to defined contribution plan	36,000	-
Social security contributions	923	-
	401,523	-
	1,827,562	-

6. Finance cost

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Interest expense on:		
- ICT Interest Value	3,926,999	-
- lease liabilities	46,180	-
- term loans	203,292	-
- bankers' acceptance and trust receipts	287,998	-
- bank overdraft	6,758	-
Others	16,910	459
	4,488,137	459

ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

7. Tax expense

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Current tax		
- current year	238,698	-
- overprovision in prior year	(34,038)	-
	204,660	-
Deferred tax (Note 22)		
- current year	126,928	-
	331,588	-

Reconciliation of tax expense

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Profit/(Loss) before tax	1,380,559	(169,914)
Tax calculated using statutory tax rate at 24%	331,334	(40,779)
Reduction in statutory tax rate on first RM500,000	(30,000)	-
Non-deductible expenses	136,957	40,779
Non-taxable income	(72,665)	-
	365,626	-
Overprovision of income tax in prior year	(34,038)	-
	331,588	-

The Group has unabsorbed capital allowance amounting to RM3,224,183 available of offsetting against future taxable profits.

Unabsorbed capital allowance can be carried forward for a period of 7 years from year of assessment 2020 onwards to set off against future taxable profit. However, unabsorbed capital allowances which arose up to year of assessment 2019 are to be utilised before the year of assessment 2026.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

8. Property, plant and equipment

Group	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Computer and software RM	Signboard RM	Renovation RM	Rental equipment RM	Total RM
2020								
Cost								
At 28 January 2019 (date of incorporation)	526,287	741,218	457,126	423,548	72,000	163,273	71,712,140	74,095,592
Additions	-	1,620	245	1,940	-	-	23,380,984	23,384,789
Disposals/Written off	-	(39,235)	(380)	(223)	-	-	(23,917,930)	(23,957,768)
At 31 January	526,287	703,603	456,991	425,265	72,000	163,273	71,175,194	73,522,613
Accumulated depreciation								
At 28 January 2019 (date of incorporation)	438,287	734,504	389,786	381,219	56,671	99,298	41,402,199	43,501,964
Depreciation charge	56,000	2,327	24,639	15,892	3,365	9,408	13,568,816	13,680,447
Disposals/Written off	-	(39,234)	(218)	(217)	-	-	(21,652,132)	(21,691,801)
At 31 January	494,287	697,597	414,207	396,894	60,036	108,706	33,318,883	35,490,610
Carrying amount								
At 31 January	32,000	6,006	42,784	28,371	11,964	54,567	37,856,311	38,032,003

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

9. Right-of-use assets

	Group 2020 RM	Company 2020 RM
Carrying amount		
At 28 January 2019 (date of incorporation)	149,810	-
Addition	22,514	-
Depreciation charge	(110,551)	-
At 31 January	61,773	-

10. Investment properties

	Freehold property RM	Leasehold properties RM	Total RM
Group			
Fair value			
At 28 January 2019 (date of incorporation)/31 January 2020	1,800,000	9,500,000	11,300,000

	Group 2020 RM
Recognised in profit or loss:	
Rental income	578,040
Direct operating expenses arising from investment property that generated rental income during the financial year	25,079

The fair value of the investment properties of the Group at 31 January 2020 is determined by a valuation carried out by Messrs. Knight Frank Malaysia Sdn. Bhd., an independent professional valuer, based on the open market values on comparison approach.

The Group has pledged investment properties with carrying amount of RM9,500,000 to licensed bank to secure banking facilities granted to the Group as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

11. Investment in subsidiaries

	Company 2020 RM
At 28 January 2019 (date of incorporation)	-
Additions	30,306,000
At 31 January 2020	30,306,000

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of company:	Effective equity interest 2020	Principal activities
ICT Zone Ventures Bhd.	100%	Information and communication technology, investment schemes and leasing and factoring facilities services.
ICT Zone Sdn. Bhd.	100%	Trading, repairing and servicing of computers and related parts and accessories.
Techfin Capital Sdn. Bhd.	100%	Yet to commence its operation.

12. Net investment in sub-lease

	Group 2020 RM	Company 2020 RM
At 28 January 2019 (date of incorporation)	1,714,369	-
Additions	54,032	-
Finance income	40,680	-
Lease payment received	(1,263,360)	-
At 31 January	545,721	-

12. Net investment in sub-lease (continued)

Minimum lease payments receivable:		
Within one (1) year	545,199	-
Between one (1) to two (2) years	4,800	-
Undiscounted lease payments	549,999	-
Unearned finance income	(4,278)	-
Net investment in sub-lease	545,721	-

	Group 2020 RM	Company 2020 RM
Recognised in profit or loss:		
Finance income	40,680	-

13. Capital reserve fund

Capital reserve funds is set up for the purpose towards the refund of the ICT Interest Value to, and redemption of each ICT Interest from, the ICT Interest holders after the maturity date.

14. Inventories

Inventories comprised of IT equipment and hardware to be consumed in the rendering for leasing services.

	Group 2020 RM	Company 2020 RM
Recognised in profit or loss		
Inventories recognised as cost of sales	23,093,854	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

15. Trade receivables

	Group 2020 RM	Company 2020 RM
Trade receivables	10,965,490	-
Less: Impairment		
At 28 January 2019 (date of incorporation)	(24,050)	-
Reversal	24,050	-
At 31 January	-	-
	10,965,490	-

The normal trade credit terms of the Group are 60 days. Other credit terms are assessed and approved on a case-by-case basis.

16. Non-trade receivables, deposits and prepayments

	Group 2020 RM	Company 2020 RM
Amount due from a subsidiary	-	3,050,000
Non-trade receivables	642,330	-
Deposits	106,692	-
Prepayments	445,531	-
	1,194,553	3,050,000

17. Fixed deposits with licensed banks

The amount was deposited with a licensed bank as the Islamic fixed deposit for interest income purpose. The effective profit rate of the Islamic fixed deposit is between 3.05% to 3.25% per annum. The maturity of Islamic deposit as at the end of the financial year is between 3 months to 11 months.

18. Share capital

	Note	Group and Company 2020 Number of shares	2020 RM
Issued and fully paid:			
- ordinary shares	(a)	532,782,500	18,936,000
- ICPS	(b)	72,200,000	8,657,773
Total share capital		604,982,500	27,593,773

(a) Issued and fully paid ordinary shares

	Group and Company 2020 Number of shares	2020 RM
At 28 January 2019 (date of incorporation)	10,000	10,000
Issuance of shares	532,772,500	18,926,000
At 31 January 2020	532,782,500	18,936,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one (1) vote per share without restriction and rank equally with regards to the Company's residual interests.

(b) ICPS

	Group and Company 2020 Number of shares	2020 RM
At 28 January 2019 (date of incorporation)	-	-
Issuance of shares	72,200,000	8,657,773
At 31 January 2020	72,200,000	8,657,773

18. Share capital (continued)

(b) ICPS (continued)

The salient features of the ICPS are as follows:

(i) A cumulative preference dividend rate of 10% per annum of the ICPS issue price shall be paid annually in arrears after 31 July each calendar year out of the distributable profits of the Company.

(ii) One (1) ICPS can be converted into one (1) new ordinary share of the Company at a price of RM0.20.

(iii) The ICPS may be converted at any time within 5 years commencing on and including 22 January 2020 ("Issue Date") up to and including 22 January 2025 ("Maturity Date"). Any remaining ICPS that are not converted by Maturity Date shall be automatically converted into new ordinary shares of the Company.

(iv) The ICPS holders have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings. They are however not entitled to any voting rights or participation in any rights, allotments and/or other distribution in the Company until and unless such holders convert their ICPS into new shares of the Company except in the following circumstances:
- On a proposal to reduce the Company's share capital;
- On a proposal for the disposal of the whole of the Company's property, business and undertaking;
- On a proposal that affects their rights and privileges attached to the ICPS;
- On a proposal to wind up the Company; and
- During the winding up of the Company.

19. Retained earnings

Under the single tier system introduced by the Finance Act, 2007 in Malaysia which came into effect from the year of assessment 2008, dividends paid under this system are tax exempt in the hands of shareholders. As such, the whole retained earnings may be distributed to shareholders as tax exempt dividends.

20. Merger reserve

This arose from the merger of ICT Zone Ventures Sdn. Bhd. ("ICT Zone Ventures"), ICT Zone Sdn. Bhd. ("ICT Zone") and Techfin Capital Sdn. Bhd. ("Techfin") and is based on the difference between the amounts recorded as cost of merger, which comprised the share capitals issued by the Company and the nominal value of ICT Zone Venture's, ICT Zone's and Techfin's share capitals that merged under pooling of interest method of accounting.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

21. ICT Interest Value

	Group 2020 RM	Company 2020 RM
ICT Interest Value		
- Scheme 1	17,510,000	-
- Scheme 2	1,370,000	-
ICT Interest Value	18,880,000	-
Less: Transaction cost up incurred to date	(2,549,573)	-
	16,330,427	-

The subsidiaries, ICT Zone Ventures Bhd. ("the Management Company"), is the management company intended to establish, manage, and operate based on its rental operations for software, personal computers, laptops, printers, scanners and projections and peripheral equipment to support ICT functions of rental customers under the Scheme either directly or by way of ICT Equipment Rental Partners.

During the year, the Company redeemed the following ICT interest value:

	Group 2020 RM	Company 2020 RM
- Scheme 1	645,000	-
- Scheme 2	1,620,000	-
	2,265,000	-

(i) ICT Zone Ventures Scheme 1

The ICT interest offered for subscription under the ICT Zone Ventures Scheme 1 are based on a scheme where, under the terms and conditions of the Management Agreement, the ICT Interest Holders have the right to receive the Interim Nett Yield of 8% during the period commencing on the commencement date and expiring on the maturity date.

21. ICT Interest Value (continued)

(i) ICT Zone Ventures Scheme 1 (continued)

ICT Interest Value refers to the redeemable consideration by whatever name used in the Management Agreement and payable by each ICT Interest Holder to subscribe for one (1) ICT interest.

The Management Company offered the ICT interest at the 28 March 2011 ("Initial Launch Date 1") to the public subscription at ICT Interest Value of RM5,000 for each ICT interest.

There are 22,000 ICT interests under the Scheme of which 15,400 ICT interests are intended for public subscription and the remaining 6,600 ICT interests are designated as Reserved ICT Interest not for sale and may be released for sale only upon the approval of the Registrar of Companies.

ICT Interest

	Total number	Number sold or assigned	Number of redemption	Balance of ICT interest
Intended for sale to the public	15,400	(5,641)	129	9,888
Reserved ICT Interest	6,600	-	-	6,600
Total	22,000	(5,641)	129	16,488

The Management Company is exempted from the requirement of Section 88(1)(b)(iii) of the Companies Act 2016 in Malaysia which relates to the obligation of the Management Company to accept the return of any ICT interests at the request of the ICT Interest Holders.

The period of exemption shall commence on the Initial Launch Date 1 and shall expire on the third (3rd) anniversary date from the Initial Launch Date 1.

After the expiry of the period of exemption, the Management Company is obliged to accept the return of ICT interests from any ICT Interest Holder(s) based on the following calculation.

Amount to be refunded to ICT Interest Holder is the ICT Interest Value paid by the ICT Interest Holder after deducting the Interim Nett Yield (previously known as the "Nett Yield") received by the ICT Interest Holder and after deducting an agreed compensation being operational expenses incurred by the Scheme arising from the return of ICT interest from ICT Interest Holder. Such operational expenses must be approved by a Syariah Adviser and such refund shall be drawn from the ICT Interest Value contributed by ICT Interest Holders.

21. ICT Interest Value (continued)

(ii) ICT Zone Ventures Scheme 2

The ICT interest offered for subscription under the ICT Zone Ventures Scheme 2 is based on a scheme where, under the terms and conditions of the Management Agreement, the ICT Interest Holders have the rights to receive the Interim Nett Yield of 8% during the period commencing on the commencement date and expiring on the maturity date.

ICT Interest Value refers to the redeemable consideration by whatever name used in the Management Agreement and payable by each ICT Interest Holder to subscribe for one (1) ICT interest.

The Management Company offered the ICT interest at 20 October 2014 ("Initial Launch Date 2") to the public subscription at ICT Interest Value of RM10,000 for each ICT interest.

There are 5,000 ICT interests under the Scheme of which 3,500 ICT interests are intended for public subscription and the remaining 1,500 ICT interests are designated as Reserved ICT Interest not for sale and may be released for sale only upon the approval of the Registrar of Companies.

ICT Interest

	Total number	**Number sold or assigned**	**Number of redemption**	**Balance of ICT interest**
Intended for sale to the public	3,500	(1,099)	162	2,563
Reserved ICT Interest	1,500	-	-	1,500
Total	5,000	(1,099)	162	4,063

21. ICT Interest Value (continued)

(ii) ICT Zone Ventures Scheme 2 (continued)

The Management Company is obliged to accept the return of the ICT interest prior to the maturity date from any ICT Interest Holder based on the following valuations:

a) Where the request for return of an ICT interest is made before the first anniversary from the relevant Prospectus Period Start Date as specified in the Management Agreement, the amount to be refunded to ICT Interest Holder is one hundred percent (100%) of the ICT Interest Value paid by the ICT Interest Holder after deducting an administrative charge equal to five percent (5%) of the ICT Interest Value paid by the ICT Interest Holder being Scheme 2 establishment and marketing expenses together with operational expenses arising from the return of ICT interest from such ICT Interest Holder. Such operational expenses must be approved by the Shariah Adviser and such refund shall be drawn from the ICT Interest Value contributed by the ICT Interest Holder; and

(b) Where the request for return of an ICT interest is made after the first anniversary from the relevant Prospectus Period Start Date as specified in the Management Agreement, the amount to be refunded to ICT Interest Holder is one hundred percent (100%) of the ICT Interest Value paid by the ICT Interest Holder after deducting an amount equivalent in value to fifty percent (50%) of the Interim Net Yield received by the ICT Interest Holder as at the date when the request for return of the ICT interests is made and after deducting an administrative charge equal to one percent (1%) of the ICT Interest Value paid by the ICT Interest Holder being operational expenses incurred by the Scheme 2 arising from the return of ICT interest from such ICT Interest Holder. Such operational expenses must be approved by the Shariah Adviser and such refund shall be drawn from the ICT Interest Value contributed by the ICT Interest Holder;

Subject to that in each calendar year commencing from the Initial Launch Date 2, the Management Company's obligation to accept the return of any ICT interest shall be limited to five percent (5%) of the value of the total number of ICT interests subscribed or to accept the return of ICT interests to an aggregate value up to the limit of RM1,500,000, whichever is higher.

22. Deferred tax liabilities

	Group 2020 RM	Company 2020 RM
At 28 January 2019 (date of incorporation)	3,341,438	-
Recognised in profit or loss (Note 7)	126,928	-
At 31 January	3,468,366	-

The components and movements of deferred tax liabilities and assets prior to offsetting are as follows:

	Right-of-use asset RM	Property, plant and equipment RM	Net investment in sub-lease RM	Total RM
Deferred tax liabilities of the Group				
At 28 January 2019 (date of incorporation)	35,955	3,196,356	1,491,310	4,723,621
Recognised in profit or loss	(21,130)	808,728	(482,119)	305,479
At 31 January 2020	14,825	4,005,084	1,009,191	5,029,100

	Unutilised tax losses RM	Unabsorbed capital allowance RM	Lease liabilities RM	Total RM
Deferred tax assets of the Group:				
At 28 January 2019 (date of incorporation)	(77,587)	(123,090)	(1,181,506)	(1,382,183)
Recognised in profit or loss	77,587	(649,514)	393,376	(178,551)
At 31 January 2020	-	(772,604)	(788,130)	(1,560,734)

23. Lease liabilities

	Group 2020 RM	Company 2020 RM
Representing:		
Non-current liabilities	51,191	-
Current liabilities	529,769	-
	580,960	-
Recognised in profit or loss:		
Interest expense on lease liabilities	46,180	-

24. Borrowings

	Note	Group 2020 RM	Company 2020 RM
Non-current			
Term loans	(a)	1,656,162	-
Current			
Term loans	(a)	2,476,993	-
Bankers' acceptance and trust receipts	(b)	1,139,257	-
		3,616,250	-
		5,272,412	-

(a) Term loans

The maturity structure of the term loans can be analysed as follows:

	Group 2020 RM	Company 2020 RM
Repayable within one (1) year	2,476,993	-
Repayable between two (2) to five (5) years	1,656,162	-
	4,133,155	-

24. Borrowings (continued)

(a) Term loans (continued)

The term loans are secured by the following:

(i) Legal charges over two properties of the Group with cost amounting to approximately RM9,500,000 as disclosed in Note 10 to the financial statements;
(ii) Jointly and severally guaranteed by all directors of the Company; and
(iii) Upfront three (3) months instalments are to be maintained with the Bank at all times.

The effective interest rate of the bank borrowings at the end of the reporting period is range from 5.36% to 8.06%.

(b) Bankers' acceptance and trust receipts

The Group has bank loan and other trade finance facilities amounting to RM7,739,000 secured from certain local licensed bank. The facilities bear interest at 8.07% per annum and are secured by the following:

(i) Fixed charge for RM1,300,000 over an 8-storey office block, and two 4 ½ storey shop lot property as disclosed in Note 10 to the financial statements;
(ii) Jointly and severally guaranteed by all directors of the Company amounting to RM8,188,000; and
(iii) Guarantee from ICT Zone Holding Sdn. Bhd. amounting to RM8,188,000.

25. Trade payables

The normal trade credit term granted to the Group is 60 days.

26. Non-trade payables and accruals

	Group 2020 RM	Company 2020 RM
Non-trade payables	4,882,965	-
Accruals	2,443,691	20,000
Deposits received	957,403	-
Amount due to a subsidiary	-	149,455
	8,284,059	169,455

The amount due to a subsidiary represents expenses paid on behalf and is unsecured, interest-free, and repayable on demand.

27. Significant related party's transactions

Related party transactions

The Group's related party transactions for the financial years ended 31 January 2020 are as follows:

Name of company With related parties	Type of transaction	2020 RM
Skyworld development Sdn. Bhd.	Rental received	581,537
Risco Consulting Sdn. Bhd.	Insurance premium	(378,946)
	Reimbursement	(487)
	Subscription fee	(652)

Key management personnel compensation

The key management personnel are defined as directors of the Group and the Company. The remuneration of key management personnel during the financial period is as disclosed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

28. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC").

	Carrying amount RM	AC RM
Group		
2020		
Financial assets		
Trade receivables	10,965,490	10,965,490
Non-trade receivables and deposits	749,022	749,022
Fixed deposits with licensed banks	382,206	382,206
Cash and bank balances	843,015	843,015
	12,939,733	12,939,733
Group		
2020		
Financial liabilities		
Trade payables	18,668,150	18,668,150
Borrowings	5,272,412	5,272,412
Non-trade payables and accruals	8,284,059	8,284,059
ICT Interest Value	16,330,427	16,330,427
	48,555,048	48,555,048
Company		
2020		
Financial assets		
Non-trade receivables	3,050,000	3,050,000
Cash and bank balances	19,541	19,541
	3,069,541	3,069,541
Financial liabilities		
Non-trade payables and accruals	169,455	169,455

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

28. **Financial instruments (continued)**

Net gains and losses arising from financial instruments

	Group 28.1.2019 to 31.1.2020 RM	Company 28.1.2019 to 31.1.2020 RM
Net losses arising from:		
Financial assets measured at amortised cost		
Reversal of impairment loss	47,697	-
Financial liabilities measured at amortised cost		
Interest expenses on:		
- ICT Interest Value	3,926,999	-
- term loans	203,292	-
- bankers' acceptance and trust receipts	287,998	-
- bank overdraft	6,758	-
	4,425,047	-

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its credit risk, interest rate risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) **Credit risk**

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and institutions, as well as credit exposures to the Group's customers, including outstanding receivables.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 JANUARY 2020

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Risk management

The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 major customers which constituted approximately 73% of its trade receivables for the trade in nature transaction as at the end of the reporting period.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Impairment of financial assets

The Group's trade receivables are subject to expected credit loss model.

While cash and cash equivalents, refundable deposits and loans and advances to subsidiaries are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Trade receivables

On the basis as disclosed in Note 1(iv) to the financial statements, the loss allowance as at 31 January 2020 was determined as follows for trade receivables:

	Gross amount RM	Loss allowances RM	Carrying amount RM
Group			
2020			
Not past due	10,843,598	-	10,843,598
Past due:			
- 1 to 30 days	61,873	-	61,873
- 31 to 60 days	48,937	-	48,937
- more than 60 days	11,082	-	11,082
	10,965,490	-	10,965,490

(b) Interest risk

The Group's fixed deposits with licensed banks and fixed rate borrowings are exposed to fair value interest rate risk. The Group's variable rate borrowings are exposed to cash flows interest rate risk.

Risk management

The Group's policy is to obtain the most favourable rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(b) Interest risk (continued)

Exposure to interest rate risk

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

	Group 2020 RM
Fixed rate instruments	
Fixed deposits with licensed banks	382,206
Borrowings	
- bankers' acceptance and trust funds	1,139,257
	1,521,463
Floating rate instruments	
Borrowings	
- term loans	4,133,155

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at FVTPL. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of debt investments at FVOCI. This analysis assumes that all other variables remain constant.

	Group 2020 RM
Effect on profit after tax	
Increase of 100 basis points	(31,412)
Decrease of 100 basis points	31,412

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management

The Group and the Company practice prudent risk management by maintaining sufficient cash balances.

Maturity analysis

The table below analyse the Company' financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Maturity analysis (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	Between 2 to 5 years RM
Group				
2020				
ICT Interest Value	16,330,427	18,880,000	17,510,000	1,370,000
Lease liabilities	580,960	602,154	597,954	4,200
Bankers' acceptance and trust receipts	1,139,257	1,151,387	1,151,387	-
Term loan	4,133,155	4,313,057	2,656,532	1,656,525
Trade payables	18,668,150	18,668,150	18,668,150	-
Non-trade payables and accruals	8,284,059	8,284,059	8,284,059	-
	49,136,008	51,898,807	48,868,082	3,030,725
Company				
2020				
Amount due to a subsidiary	149,455	149,455	149,455	-

28. Financial instruments (continued)

Fair values

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments. The Directors are at the opinion that the carrying amounts recorded at the reporting date do not differ significantly from the values that would eventually be recovered.

29. Comparative figures

There are no comparative figures as this is the first set of financial statements since its incorporation.

30. Subsequent event

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the productions of goods and services and lower economic activity which is likely to result in reduced demand for the Company's goods and services. The Company exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Company's assets and liabilities at 31 December 2019.

31. Capital management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support its business and maximise shareholder(s) value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

ICT ZONE ASIA BERHAD
Registration No.: 201901003459 (1312785-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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32. General information

The Company is a public limited company limited by shares that is incorporated and domiciled in Malaysia.

The Company is principally engaged to carry on the business of an investment and holding company. The principal activities of the subsidiaries are as disclosed in Note 11 to the financial statements.

The registered office of the Company is located at Level 3, Block E, Excella Business Park, Jalan Ampang Putra, 55100 Kuala Lumpur.

The principal place of business of the Company is located at Ground Floor, Block H, Excella Business Park, Jalan Ampang Putra, 55100 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2020.