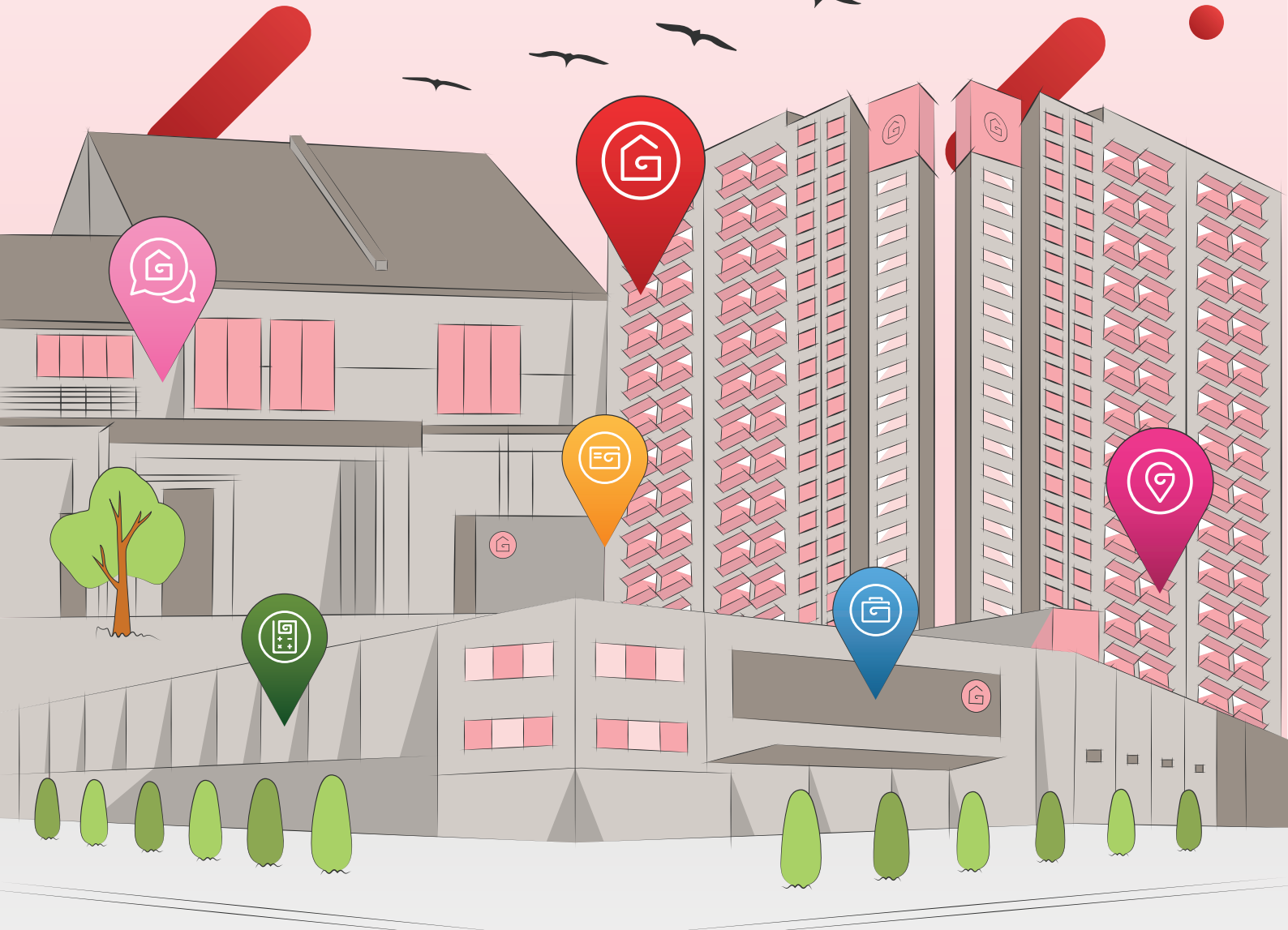


2021 AUDITED FINANCIAL STATEMENTS



RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**
(In Ringgit Malaysia)

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

Principal activities

The Company is principally an investment holding company. The details of the subsidiaries, including their principal activities, are disclosed in Note 13 to the financial statements.

Financial results

	Group RM	Company RM
Net loss for the financial year	1,064,636	264,906

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

Reserves and provisions

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

Issue of shares and debentures

The Company has not issued any shares and debentures during the financial year.

Share options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

Directors

The directors of the Company in office since the end of the previous financial year to the date of this report are:

Dato' Wee Hoe Soon @ Gooi Hoe Soon
Foo Kah Seong
Ignatius Ho Tzin Sung
Lim Kee Choon
Loke Tan Chung

Directors' interests

The shareholdings in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares			Balance as at 31.12.2021
	Balance as at 1.1.2021	Bought	Sold	
In the Company				
Shareholdings registered in the name of directors:				
Dato' Wee Hoe Soon @ Gooi Hoe Soon	7,900,595	-	-	7,900,595
Foo Kah Seong	20,300,675	-	-	20,300,675
Ignatius Ho Tzin Sung	20,300,675	-	-	20,300,675
Loke Tan Chung	24,130,595	-	-	24,130,595

	Number of redeemable preference shares			Balance as at 31.12.2021
	Balance as at 1.1.2021	Bought	Sold	
In the Company				
Shareholdings registered in the name of directors:				
Loke Tan Chung	2,200,000	-	-	2,200,000

None of the other directors in office at the end of the financial year had any interest in the shares of the Company and its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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.

The details of the directors' remuneration are disclosed in Note 5 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance

There was no indemnity given to or insurance effected for any directors, officers and auditors of the Company during the financial year.

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

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

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

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

Auditors

The auditors, Messrs Russell Bedford LC PLT, have indicated their willingness to continue in office.

The auditors' remuneration for the Group and the Company is disclosed in Note 6 to the financial statements.

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

IGNATIUS HO TZIN SUNG

FOO KAH SEONG

Kuala Lumpur

Dated: 15 April 2022

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of RED IDEAS HOLDINGS BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year ended on that date.

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

IGNATIUS HO TZIN SUNG

FOO KAH SEONG

Kuala Lumpur

Dated: 15 April 2022

STATUTORY DECLARATION

I, IGNATIUS HO TZIN SUNG, being the director primarily responsible for the financial management of RED IDEAS HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the above named IGNATIUS HO TZIN)
SUNG at Kuala Lumpur in Wilayah)
Persekutuan on 15 April 2022)

IGNATIUS HO TZIN SUNG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RED IDEAS HOLDINGS BERHAD

(Incorporated in Malaysia)

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Company in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the MIA By-Laws and the IESBA Code.

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

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to report with respect to our audit of the financial statements of the Company.

1.3.1 Impairment assessment of intangible assets

As at 31 December 2021, the carrying amount of intangible assets of the Group amounted to RM2,291,773. The Group performs impairment assessment on the cash generating unit (“CGU”) to which the intangible assets have been allocated to whenever there is an indication that the CGU may be impaired. This assessment requires the exercise of significant judgement by the directors on the discount rate applied in the recoverable amount calculation and the assumptions supporting the underlying cash flow projections, including the forecast growth rate and expected changes in pricing and direct cost.

How the matter was addressed in the audit

Our audit procedures focus on evaluating the cash flow projections and the Group’s forecasting procedures which included, among others:

- assessed the recoverable amount valuation methodology adopted by the Group in accordance with the requirements of MFRS 136 Impairment of Assets;
- compared cash flow projections against recent performance, and assessed and challenged the key assumptions in the projections;
- independently derived applicable discount rate from available industry data and compared these with those used by management;
- tested the mathematical accuracy of the impairment assessment; and
- performed sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

We are satisfied with the results of our procedures performed.

1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company’s directors’ report but does not include the financial statements and our auditors’ report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in regard to the directors’ report.

1.5 Responsibilities of management and those charged with governance for the financial statements

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

1.5 Responsibilities of management and those charged with governance for the financial statements (continued)

In preparing the financial statements, management is 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 management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the Approved Standards on Auditing in Malaysia and the 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.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

1.6 Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

2. Report on other legal and regulatory requirements

In accordance with the requirements of the Act, we also report that the subsidiary in which we have not acted as auditors, is disclosed in Note 13 to the financial statements.

3. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Teoh Wuey Sze.

RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF1237
CHARTERED ACCOUNTANTS

Kuala Lumpur

Date: 15 April 2022

TEOH WUEY SZE
02831/01/2024 J
CHARTERED ACCOUNTANT

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	4	4,362,296	3,904,143	-	-
Cost of sales		(1,532,247)	(2,014,624)	-	-
Gross profit		2,830,049	1,889,519	-	-
Other operating income		153,838	252,255	53,281	190,536
Administrative expenses		(4,006,620)	(4,803,058)	(240,175)	(284,570)
Reversal of/(Allowance for) expected credit loss		47,049	(37,289)	-	-
Loss from operations	6	(975,684)	(2,698,573)	(186,894)	(94,034)
Finance costs	7	(10,940)	(17,220)	-	-
Loss before tax		(986,624)	(2,715,793)	(186,894)	(94,034)
Income tax expense	8	(78,012)	-	(78,012)	-
Net loss for the year		(1,064,636)	(2,715,793)	(264,906)	(94,034)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(31,804)	2,367	-	-
Other comprehensive (loss)/income for the year, net of tax		(31,804)	2,367	-	-
Total comprehensive loss for the year		(1,096,440)	(2,713,426)	(264,906)	(94,034)
Loss per share (sen)					
- Basic	9	(1.01)	(2.59)		

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Non current assets					
Plant and equipment	10	191,695	259,804	-	-
Intangible assets	11	2,291,773	2,418,432	-	-
Right of use assets	12	78,880	192,768	-	-
Investment in subsidiaries	13	-	-	8,400,030	1,000,030
Other receivables	16	-	-	66,894	6,748,480
		<u>2,562,348</u>	<u>2,871,004</u>	<u>8,466,924</u>	<u>7,748,510</u>
Current assets					
Inventories	14	148,007	119,099	-	-
Trade receivables	15	503,492	617,950	-	-
Other receivables, deposits and prepayments	16	106,722	127,066	1,200	1,225
Other investment	17	1,649,627	2,420,174	1,649,627	2,420,174
Cash and bank balances		323,094	458,674	16,706	233,649
		<u>2,730,942</u>	<u>3,742,963</u>	<u>1,667,533</u>	<u>2,655,048</u>
Total assets		<u>5,293,290</u>	<u>6,613,967</u>	<u>10,134,457</u>	<u>10,403,558</u>
Equity					
Share capital	18	13,852,656	13,852,656	13,852,656	13,852,656
Reserves	19	(10,142,593)	(9,046,153)	(3,743,953)	(3,479,047)
Total equity		<u>3,710,063</u>	<u>4,806,503</u>	<u>10,108,703</u>	<u>10,373,609</u>
Non current liabilities					
Lease liabilities	20	34,402	82,799	-	-
		<u>34,402</u>	<u>82,799</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	21	35,359	126,406	-	-
Other payables and accruals	22	341,700	469,435	18,335	29,949
Tax payable		7,419	-	7,419	-
Contract liability	23	1,101,165	993,639	-	-
Lease liabilities	20	48,397	115,261	-	-
Provisions	24	14,785	19,924	-	-
		<u>1,548,825</u>	<u>1,724,665</u>	<u>25,754</u>	<u>29,949</u>
Total liabilities		<u>1,583,227</u>	<u>1,807,464</u>	<u>25,754</u>	<u>29,949</u>
Total equity and liabilities		<u>5,293,290</u>	<u>6,613,967</u>	<u>10,134,457</u>	<u>10,403,558</u>

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

Group	Share capital RM	Foreign currency translation reserve RM	Merger reserve RM	Accumulated losses RM	Total RM
At 1 January 2020	13,852,656	65,720	266,074	(6,664,521)	7,519,929
Other comprehensive income for the year	-	2,367	-	-	2,367
Net loss for the year	-	-	-	(2,715,793)	(2,715,793)
Total comprehensive loss for the year	-	2,367	-	(2,715,793)	(2,713,426)
At 31 December 2020	13,852,656	68,087	266,074	(9,380,314)	4,806,503
Other comprehensive loss for the year	-	(31,804)	-	-	(31,804)
Net loss for the year	-	-	-	(1,064,636)	(1,064,636)
Total comprehensive loss for the year	-	(31,804)	-	(1,064,636)	(1,096,440)
At 31 December 2021	13,852,656	36,283	266,074	(10,444,950)	3,710,063

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

Company	Share capital RM	Accumulated losses RM	Total RM
At 1 January 2020	13,852,656	(3,385,013)	10,467,643
Net loss/Total comprehensive loss for the year	-	(94,034)	(94,034)
At 31 December 2020	13,852,656	(3,479,047)	10,373,609
Net loss/Total comprehensive loss for the year	-	(264,906)	(264,906)
At 31 December 2021	13,852,656	(3,743,953)	10,108,703

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from/(used in) operating activities				
Loss before tax	(986,624)	(2,715,793)	(186,894)	(94,034)
Adjustments for:				
(Reversal of)/Allowance for expected credit losses	(47,049)	37,289	-	-
Amortisation of intangible assets	915,114	762,157	-	-
Changes in fair value of other investment	23,828	(140,894)	23,828	(140,894)
Depreciation	237,086	314,668	-	-
Gain on disposal of other investments	(53,281)	(49,642)	(53,281)	(49,642)
Intangible assets written off	-	35,348	-	-
Interest expense	10,940	17,220	-	-
Provision for warranty costs	-	1,897	-	-
Reversal of provision for warranty costs	(2,720)	-	-	-
Unrealised loss on foreign exchange	12,530	2,496	-	-
Operating profit/(loss) before working capital changes	109,824	(1,735,254)	(216,347)	(284,570)
(Increase)/Decrease in inventories	(28,908)	45,383	-	-
Decrease in trade and other receivables	181,851	80,738	25	43,942
(Decrease)/Increase in trade and other payables	(218,782)	106,181	(11,614)	(76,342)
Increase in contract liability	107,526	186,401	-	-
Decrease in provisions	(2,419)	(5,903)	-	-
Cash generated from/(used in) operations	149,092	(1,322,454)	(227,936)	(316,970)
Income tax paid	(70,593)	-	(70,593)	-
Net cash generated from/(used in) operating activities	78,499	(1,322,454)	(298,529)	(316,970)
Cash flows from/(used in) investing activities				
Additions to intangible assets	(788,455)	(850,310)	-	-
Additions to right of use assets	-	(16,683)	-	-
Advances to subsidiaries	-	-	(718,414)	(1,938,181)
Proceeds from disposal of other investments	800,000	2,900,000	800,000	2,900,000
Purchase of other investment	-	(500,000)	-	(500,000)
Purchase of plant and equipment	(55,089)	(139,568)	-	-
Net cash (used in)/from investing activities	(43,544)	1,393,439	81,586	461,819

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash flows from/(used in) financing activities				
Interest paid	(3,047)	(1,121)	-	-
Repayment to directors	-	(9)	-	-
Repayments of lease liabilities	(123,154)	(114,687)	-	-
Net cash used in financing activities	(126,201)	(115,817)	-	-
Net (decrease)/increase in cash and cash equivalents	(91,246)	(44,832)	(216,943)	144,849
Cash and cash equivalents at beginning of year	458,674	503,635	233,649	88,800
Effect of exchange differences	(44,334)	(129)	-	-
Cash and cash equivalents at end of year	323,094	458,674	16,706	233,649
Cash and cash equivalents comprise cash and bank balances	323,094	458,674	16,706	233,649
Reconciliation of liabilities arising from financing activities				
Group	1.1.2021	Cash flows	Non-cash changes	31.12.2021
	RM	RM	RM	RM
Lease liabilities	198,060	(123,154)	7,893	82,799
Group	1.1.2020	Cash flows	Non-cash changes	31.12.2020
	RM	RM	RM	RM
Amount due to directors	9	(9)	-	-
Lease liabilities	230,582	(114,687)	82,165	198,060

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

1. General information

The Company is principally an investment holding company. The details of the subsidiaries, including their principal activities, are disclosed in Note 13.

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

The Company's registered office is located at 54B, Damai Complex, Jalan Lumut, 50400 Kuala Lumpur.

The principal place of business is located at Unit 606, Block G, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan.

The financial statements of the Group and the Company were approved and authorised for issue by the board of directors on 15 April 2022.

2. Principal accounting policies

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared and presented in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and their related IC Interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in accounting policies of the Group.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial applications.

RED IDEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2.2.2 Significant accounting policies

Functional and presentation currency

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

Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition method

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the sum of their fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), over the net fair value of the acquiree's net identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

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2.2.2 Significant accounting policies (continued)

Merger accounting

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial period.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party or parties' interests.

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

Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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2.2.2 Significant accounting policies (continued)

Revenue recognition (continued)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

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

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

(iii) Exchange rates

The principal exchange rates for every unit of foreign currency used are as follows:

	2021	2020
	RM	RM
Singapore Dollar	3.085	3.035
United States Dollar	4.165	4.017

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2.2.2 Significant accounting policies (continued)

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees. 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 such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense in profit or loss as incurred.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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2.2.2 Significant accounting policies (continued)

Impairment of assets

The carrying amount of assets (primarily non financial assets) subject to accounting for impairment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation on plant and equipment is calculated to write off the cost of the assets to its residual value on a straight line basis at the following annual rates based on their estimated useful lives:

Furniture and fittings	10%
Guard devices	40% - 50%
Office equipment	40%
Renovation	20%
Signage and website	20%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

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2.2.2 Significant accounting policies (continued)

Intangible assets

(i) Research and development expenditures

Expenditures incurred at research phase, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss.

Expenditures incurred at development phase are recognised as intangible assets when the following criteria are fulfilled:

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) management intends to complete the intangible asset and use or sell it;
- (c) there is an ability to use or sell the intangible asset;
- (d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) the expenditure attributable to the intangible asset during its development can be reliably measured.

The expenditure capitalised includes direct labour, overhead costs and cost of materials that are directly attributable to preparing the asset for its intended use. Development expenditure recognised as intangible asset is stated at cost less accumulated amortisation and impairment losses, if any. Development expenditure is amortised when the asset is available for use on the straight line basis over the period of expected benefit of five years.

(ii) Mobile applications platform

Intangible assets with finite useful life that are acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives of five years.

(iii) Trademarks

Trademarks are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss on the straight line basis over the estimated useful lives of five years.

(iv) Computer software

Computer software is measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss on a straight line basis at the following annual rate based on its estimated useful live:

Computer software	40%
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The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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2.2.2 Significant accounting policies (continued)

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has power over its investee, exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

Inventories

Inventories comprising devices, parts and accessories are stated at the lower of cost and net realisable value. Cost of inventories is determined on a weighted average basis. Net realisable value represents the estimated selling prices less all estimated costs to be incurred in marketing, selling and distribution.

Cost of inventories comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

Leases

As a lessee

(i) Right of use assets

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Subsequent to initial measurement, the right of use asset is depreciated on a straight line basis over the shorter of the lease term and the estimated useful life as follows:

Motor vehicle	20%
Office	3 years

Right of use asset is subject to impairment and is adjusted for any remeasurement of lease liabilities.

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2.2.2 Significant accounting policies (continued)

Leases (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

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

Contract liability

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

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2.2.2 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Segment information

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

Financial instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

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2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss does not include exchange differences, interest and dividend income. Exchange differences, and interest on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income. Dividends are recognised as other income in profit or loss when the right of payment has been established.

(iii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

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

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

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2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

Expected credit losses

The Group recognises an allowance for expected credit losses (“ECL”) on financial assets at amortised cost.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost is deducted from the gross carrying amount of the assets.

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2.2.2 Significant accounting policies (continued)

Expected credit losses (continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

Significant increase in credit risk

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Definition of default

The Group considers a debt instrument to be in default when:

- a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
- b) The financial asset is more than 90 days past due.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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2.2.2 Significant accounting policies (continued)

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

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3. Critical accounting estimates and judgments

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

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

(a) Impairment of non financial assets

Determining whether non financial assets, comprising investment in subsidiaries and intangible assets, are impaired and require an estimation of the value in use of the cash generating unit to which the assets have been allocated to. Value in use calculation requires significant judgement in the estimation of the present value of future cash flows generated, which involve uncertainties and could be significantly affected by the assumptions used and judgements made regarding estimation of future cash flows and discount rate used.

4. Revenue

4.1 Disaggregation of revenue

	Group	
	2021	2020
	RM	RM
Type of goods and services		
Sales of goods and services	507,104	459,074
Subscription fees and listing fees	3,617,713	3,144,131
Commission income	27,508	37,412
Rental income	209,971	263,526
	4,362,296	3,904,143
Timing of revenue recognition		
Goods and services transferred at a point in time	534,612	496,486
Services transferred over time	3,827,684	3,407,657
	4,362,296	3,904,143

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4.2 Performance obligations

Sales of goods and services

The Group sells guard device and related hardware accessories. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 14 to 30 days from delivery.

The Group also provide the related technical set up services on products sold. Revenue is recognised at a point in time when the services are provided.

Subscription fees and listing fees

Revenue is recognised over time using straight line basis over the contract period. The terms of the contracts range from 1 to 2 years and generally due within 14 to 30 days from issuance of invoice.

Commission income

Commission income is recognised at a point in time when the services are provided. Payment is due upon issuance of invoice.

Rental income

Revenue income from car park space and vending machines are recognised over time using straight line basis over the lease period. Payment is generally due within 14 days from issuance of invoice.

4.3 Transaction price allocated to the remaining performance obligations

For practical expediency, no information is provided on the remaining performance obligation at the reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.4 Financing components

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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5. **Staff costs**

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, wages, bonus and allowances	2,648,688	3,119,813	84,000	84,000
Defined contribution plan	268,535	319,130	-	-
Other employee related expenses	61,409	54,524	-	-
	<u>2,978,632</u>	<u>3,493,467</u>	<u>84,000</u>	<u>84,000</u>
Staff costs recognised as intangible asset (Note 11)	(471,071)	(507,586)	-	-
	<u>2,507,561</u>	<u>2,985,881</u>	<u>84,000</u>	<u>84,000</u>

The key management personnel of the Group and Company whose remuneration is analysed as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive directors:				
Salaries, bonus and allowances	432,000	432,000	-	-
Defined contribution plan	45,360	51,840	-	-
Benefits-in-kind and others	4,316	4,008	-	-
	<u>481,676</u>	<u>487,848</u>	<u>-</u>	<u>-</u>
Non executive directors:				
Fees	99,412	99,236	84,000	84,000
Total	<u>581,088</u>	<u>587,084</u>	<u>84,000</u>	<u>84,000</u>

The number of directors of the Company where total remuneration during the reporting period falls within the following bands is analysed as follows:

	2021 RM	2020 RM
Executive directors:		
RM200,001 to RM250,000	2	2
Non executive directors:		
Below RM50,000	<u>3</u>	<u>3</u>

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6. Loss from operations

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Loss from operations is arrived at after charging/(crediting):				
Auditors' remuneration				
- current year	34,711	36,863	13,000	13,000
- underprovision in prior year	-	2,500	-	-
Changes in fair value of other investment	23,828	(140,894)	23,828	(140,894)
Directors' remuneration				
- directors of the Company				
- fees	99,412	99,236	84,000	84,000
- others	481,676	487,848	-	-
Expenses relating to leases of low value assets	2,335	2,428	-	-
Gain on disposal of other investments	(53,281)	(49,642)	(53,281)	(49,642)
Intangible assets written off	-	35,348	-	-
(Gain)/Loss on foreign exchange				
- realised	(41,727)	10,659	-	-
- unrealised	12,530	2,496	-	-
	<u>34,711</u>	<u>36,863</u>	<u>13,000</u>	<u>13,000</u>

7. Finance costs

	Group	
	2021	2020
	RM	RM
Interest expense on:		
- hire purchase	3,047	1,121
- other lease liabilities	7,893	16,099
	<u>10,940</u>	<u>17,220</u>

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8. Income tax expense

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Expected income tax payable				
- current year	(20,919)	-	(20,919)	-
- under provision in prior years	(57,093)	-	(57,093)	-
	<u>(78,012)</u>	<u>-</u>	<u>(78,012)</u>	<u>-</u>

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Loss before tax	<u>(986,624)</u>	<u>(2,715,793)</u>	<u>(186,894)</u>	<u>(94,034)</u>
Taxation at statutory tax rate of 24% (2020: 24%)	236,700	651,800	44,800	22,600
Different tax rate at foreign jurisdiction	170,400	(2,900)	-	-
Income not subject to tax	12,500	55,200	12,500	45,700
Expenses not deductible for tax purposes	(366,219)	(206,900)	(78,219)	(68,300)
Deferred tax assets not recognised	(74,300)	(497,200)	-	-
Under provision of income tax expense in prior years	(57,093)	-	(57,093)	-
Income tax expense for the year	<u>(78,012)</u>	<u>-</u>	<u>(78,012)</u>	<u>-</u>

	Group	
	2021 RM	2020 RM
Presented after appropriate offsetting:		
Deferred tax assets	342,000	328,900
Deferred tax liabilities	<u>(342,000)</u>	<u>(328,900)</u>
	<u>-</u>	<u>-</u>

Deferred tax liabilities are in respect of the following:

	Group	
	2021 RM	2020 RM
Tax effects of:		
Carrying amount of development expenditure	<u>342,000</u>	<u>328,900</u>

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10. **Plant and equipment**

Group	Furniture and fittings RM	Guard devices RM	Office equipment RM	Renovation RM	Signage and website RM	Total RM
Cost						
At 1 January 2020	128,295	236,333	283,892	169,207	4,063	821,790
Additions	8,830	46,224	80,014	4,500	-	139,568
At 31 December 2020	137,125	282,557	363,906	173,707	4,063	961,358
Additions	4,150	31,424	19,515	-	-	55,089
At 31 December 2021	141,275	313,981	383,421	173,707	4,063	1,016,447
Accumulated depreciation						
At 1 January 2020	25,460	170,883	243,104	57,434	1,482	498,363
Charge for the year	13,713	88,562	65,362	34,741	813	203,191
At 31 December 2020	39,173	259,445	308,466	92,175	2,295	701,554
Charge for the year	13,987	31,120	42,537	34,741	813	123,198
At 31 December 2021	53,160	290,565	351,003	126,916	3,108	824,752
Carrying amount						
At 31 December 2021	88,115	23,416	32,418	46,791	955	191,695
At 31 December 2020	97,952	23,112	55,440	81,532	1,768	259,804

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11. **Intangible assets**

Group	Computer software RM	Trademarks RM	Mobile applications development expenditure RM	Mobile applications platform RM	Total RM
Cost					
At 1 January 2020	10,924	271,976	1,727,982	1,792,118	3,803,000
Additions	-	54,994	795,316	-	850,310
Write offs	-	(34,605)	(131,816)	-	(166,421)
At 31 December 2020	10,924	292,365	2,391,482	1,792,118	4,486,889
Additions	6,678	19,761	762,016	-	788,455
At 31 December 2021	17,602	312,126	3,153,498	1,792,118	5,275,344
Accumulated amortisation					
At 1 January 2020	9,825	124,276	466,950	836,322	1,437,373
Amortisation for the year	1,095	55,091	347,547	358,424	762,157
Write offs	-	(34,605)	(96,468)	-	(131,073)
At 31 December 2020	10,920	144,762	718,029	1,194,746	2,068,457
Amortisation for the year	450	60,725	495,515	358,424	915,114
At 31 December 2021	11,370	205,487	1,213,544	1,553,170	2,983,571
Carrying amount					
At 31 December 2021	6,232	106,639	1,939,954	238,948	2,291,773
At 31 December 2020	4	147,603	1,673,453	597,372	2,418,432

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11. **Intangible assets** (continued)

	Group	
	2020	2021
	RM	RM
The additions to the cost of intangible asset are analysed as follows:		
Staff costs	471,071	507,586

The amortisation expense has been included in the line item “administrative expenses” in profit or loss.

11.1 **Impairment review of intangible assets**

The Group has been making losses for the past few reporting periods, which is considered as a triggering event for impairment review on the Group’s intangible assets. The recoverable amount of the Group’s intangible assets is determined using Red Ideas Sdn Bhd as a cash generating unit (“CGU”).

The recoverable amount of the intangible assets is determined based on its value in use calculations using cash flows projections from financial budgets prepared by management covering a five-year period and the following are the key assumptions:

- i) The discount rates used for the value in use calculation is based on the country’s industry weighted average cost of capital specific to the CGU at rate of 12% (2020: 13%).
- ii) The value assigned to the key assumptions such as sales growth, fixed and variable costs are based on the management’s assessment of future business trends and its historical data.

The management has considered and assessed reasonably possible changes of key assumptions and has not identified any instances that could cause the carrying amount of the intangible assets to materially exceed its recoverable amount.

12. **Right of use assets**

	Motor vehicle RM	Office RM	Total RM
Group Cost			
At 1 January 2020	-	316,422	316,422
Additions	77,183	5,566	82,749
At 31 December 2020/31 December 2021	77,183	321,988	399,171
Accumulated depreciation			
At 1 January 2020	-	94,926	94,926
Charge for the year	15,437	96,040	111,477
At 31 December 2020	15,437	190,966	206,403
Charge for the year	15,437	98,451	113,888
At 31 December 2021	30,874	289,417	320,291
Carrying amount			
At 31 December 2021	46,309	32,571	78,880
At 31 December 2020	61,746	131,022	192,768

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12. **Right of use assets** (continued)

During the reporting period, cash payments made for additions to right of use assets are as follows:

	Group	
	2021	2020
	RM	RM
Total additions	-	82,749
Lease liabilities	-	(66,066)
Cash payments	-	16,683

13. **Investment in subsidiaries**

	Company	
	2021	2020
	RM	RM
Unquoted shares at cost		
At beginning of year	1,000,030	1,000,030
Additions	7,400,000	-
At end of year	8,400,030	1,000,030

The details of the subsidiaries are as follows:

Subsidiaries of the Company	Country of incorporation	Group's effective interest		Principal activities
		2021	2020	
Red Ideas Sdn Bhd	Malaysia	100%	100%	Community security services and advertising through mobile and web applications
Intellectual Property Pte. Ltd.*	Singapore	100%	100%	Development of the Graaab mobile application, registration of trademark to the Graaab name and maintenance of Graaab system
Subsidiary of Red Ideas Sdn Bhd				
Red Ideas Indonesia Sdn Bhd	Malaysia	100%	100%	Community mobile management services through mobile and web application

* The financial statements of the subsidiary are not audited by Russell Bedford LC PLT.

During the reporting period, the Company subscribed for 7,400,000 redeemable non-cumulative convertible preference shares in Red Ideas Sdn Bhd ("RISB") by way of capitalisation of amount due from RISB.

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13.1 Impairment review of investment in a subsidiary

In the current reporting period, the directors performed an impairment test on the investment in Red Ideas Sdn Bhd ("RISB") as the subsidiary has been making losses for the past few reporting periods.

The recoverable amount of investment in RISB is determined based on its value in use calculations using cash flows projections from financial budgets prepared by management covering a five-year period, as a cash generating unit ("CGU"), and the following are the key assumptions:

- i) The discount rates used for the value in use calculation is based on the country's industry weighted average cost of capital specific to the CGU at rate of 12% (2020: 13%).
- ii) The value assigned to the key assumptions such as sales growth, fixed and variable costs are based on the management's assessment of future business trends and its historical data.

The management has considered and assessed reasonably possible changes of key assumptions and has not identified any instances that could cause the carrying amount of the investment in RISB to materially exceed its recoverable amount.

14. Inventories

	Group	
	2021	2020
	RM	RM
Devices, parts and accessories, at cost	148,007	119,099
Amount of inventories recognised as an expense	1,532,247	2,014,624

15. Trade receivables

	Group	
	2021	2020
	RM	RM
Trade receivables	649,220	810,727
Less: Allowance for expected credit losses ("ECL")	(145,728)	(192,777)
	503,492	617,950

The Group's normal trade credit terms range from 14 days to 30 days (2020: 14 days to 30 days).

The movements in the allowance for expected credit losses of trade receivables during the reporting period are as follows:

	Group	
	2021	2020
	RM	RM
At beginning of year	192,777	155,488
(Reversal)/Allowance during the year	(47,049)	37,289
At end of year	145,728	192,777

The following table details the credit risk exposure on the Group's trade receivables using a provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns (i.e. by geographical area, product type and customer segments), the allowance for expected credit loss based on past due status is not further distinguished between the Group's different customer base.

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15. **Trade receivables** (continued)

2021 Group	Trade receivables – days past due				
	Not past due	<30 days	31-60 days	>60 days	Total
	RM	RM	RM	RM	RM
Gross carrying amount	260,551	71,116	11,577	305,976	649,220
Less: Allowance of ECL impairment assessed individually	-	-	-	(113,848)	(113,848)
	260,551	71,116	11,577	192,128	535,372
Less: Allowance of ECL with provision matrix	(5,240)	(2,611)	(915)	(23,114)	(31,880)
	255,311	68,505	10,662	169,014	503,492

2020 Group	Trade receivables – days past due				
	Not past due	<30 days	31-60 days	>60 days	Total
	RM	RM	RM	RM	RM
Gross carrying amount	318,269	134,980	5,328	352,150	810,727
Less: Allowance of ECL impairment assessed individually	-	-	-	(127,738)	(127,738)
	318,269	134,980	5,328	224,412	682,989
Less: Allowance of ECL with provision matrix	(15,461)	(11,078)	(898)	(37,602)	(65,039)
	302,808	123,902	4,430	186,810	617,950

16. **Other receivables, deposits and prepayments**

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current				
Amount due from subsidiaries	-	-	66,894	9,193,480
Less: Allowance for expected credit losses	-	-	-	(2,445,000)
	-	-	66,894	6,748,480

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current				
Other receivables, deposits and prepayments	106,722	127,066	1,200	1,225

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16. **Other receivables, deposits and prepayments** (continued)

The amount due from subsidiaries represents unsecured interest free advances which are not expected to be realised within 12 months after the reporting date.

The movements in the allowance for expected credit losses of other receivables during the reporting period are as follows:

	Company	
	2021	2020
	RM	RM
At beginning of year	2,445,000	2,445,000
Expected credit losses no longer required	(2,445,000)	-
At end of year	<u>-</u>	<u>2,445,000</u>

17. **Other investment**

	Group and Company	
	2021	2020
	RM	RM
Financial assets at fair value through profit or loss		
- Unquoted trust funds in Malaysia	<u>1,649,627</u>	<u>2,420,174</u>

The investment in unquoted trust funds relate to portfolio of money market fund investments placed with a fund management company licensed by the Securities Commission Malaysia. These funds aim to provide a regular stream of monthly income through direct investment in short to medium term money market instruments and other fixed income securities predominantly with a minimum credit rating of 'A3' by RAM or such equivalent rating by other rating agencies. These investments could be redeemed for cash from the funds within a short notice period.

The method applied in determining the fair value of other investment is disclosed in Note 29.

18. **Share capital**

	Group and Company			
	2021	2020	2021	2020
	No. of shares	No. of shares	RM	RM
Ordinary shares				
Issued and fully paid:				
At beginning/end of year	105,003,340	105,003,340	11,652,656	11,652,656
Redeemable preferences shares				
At beginning/end of year	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>
	<u>107,203,340</u>	<u>107,203,340</u>	<u>13,852,656</u>	<u>13,852,656</u>

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18. **Share capital** (continued)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The Redeemable Preference Shares carry the following rights and privileges and are subject to the following conditions:

- a) the preference shares are not convertible into ordinary shares;
- b) the preference shares are redeemable at the option of the Company at a redemption price of RM1 for each share;
- c) the preference shares shall carry no rights to vote except for any proposal for capital reduction, disposal of the whole of the Company's property, business and undertaking and winding up; and
- d) the preference shares are entitled to a return of capital in priority to the holders of the ordinary shares in the event of a winding up.

19. **Reserves**

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Accumulated losses	(10,444,950)	(9,380,314)	(3,743,953)	(3,479,047)
Non-distributable:				
Foreign currency translation reserve	36,283	68,087	-	-
Merger reserve	266,074	266,074	-	-
	<u>(10,142,593)</u>	<u>(9,046,153)</u>	<u>(3,743,953)</u>	<u>(3,479,047)</u>

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiary upon consolidation under the merger accounting principles.

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20. **Lease liabilities**

	Group	
	2021	2020
	RM	RM
Hire purchase liabilities	46,047	57,002
Other lease liabilities	36,752	141,058
	<u>82,799</u>	<u>198,060</u>
Less: Portion due within one year	(48,397)	(115,261)
Non current portion	<u><u>34,402</u></u>	<u><u>82,799</u></u>
The non current portion of the lease liabilities is payable as follows:		
Later than 1 year and not later than 2 years	12,336	48,397
Later than 2 years and not later than 5 years	22,066	34,402
	<u><u>34,402</u></u>	<u><u>82,799</u></u>

The weighted average effective interest rate per annum implicit in the lease liabilities is as follows:

	Group	
	2021	2020
	%	%
Hire purchase liabilities	5.52	5.52
Other lease liabilities	8.40	8.40

The Group had total cash outflows for leases of RM136,429 (2020: RM134,335).

21. **Trade payables**

The normal trade credits granted to the Group range from 14 days to 30 days (2020: 14 days to 30 days).

22. **Other payables and accruals**

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Withholding tax payable	430	111,072	-	-
Other payables, deposits and accruals	341,270	358,363	18,335	29,949
	<u><u>341,700</u></u>	<u><u>469,435</u></u>	<u><u>18,335</u></u>	<u><u>29,949</u></u>

23. **Contract liability**

	Group	
	2021	2020
	RM	RM
At beginning of year	993,639	807,238
Billings issued during the year	3,977,003	3,595,710
Revenue recognised during the year	(3,869,477)	(3,409,309)
At end of year	<u><u>1,101,165</u></u>	<u><u>993,639</u></u>

Contract liability represents advance billing of subscription fees, listing fees and rental income to customers and is recognised as revenue over time using straight line basis over the contract period.

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24. **Provisions**

	Group	
	2021	2020
	RM	RM
At beginning of year	19,924	23,930
Provision made during the year	9,236	9,142
Reversal of provision	(11,956)	(7,245)
Utilisation	(2,419)	(5,903)
At end of year	<u>14,785</u>	<u>19,924</u>

The Group provides assurance type warranties on guard devices and undertake to repair or replace items that failed to perform satisfactorily. A provision is recognised at the reporting date for expected warranty claims based on past experience of the level of repairs and returns.

25. **Significant related party disclosures**

25.1 **Related party balances**

Individually significant outstanding balances arising from transactions (other than normal trade transactions) are as follows:

		Group		Company	
	Type of transactions	2021	2020	2021	2020
		RM	RM	RM	RM
Financial assets					
With subsidiaries:					
Red Ideas Sdn Bhd	Advances	-	-	-	6,701,830
Red Ideas Indonesia Sdn Bhd	Advances	-	-	-	10,000
Intellectual Property Pte Ltd	Advances	-	-	66,894	2,481,650
	Allowance for expected credit losses	-	-	-	(2,445,000)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,445,000)</u>

25.2 **Compensation of key management personnel**

The key management personnel comprises mainly executive directors of the Company whose remuneration is disclosed in Note 5.

26. **Commitments**

	Group	
	2021	2020
	RM	RM
Operating lease commitments		
The future minimum rental payment under non-cancellable tenancy agreements are as follows:		
Not later than 1 year	<u>-</u>	<u>1,188</u>

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27. **Segment information**

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purposes of making decision about resource allocation and performance assessment.

(i) Reporting segment

No reporting segment is presented as the Group is predominantly in the business of community security services and advertising through mobile and web applications.

(ii) Geographical information

The Group's activities are predominantly in Malaysia and the overseas segment does not contribute more than 10% of the consolidated assets and liabilities.

(iii) Major customers

The Group does not have significant reliance on a single major customer, with whom the Group's transactions accounted for 10% of the Group's revenue.

28. **Financial instruments, financial risks and capital risk management**

28.1 **Categories of financial instruments**

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Financial assets				
Amortised cost:				
- trade and other receivables	551,451	670,129	67,894	6,749,705
- cash and bank balances	323,094	458,674	16,706	233,649
	874,545	1,128,803	84,600	6,983,354
Fair value through profit or loss:				
- other investment	1,649,627	2,420,174	1,649,627	2,420,174
	<u>2,524,172</u>	<u>3,548,977</u>	<u>1,734,227</u>	<u>9,403,528</u>
Financial liabilities				
Amortised cost:				
- trade and other payables	311,581	419,119	18,335	29,949
- lease liabilities	82,799	198,060	-	-
	<u>394,380</u>	<u>617,179</u>	<u>18,335</u>	<u>29,949</u>

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28.2 Financial risk management policies and objectives

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Foreign exchange risk management

The Group transacts business in various currencies, and therefore is exposed to foreign exchange risk. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures.

The net financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies	
	United States Dollar	Singapore Dollar
Functional currency of the Group	RM	RM
2021		
Ringgit Malaysia	-	-
2020		
Ringgit Malaysia	(2,444)	(26,681)

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28.2 Financial risk management policies and objectives (continued)

Foreign exchange risk management (continued)

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted at the period end for a 10% change in foreign currency rates. If the relevant foreign currencies strengthen by 10% against the functional currency of the Group, losses before tax will increase by:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Singapore Dollar	-	(2,668)	-	-
United States Dollar	-	(244)	-	-

The opposite applies if the relevant foreign currencies weaken by 10% against the functional currency of the Group.

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Amount due from a subsidiary	-	-	-	6,701,830
Unquoted trust fund with 1 fund management company	1,649,627	2,420,174	1,649,627	2,420,174

The Group's credit risk grading framework for expected credit losses ("ECL") model is as follows:

Category	Definition	Basis for recognition of ECL
Performing	The debtor has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or the debtor is two years past due.	Amount is written off

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28.2 Financial risk management policies and objectives (continued)

Credit risk management (continued)

i) Trade receivables

For trade receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. The Group determines the ECL on these items by using a provision matrix, where applicable, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these debtors is presented based on their past due status in terms of the provision matrix as disclosed in Note 15. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

ii) Other receivables

Other receivables other than the amount due from a subsidiary of RM Nil (2020: RM2,481,650) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. The loss allowance of RM Nil (2020: RM2,445,000) for the amount due from a subsidiary is measured at an amount equal to the lifetime ECL as there has been a significant increase in credit risk since initial recognition. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

iii) Other investment and bank balances

The other investment and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on other investment and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its other investment and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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28.2 **Financial risk management policies and objectives** (continued)

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by equity.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Carrying amount RM	Contractual cash flows (including interest payments)			
		Total RM	On demand or within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM
Group					
2021					
Non interest bearing debts	311,581	311,581	311,581	-	-
Lease liabilities	82,799	88,193	51,260	13,860	23,073
	<u>394,380</u>	<u>399,774</u>	<u>362,841</u>	<u>13,860</u>	<u>23,073</u>
2020					
Non interest bearing debts	419,119	419,119	419,119	-	-
Lease liabilities	198,060	214,251	126,058	51,260	36,933
	<u>617,179</u>	<u>633,370</u>	<u>545,177</u>	<u>51,260</u>	<u>36,933</u>

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28.2 Financial risk management policies and objectives (continued)

Liquidity risk management (continued)

Company	Carrying amount RM	Contractual cash flows (including interest payments)	
		Total RM	On demand or within 1 year RM
2021			
Non interest bearing debts	18,335	18,335	18,335
	<u>18,335</u>	<u>18,335</u>	<u>18,335</u>
2020			
Non interest bearing debts	29,949	29,949	29,949
	<u>29,949</u>	<u>29,949</u>	<u>29,949</u>

28.3 Capital structure and equity

The Group manages its capital to ensure that the Group will be able to continue as a going concern while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt.

As at the reporting date, the Group's strategy was unchanged from 31 December 2020 which is to finance wholly by equity.

29. Fair value measurements

29.1 Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's lease liabilities approximate their carrying amount. Lease liabilities approximates their carrying amounts as these instruments were entered with interest rates which are reasonable approximation of the market interest rates on or near reporting date.

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29. **Fair value measurements** (continued)

29.2 **Financial instruments and non financial assets carried at fair value**

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table provides an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group and Company			
	Fair value measurements at the end of the reporting period using			
	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2021				
Recurring fair value measurements				
Financial assets:				
<u>Other investment</u>				
Unquoted trust funds	-	-	1,649,627	1,649,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2020				
Recurring fair value measurements				
Financial assets:				
<u>Other investment</u>				
Unquoted trust funds	-	-	2,420,174	2,420,174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There were no transfers between these levels of fair values in the current and previous reporting periods.

Valuation techniques used to derive Level 3 fair values

The fair value of the unquoted trust funds is determined by reference to the net assets per unit of the funds.