

TT VISION HOLDINGS BERHAD
201801011030 (1273046-H)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Registration No. 201801011030 (1273046-H)

TT VISION HOLDINGS BERHAD
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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TT VISION HOLDINGS BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

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

RESULTS

| | Group RM | Company RM |
|---|---------------------|-----------------------|
| Loss for the financial year, net of tax | 4,433,089 | 1,630,067 |

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any final dividends in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and no allowance need to be made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 40,000,000 new ordinary shares at a price of RM0.18 per ordinary share for working capital purposes. The new ordinary shares issued during the financial year rank equally in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of debenture was made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Goon Koon Yin*
Wong Yih Hsow*
Jennie Tan Yen-Li*
Mohd Jerry Tan Bin Mohd Safi*
Nadiah Wong Binti Abdullah

* Directors of the Company and its subsidiaries

DIRECTORS' INTERESTS

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

Interest in the Company

| | Number of ordinary shares | | | At 31.12.2019 |
|----------------------------|---------------------------|--------|------|---------------------------|
| | At 01.01.2019 | Bought | Sold | |
| Direct interests: | | | | |
| Goon Koon Yin | 103,565,300 | - | - | 103,565,300 |
| Wong Yih Hsow | 103,565,300 | - | - | 103,565,300 |
| Jennie Tan Yen-Li | 11,507,200 | - | - | 11,507,200 |
| Indirect interests: | | | | |
| Goon Koon Yin | 11,507,200 ⁽¹⁾ | - | - | 11,507,200 ⁽¹⁾ |

⁽¹⁾ Shares held through spouse

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, the directors are also deemed to have interest in the ordinary shares of the subsidiaries to the extent the holding company has an interest.

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

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 30 to the financial statements.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there was no indemnity coverage and insurance premium paid for the directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiary are disclosed in Note 9 to the financial statements.

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

SIGNIFICANT EVENT DURING THE OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 24 to the financial statements.

INDEMNITY TO AUDITORS

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

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

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

.....
GOON KOON YIN
Director

.....
WONG YIH HSOW
Director

Penang

Date: 25 June 2020

TT VISION HOLDINGS BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | | Group | | Company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | Restated RM | RM | RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 12,634,245 | 23,691,737 | - | - |
| Right-of-use assets | 6 | 20,265,430 | - | - | - |
| Intangible assets | 8 | 4,099,999 | 3,233,609 | - | - |
| Investment in subsidiaries | 9 | - | - | 34,349,991 | 34,349,991 |
| Total non-current assets | | 36,999,674 | 26,925,346 | 34,349,991 | 34,349,991 |
| Current assets | | | | | |
| Inventories | 10 | 10,052,956 | 6,665,757 | - | - |
| Trade and other receivables | 11 | 5,631,586 | 14,565,898 | 5,168,428 | - |
| Cash and bank balances | | 8,939,234 | 7,540,670 | 125,631 | 9 |
| Total current assets | | 24,623,776 | 28,772,325 | 5,294,059 | 9 |
| TOTAL ASSETS | | 61,623,450 | 55,697,671 | 39,644,050 | 34,350,000 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 12 | 41,280,308 | 34,350,000 | 41,280,308 | 34,350,000 |
| Other reserves | 13 | (10,072,862) | (10,072,862) | - | - |
| Retained earnings/ (Accumulated losses) | | 12,046,229 | 16,479,318 | (1,692,258) | (62,191) |
| TOTAL EQUITY | | 43,253,675 | 40,756,456 | 39,588,050 | 34,287,809 |

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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

| | | Group | | Company | |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | | Restated | | |
| | Note | RM | RM | RM | RM |
| Non-current liabilities | | | | | |
| Loans and borrowings | 14 | 3,625,693 | 571,768 | - | - |
| Deferred income | 16 | 672,721 | 914,092 | - | - |
| Deferred tax liabilities | 17 | 3,988,143 | 4,109,109 | - | - |
| Total non-current liabilities | | 8,286,557 | 5,594,969 | - | - |
| Current liabilities | | | | | |
| Loans and borrowings | 14 | 305,843 | 325,241 | - | - |
| Trade and other payables | 18 | 4,573,371 | 3,939,773 | 50,200 | 62,191 |
| Contract liabilities | 19 | 4,870,519 | 5,031,886 | - | - |
| Current tax liabilities | | 333,485 | 49,346 | 5,800 | - |
| Total current liabilities | | 10,083,218 | 9,346,246 | 56,000 | 62,191 |
| TOTAL LIABILITIES | | 18,369,775 | 14,941,215 | 56,000 | 62,191 |
| TOTAL EQUITY AND LIABILITIES | | 61,623,450 | 55,697,671 | 39,644,050 | 34,350,000 |

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

TT VISION HOLDINGS BERHAD
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**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | Note | Group | | Company | |
|--|------|--------------------|------------------|--------------------------------------|--------------------------------------|
| | | 2019 RM | 2018 RM | 01.01.2019 to 31.12.2019 RM | 21.03.2018 to 31.12.2018 RM |
| Revenue | 20 | 20,660,038 | 28,534,821 | - | - |
| Cost of sales | | (16,829,848) | (19,155,636) | - | - |
| Gross profit | | 3,830,190 | 9,379,185 | - | - |
| Other income | 21 | 910,901 | 1,999,142 | - | - |
| Distribution expenses | | (680,471) | (634,167) | - | - |
| Administrative expenses | | (6,625,934) | (6,339,235) | (1,648,590) | (62,191) |
| Research and development expenses | | (1,229,727) | (730,651) | - | - |
| Other expenses | | (697,500) | - | - | - |
| Operating (loss)/profit | | (4,492,541) | 3,674,274 | (1,648,590) | (62,191) |
| Finance income | 22 | 75,072 | 34,809 | 24,323 | - |
| Finance costs | 23 | (130,761) | (460,008) | - | - |
| (Loss)/profit before tax | 24 | (4,548,230) | 3,249,075 | (1,624,267) | (62,191) |
| Income tax income/(expense) | 26 | 115,141 | (447,350) | (5,800) | - |
| (Loss)/profit for the financial year/period | | (4,433,089) | 2,801,725 | (1,630,067) | (62,191) |
| Other comprehensive income, net of tax | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Surplus on revaluation of property | 27 | - | 3,189,675 | - | - |
| Other comprehensive income for the financial year/period | | - | 3,189,675 | - | - |
| Total comprehensive (loss)/profit for the financial year/period | | (4,433,089) | 5,991,400 | (1,630,067) | (62,191) |
| Basic (loss)/earnings per share (sen): | 31 | (1.19) | 16.60 | | |

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

TT VISION HOLDINGS BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| Group | ----- Attributable to the owners of the Company ----- | | | | | Total equity RM |
|---|---|------------------------------------|---------------------------------|------------------------------|----------------------------|--------------------|
| | Share capital RM | Equity component of RCCPS RM | Reorganisation reserve RM | Revaluation reserve RM | Retained earnings RM | |
| At 1 January 2019 | 34,350,000 | - | (22,937,998) | 12,865,136 | 16,479,318 | 40,756,456 |
| Loss for the financial year, representing total comprehensive loss | - | - | - | - | (4,433,089) | (4,433,089) |
| Transaction with owners | | | | | | |
| Issuance of ordinary shares | 7,200,000 | - | - | - | - | 7,200,000 |
| Share issuance expenses | (269,692) | - | - | - | - | (269,692) |
| Total transactions with owners | 6,930,308 | - | - | - | - | 6,930,308 |
| At 31 December 2019 | 41,280,308 | - | (22,937,998) | 12,865,136 | 12,046,229 | 43,253,675 |

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

| Group | Note | ----- Attributable to the owners of the Company ----- | | | | | Total equity RM |
|--|------|---|------------------------------------|---------------------------------|------------------------------|----------------------------|--------------------|
| | | Share capital RM | Equity component of RCCPS RM | Reorganisation reserve RM | Revaluation reserve RM | Retained earnings RM | |
| At 1 January 2018 (unaudited) | | - | 328,752 | 400,000 | 9,675,461 | 13,677,593 | 24,081,806 |
| Total comprehensive income for the financial year | | | | | | | |
| Profit for the financial year | 27 | - | - | - | - | 2,801,725 | 2,801,725 |
| Other comprehensive income | | - | - | - | 3,189,675 | - | 3,189,675 |
| Total comprehensive income | | - | - | - | 3,189,675 | 2,801,725 | 5,991,400 |
| Transaction with owners | | | | | | | |
| Shares issued for acquisition of subsidiaries | | 34,350,000 | (328,752) | (23,337,998) | - | - | 10,683,250 |
| At 31 December 2018 | | 34,350,000 | - | (22,937,998) | 12,865,136 | 16,479,318 | 40,756,456 |

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

| Company | Attributable to owners of the Company | | Total equity RM |
|---|--|-----------------------------|-----------------------|
| | Share capital RM | Accumulated losses RM | |
| At 21 March 2018 (date of incorporation) | 10 | - | 10 |
| Loss for the financial period, representing total comprehensive loss | - | (62,191) | (62,191) |
| Transaction with owners | | | |
| Shares issued for acquisition of subsidiaries | 34,349,990 | - | 34,349,990 |
| At 31 December 2018 | 34,350,000 | (62,191) | 34,287,809 |
| Loss for the financial year, representing total comprehensive loss | - | (1,630,067) | (1,630,067) |
| Transaction with owners | | | |
| Issuance of shares | 7,200,000 | - | 7,200,000 |
| Share issuance expenses | (269,692) | - | (269,692) |
| Total transactions with owners | 6,930,308 | - | 6,930,308 |
| At 31 December 2019 | 41,280,308 | (1,692,258) | 39,588,050 |

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

TT VISION HOLDINGS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Group | | Company | |
|--|------|------------------|------------------|--------------------------------|--------------------------------|
| | | 2019 | 2018 | 01.01.2019 to 31.12.2019 | 21.03.2018 to 31.12.2018 |
| | | RM | Restated RM | RM | RM |
| Cash flows from operating activities | | | | | |
| (Loss)/profit before tax | | (4,548,230) | 3,249,075 | (1,624,267) | (62,191) |
| Adjustments for: | | | | | |
| Amortisation and depreciation of investment property | | - | 5,437 | - | - |
| Amortisation and depreciation of property, plant and equipment | | 913,243 | 1,374,890 | - | - |
| Amortisation and depreciation of right-of-use assets | | 576,703 | - | - | - |
| Amortisation of deferred income | | (309,039) | (301,144) | - | - |
| Amortisation of intangible assets | | 508,950 | 617,957 | - | - |
| Bad debts written off | | 697,500 | - | - | - |
| Gain on disposal of investment property | | - | (1,633,770) | - | - |
| Interest expenses | | 130,761 | 460,008 | - | - |
| Interest income | | (75,072) | (34,809) | (24,323) | - |
| Inventories written down | | 694,217 | - | - | - |
| Unrealised loss on foreign exchange | | 104,152 | 52,362 | - | - |
| Written off of intangible assets | | 693,050 | - | - | - |
| Operating (loss)/profit before working capital changes | | (613,765) | 3,790,006 | (1,648,590) | (62,191) |
| Changes in working capital: | | | | | |
| Inventories | | (4,081,416) | 252,896 | - | - |
| Receivables | | 8,203,414 | (1,325,395) | (5,168,428) | - |
| Payables | | 635,555 | (2,557,247) | (11,991) | 62,191 |
| Contract liabilities | | (161,367) | 1,302,830 | - | - |
| Net cash generated from/(used in) operations | | 3,982,421 | 1,463,090 | (6,829,009) | - |
| Income tax paid | | (401,686) | (1,293,803) | - | - |
| Income tax refunded | | 680,000 | 64,857 | - | - |
| Interest paid | | (130,761) | (52,608) | - | - |
| Interest received | | 75,072 | 34,809 | 24,323 | - |
| Net cash from/(used in) operating activities | | 4,205,046 | 216,345 | (6,804,686) | - |

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

| | Note | Group | | Company | |
|---|------|------------------|------------------|--------------------------------|--------------------------------|
| | | 2019 | 2018 Restated | 01.01.2019 to 31.12.2019 | 21.03.2018 to 31.12.2018 |
| | | RM | RM | RM | RM |
| Cash flows from investing activities | | | | | |
| activities | | | | | |
| Grants received | | 67,668 | - | - | - |
| Acquisition of subsidiaries | | - | - | - | (1) |
| Purchase of property, plant and equipment | | (10,576,096) | (1,006,007) | - | - |
| Purchase of rights-of-use assets | (a) | - | - | - | - |
| Proceeds from disposal of investment properties | | - | 2,300,000 | - | - |
| Purchase of intangible assets | | (2,068,390) | (1,530,653) | - | - |
| Net cash used in investing activities | | (12,576,818) | (236,660) | - | (1) |
| Cash flows from financing activities | (b) | | | | |
| Payment of share issuance expenses | | (269,692) | - | (269,692) | - |
| Proceeds from issuance of ordinary shares | | 7,200,000 | 10 | 7,200,000 | - |
| Proceeds from term loans | | 4,779,977 | - | - | - |
| Repayment of lease liabilities/finance lease liabilities | | (116,010) | (83,507) | - | - |
| Repayment of term loans | | (1,751,228) | (229,236) | - | - |
| Net cash from/(used in) financing activities | | 9,843,047 | (312,733) | 6,930,308 | - |
| Net increase/(decrease) in cash and cash equivalents | | 1,471,275 | (333,048) | 125,622 | (1) |
| Cash and bank balances at the beginning of the financial year/period | | 7,540,670 | 7,893,005 | 9 | 10 |
| Effects of exchange rate changes on cash and bank balances | | (72,711) | (19,287) | - | - |
| Cash and bank balances at the end of the financial year/period | | 8,939,234 | 7,540,670 | 125,631 | 9 |

(a) Purchase of rights-of-use assets

| | Group | | Company | |
|---|-----------|------|--------------------------------|--------------------------------|
| | 2019 | 2018 | 01.01.2019 to 31.12.2019 | 21.03.2018 to 31.12.2018 |
| | RM | RM | RM | RM |
| Purchase of rights-of-use assets | 121,788 | - | - | - |
| Financed by way of lease liabilities arrangements | (121,788) | - | - | - |
| Cash payments on purchase of rights-of-use assets | - | - | - | - |

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

| | 01.01.2019 | Cash flows | [-Non-cash-] Acquisition | 31.12.2019 |
|-------------------|-------------------|-------------------|-------------------------------------|-------------------|
| | RM | RM | RM | RM |
| Group | | | | |
| Term loans | 639,462 | 3,028,749 | - | 3,668,211 |
| Lease liabilities | 257,547 | (116,010) | 121,788 | 263,325 |
| | <u>897,009</u> | <u>2,912,739</u> | <u>121,788</u> | <u>3,931,536</u> |

| | 01.01.2018 | Cash flows | [-Non-cash-] Acquisition | 31.12.2018 |
|---------------------------|-------------------|-------------------|-------------------------------------|-------------------|
| | RM | RM | RM | RM |
| Group | | | | |
| Term loans | 868,698 | (229,236) | - | 639,462 |
| Finance lease liabilities | 341,054 | (83,507) | - | 257,547 |
| | <u>1,209,752</u> | <u>(312,743)</u> | <u>-</u> | <u>897,009</u> |

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

Registration No. 201801011030 (1273046-H)

TT VISION HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the LEAP Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 9-1, 9th Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 George Town, Penang. The principal place of business of the Company is located at Plot 106, Jalan Hilir Keluang 5, Bayan Lepas FIZ 4, 11900 Bayan Lepas, Penang.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 June 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowing Costs

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets are measured at either:

- (a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its largest property leases; or
- (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

The Group and the Company also applied the following practical expedients wherein they:

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- (c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- (d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

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

The following is a reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 January 2019:

| | Carrying amount at 31 December 2018 | Remeasurement | MFRS 16 carrying amount at 1 January 2019 |
|-------------------------------|--|----------------------|--|
| | RM | RM | RM |
| Property, plant and equipment | 23,691,737 | (20,720,345) | 2,971,392 |
| Right-of-use assets | - | 20,720,345 | 20,720,345 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

| <u>New MFRSs</u> | Effective for financial periods beginning on or after |
|---|--|
| MFRS 17 Insurance Contracts | 1 January 2023 |
| <u>Amendments/Improvements to MFRSs</u> | |
| MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2022^/ 1 January 2023# |
| MFRS 3 Business Combinations | 1 January 2020/ 1 January 2022/ 1 January 2023# |
| MFRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 January 2023# |
| MFRS 7 Financial Instruments: Disclosures | 1 January 2020/ 1 January 2023# |
| MFRS 9 Financial Instruments | 1 January 2020/ 1 January 2022^/ 1 January 2023# |
| MFRS 10 Consolidated Financial Statements | Deferred |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2023# |
| MFRS 16 Leases | 1 June 2020^/ 1 January 2022^ |
| MFRS 101 Presentation of Financial Statements | 1 January 2020/ 1 January 2023#/ 1 January 2022 |
| MFRS 107 Statements of Cash Flows | 1 January 2023# |
| MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error | 1 January 2020 |
| MFRS 116 Property, Plant and Equipment | 1 January 2022/ 1 January 2023# |
| MFRS 119 Employee Benefits | 1 January 2023# |
| MFRS 128 Investments in Associates and Joint Ventures | Deferred/ 1 January 2023# |
| MFRS 132 Financial instruments: Presentation | 1 January 2023# |
| MFRS 136 Impairment of Assets | 1 January 2023# |
| MFRS 137 Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022/ 1 January 2023# |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

| | | Effective for financial periods beginning on or after |
|----------|---|--|
| MFRS 138 | Intangible Assets | 1 January 2023 [#] |
| MFRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2020 |
| MFRS 140 | Investment Property | 1 January 2023 [#] |
| MFRS 141 | Agriculture | 1 January 2022 [^] |

[^] *The Annual Improvements to MFRS Standards 2018-2020*

^{*} *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*

[#] *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

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

Annual Improvements to MFRS Standards 2018–2020

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80– 125% range during the period of uncertainty arising from the reform.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

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

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

- (c) The Group and the Company are currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The financial statements of the Group and the Company are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Group’s and the Company’s functional currency.

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also required directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the directors’ best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements and consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

(a) Subsidiaries and business combination

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

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

The Group applies the acquisition method to account for business combinations from the acquisition date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisitions-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an AFS financial asset or held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

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

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

(c) Transactions eliminated on consolidation

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Separate financial statements

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

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions

Translation of foreign currency transactions

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

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

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

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets

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

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

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

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

Debt instruments

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

• **Amortised cost**

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

• **Fair value through other comprehensive income (FVOCI)**

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

(i) Financial assets (continued)

Debt instruments (continued)

• **Fair value through profit or loss (FVPL)**

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

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

Equity instruments

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

(ii) Financial liabilities

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company itself purchases or sells an asset). Trade date accounting refers to:

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

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

(d) Derecognition

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(d) Derecognition (continued)

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

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

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

(e) Offsetting of financial instruments

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

(a) Recognition and measurement

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

Leasehold land and building are measured at fair value, based on the valuation by an external independent valuer, less accumulated depreciation on buildings and any impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the leasehold land and building does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (continued)

(b) Subsequent costs

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

(c) Depreciation

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

| | Useful lives (years) |
|--|---------------------------------|
| Long-term leasehold land | 51.5 years |
| Buildings | 43.5 years |
| Machinery and equipment | 5 years |
| Computers | 5 - 10 years |
| Office equipment, furniture and fittings | 10 years |
| Motor vehicles | 5 years |
| Renovations and signboard | 10 years |

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

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

(d) Derecognition

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

(e) Capital-work-in-progress

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which take a substantive period of time to be ready for their intended uses. This expenditure is stated at cost less accumulated impairment losses, if any. Upon completion of construction, the cost will be reclassified to respective property, plant and equipment and depreciated according to the depreciation policy of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

Accounting policies applied from 1 January 2019

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

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

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

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

(a) Lessee accounting

Accounting policies applied from 1 January 2019

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

The Group and the Company present right-of-use assets and lease liabilities as separate line items in the statement of financial position.

Right-of-use asset

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Right-of-use asset (continued)

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

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company uses its incremental borrowing rate.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liability (continued)

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

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

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

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

Short-term leases and leases of low value assets

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets

(a) Research and development

Research costs are recognised in profit or loss as incurred.

An intangible asset arising from development is recognised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

(b) Amortisation

The amortisation methods used and estimated useful lives are as follows:

| | Method | Useful lives (years) |
|-------------------------|---------------|---------------------------------|
| Development expenditure | Straight-line | 5 years |

The residual values, useful lives and amortisation methods are reviewed at the end

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

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

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

- Raw materials: purchase costs on a first-in-first out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based in normal operating capacity. These costs are assigned on a weighted average cost basis.

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

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

3.10 Impairment of assets

(a) Impairment of financial assets and contract assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

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

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

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

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group and the Company consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment an uncollectibility of financial assets (continued)

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets

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

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

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

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Share capital

Ordinary shares

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

3.12 Redeemable Cumulative Convertible Preference Shares (“RCCPS”)

RCCPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCCPS that exhibits the characteristics of liability is recognised as a financial liability in accordance with the accounting policy disclosed in Note 3.4 The dividends on RCCPS are recognised as interest expense using the effective interest method.

The residual amount of RCCPS, after deducting the fair value of the liability component, is recognised in equity.

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.14 Contract liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income

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

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

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

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (continued)

(a) Sale of goods – manufacturing

The Group manufactures and sells a range of vision inspecting products, automated solar cell testing and sorting equipment, research and development works of all kinds to customers. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

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

(b) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Other income

Other income is recognised on an accrual basis.

3.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of “other income”, on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Borrowing costs

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

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

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

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

3.18 Income tax

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

(a) Current tax

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(b) Deferred tax

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(b) Deferred tax (continued)

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

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

3.19 Earnings per share

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

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

3.20 Operating segments

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

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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Fair value measurements

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

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

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

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

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

3.22 Contingencies

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial years include the following:

(a) Impairment of financial assets

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

The Group and the Company use a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due.

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

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

The carrying amount of the Group's and the Company's financial assets are disclosed in Note 28(a).

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

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

The carrying amounts of the Group's inventories are disclosed in Note 10.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land RM | Building RM | Machinery and equipment RM | Computers RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Renovation and signboard RM | Construction in progress RM | Total RM |
|---|----------------------------------|------------------------|---|-------------------------|--|----------------------------------|--|--|---------------------|
| Cost/Revaluation | | | | | | | | | |
| At 1 January 2018 (unaudited) | 14,000,000 | 4,000,000 | 4,459,325 | 949,008 | 417,285 | 940,339 | 87,253 | - | 24,853,210 |
| Additions | - | - | 329,435 | 343,406 | - | - | - | 333,166 | 1,006,007 |
| Revaluation | 3,050,000 | (250,000) | - | - | - | - | - | - | 2,800,000 |
| At 31 December 2018, as previously stated | 17,050,000 | 3,750,000 | 4,788,760 | 1,292,414 | 417,285 | 940,339 | 87,253 | 333,166 | 28,659,217 |
| Adjustment on initial application of MFRS 16 | (17,050,000) | (3,750,000) | - | - | - | (773,903) | - | - | (21,573,903) |
| Restated balance at 1 January 2019 | - | - | 4,788,760 | 1,292,414 | 417,285 | 166,436 | 87,253 | 333,166 | 7,085,314 |
| Additions | - | - | 243,400 | 146,498 | 11,859 | - | - | 10,174,339 | 10,576,096 |
| At 31 December 2019 | - | - | 5,032,160 | 1,438,912 | 429,144 | 166,436 | 87,253 | 10,507,505 | 17,661,410 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Note | Leasehold land RM | Building RM | Machinery and equipment RM | Computers RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Renovation and signboard RM | Construction in progress RM | Total RM |
|---|-----------|-------------------------|----------------|-------------------------------------|-----------------|---|-------------------------|--------------------------------------|--------------------------------------|-------------|
| Accumulated amortisation/ depreciation | | | | | | | | | | |
| At 1 January 2018 (unaudited) | | 518,518 | 173,914 | 1,864,056 | 744,205 | 246,868 | 656,574 | 80,887 | - | 4,285,022 |
| Amortisation/depreciation for the financial year | 24 | 165,534 | 43,104 | 822,963 | 128,812 | 54,428 | 154,781 | 5,268 | - | 1,374,890 |
| Revaluation | | (518,518) | (173,914) | - | - | - | - | - | - | (692,432) |
| At 31 December 2018, as previously stated | | 165,534 | 43,104 | 2,687,019 | 873,017 | 301,296 | 811,355 | 86,155 | - | 4,967,480 |
| Adjustment on initial application of MFRS 16 | | (165,534) | (43,104) | - | - | - | (644,920) | - | - | (853,558) |
| Restated balance at 1 January 2019 | | - | - | 2,687,019 | 873,017 | 301,296 | 166,435 | 86,155 | - | 4,113,922 |
| Depreciation for the financial year | 24 | - | - | 798,377 | 60,899 | 52,869 | - | 1,098 | - | 913,243 |
| At 31 December 2019 | | - | - | 3,485,396 | 933,916 | 354,165 | 166,435 | 87,253 | - | 5,027,165 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Leasehold land RM | Building RM | Machinery and equipment RM | Computers RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Renovation and signboard RM | Construction in progress RM | Total RM |
|--|-------------------------|----------------|-------------------------------------|-----------------|---|-------------------------|--------------------------------------|--------------------------------------|-------------|
| Net carrying amount | | | | | | | | | |
| At 1 January 2018 (unaudited) | | | | | | | | | |
| Cost | - | - | 2,595,269 | 204,803 | 170,417 | 283,765 | 6,366 | - | 3,260,620 |
| Revaluation | 13,481,482 | 3,826,086 | - | - | - | - | - | - | 17,307,568 |
| | 13,481,482 | 3,826,086 | 2,595,269 | 204,803 | 170,417 | 283,765 | 6,366 | - | 20,568,188 |
| At 31 December 2018, as previously stated | | | | | | | | | |
| Cost | - | - | 2,101,741 | 419,397 | 115,989 | 128,984 | 1,098 | 333,166 | 3,100,375 |
| Revaluation | 16,884,466 | 3,706,896 | - | - | - | - | - | - | 20,591,362 |
| | 16,884,466 | 3,706,896 | 2,101,741 | 419,397 | 115,989 | 128,984 | 1,098 | 333,166 | 23,691,737 |
| At cost: | | | | | | | | | |
| At 1 January 2019 (adjusted) | - | - | 2,101,741 | 419,397 | 115,989 | 1 | 1,098 | 333,166 | 2,971,392 |
| At 31 December 2019 | - | - | 1,546,764 | 504,996 | 74,979 | 1 | - | 10,507,505 | 12,634,245 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amounts of property, plant and equipment held under finance lease arrangements of the Group as disclosed in Note 14(b) are as follows:

| | Group | |
|----------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Motor vehicles | - | 128,984 |
| | <hr/> | <hr/> |

(b) Assets pledged as security

The Group has pledged the following property to licensed banks to secure banking facilities granted to the Group as disclosed in Note 14(a):

| | Group | |
|--------------------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Leasehold land | - | 16,884,466 |
| Building | - | 3,706,896 |
| Construction in progress | 10,507,505 | 333,166 |
| | <hr/> | <hr/> |
| | 10,507,505 | 20,924,528 |

(c) Fair value information

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|----------------|----------------|----------------|--------------|
| 31 December 2018 | | | | |
| Leasehold land | - | 16,884,466 | - | 16,884,466 |
| Building | - | 3,706,896 | - | 3,706,896 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | 20,591,362 | - | 20,591,362 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value information (continued)

There are no Level 1 and Level 3 leasehold land and building or transfers between levels during the financial year ended 31 December 2018.

Level 2 fair value

Level 2 fair value of leasehold land and building were revalued on 30 June 2018 using the market comparison approach that reflects recent transaction prices of similar properties. The most significant input into this valuation approach is price per square foot for comparable properties. There has been no change to the valuation technique during the financial year.

Valuation process applied by the Group

The fair value of leasehold land and building are determined by external independent property valuers, Cheston International (Penang) Sdn. Bhd., with appropriate recognised professional qualification and recent experience in the location and category of property being valued. There has been no change to the valuation technique during the financial year.

Highest and best use

In estimating the fair value of the leasehold land and building, the highest and best use of the leasehold land and building is their current use.

Had the leasehold land and building been carried at historical cost less accumulated depreciation, the carrying amount that would have been recognised in the financial statements are as follows:

| | Group | |
|----------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Leasehold land | - | 1,415,677 |
| Building | - | 3,006,188 |
| | - | 4,421,865 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS

| Group | Note | Leasehold land RM | Building RM | Motor vehicles RM | Office premise RM | Total RM |
|--|-------------|----------------------------------|------------------------|----------------------------------|----------------------------------|---------------------|
| Cost/Fair value | | | | | | |
| At 1 January 2019 | | 17,050,000 | 3,750,000 | 773,903 | - | 21,573,903 |
| Additions | | - | - | - | 121,788 | 121,788 |
| At 31 December 2019 | | 17,050,000 | 3,750,000 | 773,903 | 121,788 | 21,695,691 |
| Accumulated amortisation and depreciation | | | | | | |
| At 1 January 2019 | | 165,534 | 43,104 | 644,920 | - | 853,558 |
| Amortisation/depreciation charge for the financial year | 24 | 331,068 | 86,207 | 128,982 | 30,446 | 576,703 |
| At 31 December 2019 | | 496,602 | 129,311 | 773,902 | 30,446 | 1,430,261 |
| Carrying amount | | | | | | |
| At 1 January 2019 | | 16,884,466 | 3,706,896 | 128,983 | - | 20,720,345 |
| At 31 December 2019 | | 16,553,398 | 3,620,689 | 1 | 91,342 | 20,265,430 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS (CONTINUED)

(a) Leasehold land, building and office premise

The Group leases land, building and office premise for their office space and operation site. The leases for office space and operation site generally have lease term between 2 to 51.5 years.

(b) Assets under finance leases

The Group also leased motor vehicles with lease term of 7 years.

The carrying amounts of assets under lease arrangements as disclosed in Note 14(b) are as follows:

| | Group | |
|----------------|------------|------------|
| | 2019 RM | 2018 RM |
| Motor vehicles | 1 | - |

(c) Assets pledged as security

| | Group | |
|----------------|-------------------|------------|
| | 2019 RM | 2018 RM |
| Leasehold land | 16,553,398 | - |
| Building | 3,620,689 | - |
| | <u>20,174,087</u> | <u>-</u> |

Leasehold land and building have been pledged as security to secure credit facilities of the Group as disclosed in Note 14(a).

(d) Fair value information

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|----------|-------------------|----------|-------------------|
| 31 December 2019 | | | | |
| Leasehold land | - | 16,553,398 | - | 16,553,398 |
| Building | - | 3,620,689 | - | 3,620,689 |
| | <u>-</u> | <u>20,174,087</u> | <u>-</u> | <u>20,174,087</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS (CONTINUED)

(d) Fair value information (continued)

There are no Level 1 and Level 3 leasehold land and building or transfers between levels during the financial year ended 31 December 2019.

Level 2 fair value

Level 2 fair value of leasehold land and building were revalued on 30 June 2018 using the market comparison approach that reflects recent transaction prices of similar properties. The most significant input into this valuation approach is price per square foot for comparable properties. There has been no change to the valuation technique during the financial year.

Valuation process applied by the Group

The fair value of leasehold land and building are determined by external independent property valuers, Cheston International (Penang) Sdn. Bhd., with appropriate recognised professional qualification and recent experience in the location and category of property being valued. There has been no change to the valuation technique during the financial year.

Highest and best use

In estimating the fair value of the leasehold land and building, the highest and best use of the leasehold land and building is their current use.

Had the leasehold land and building been carried at historical cost less accumulated depreciation, the carrying amount that would have been recognised in the financial statements are as follows:

| | Group | |
|----------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Leasehold land | 1,385,873 | - |
| Building | 2,929,749 | - |
| | <hr/> | <hr/> |
| | 4,315,622 | - |

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES

| | Note | Leasehold land RM | Building RM | Total RM |
|--|-----------|-------------------------|----------------|-------------|
| Group | | | | |
| Cost | | | | |
| At 1 January 2018 | | 552,156 | 250,000 | 802,156 |
| Disposal | | (552,156) | (250,000) | (802,156) |
| At 31 December 2018/2019 | | - | - | - |
| Accumulated amortisation and depreciation | | | | |
| At 1 January 2018 | | 70,489 | 60,000 | 130,489 |
| Amortisation/depreciation charge for the financial year | 24 | 2,937 | 2,500 | 5,437 |
| Disposal | | (73,426) | (62,500) | (135,926) |
| At 31 December 2018/2019 | | - | - | - |
| Carrying amount | | | | |
| At 1 January 2018 | | 481,667 | 190,000 | 671,667 |
| At 31 December 2018/2019 | | - | - | - |

The following are recognised in profit or loss in respect of investment properties:

| | Group | |
|---------------|--------------------|--------------------|
| | 2019 RM | 2018 RM |
| Rental income | - | 65,217 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INTANGIBLE ASSETS

| Group | Note | Development expenditure RM |
|--|-------------|---|
| Cost | | |
| At 1 January 2018 | | 7,161,975 |
| Additions | | 1,530,653 |
| At 31 December 2018 | | 8,692,628 |
| Additions | | 2,068,390 |
| Written off | 24 | (5,653,415) |
| At 31 December 2019 | | 5,107,603 |
| Accumulated Amortisation | | |
| At 1 January 2018 | | 4,841,062 |
| Amortisation charge for the financial year | 24 | 617,957 |
| At 31 December 2018 | | 5,459,019 |
| Amortisation charge for the financial year | 24 | 508,950 |
| Written off | 24 | (4,960,365) |
| At 31 December 2019 | | 1,007,604 |
| Carrying Amount | | |
| At 31 December 2018 | | 3,233,609 |
| At 31 December 2019 | | 4,099,999 |

(a) Amortisation

The amortisation of development expenditure of the Group amounting to RM508,950 (2018: RM617,957) are included in research and development expenses.

(b) Development expenditure

Development expenditure represent software under development and yet to be commercialised. It is reasonably anticipated that the costs will be recovered through future commercial activities. Upon commercialisation of the software, the development expenditure will be amortised according to the amortisation policy of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-----------------|------------|------------|
| | 2019 RM | 2018 RM |
| At cost: | | |
| Unquoted shares | 34,349,991 | 34,349,991 |

Details of subsidiaries are as follows:

| Name of Company | Country of Incorporation | Ownership interest | | Principal activities |
|--|--------------------------|--------------------|-----------------|--|
| | | 31.12.2019 % | 31.12.2018 % | |
| <i>Direct subsidiaries</i> | | | | |
| TT Vision Technologies Sdn. Bhd. ("TTV") | Malaysia | 100 | 100 | Development and manufacturing of machine vision equipment, and provision of related products and services. |
| TT Innovation Centre Sdn. Bhd. ("TTI") | Malaysia | 100 | 100 | Development and manufacturing of machine vision equipment, and provision of related products and services. |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVENTORIES

| | Group | |
|---|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| At lower of cost and net realisable value: | | |
| Raw materials | 867,877 | 618,588 |
| Work in progress | 8,463,323 | 5,364,601 |
| Finished goods | 721,756 | 682,568 |
| | 10,052,956 | 6,665,757 |

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM16,829,848 (2018: RM19,155,636).
- (b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM694,217 (2018: RM NIL).

11. TRADE AND OTHER RECEIVABLES

| | | Group | | Company | |
|-----------------------------------|-------------|--------------|-------------|----------------|-------------|
| | Note | 2019 | 2018 | 2019 | 2018 |
| | | RM | RM | RM | RM |
| Trade | | | | | |
| Trade receivables | (a) | 4,920,435 | 13,263,844 | - | - |
| Non-trade | | | | | |
| Other receivables | | 272,972 | 1,056,037 | - | - |
| Amount owing by a subsidiary | (b) | - | - | 5,168,428 | - |
| Deposits | | 118,653 | 174,273 | - | - |
| Prepayments | | 319,526 | 71,744 | - | - |
| | | 711,151 | 1,302,054 | 5,168,428 | - |
| Total trade and other receivables | | 5,631,586 | 14,565,898 | 5,168,428 | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 to 90 (2018: 30 to 90) days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

| | Group | |
|--|------------------|-------------------|
| | 2019 | 2018 |
| | RM | RM |
| Neither past due nor impaired | 3,402,765 | 11,683,948 |
| Past due but not impaired | 1,517,670 | 1,579,896 |
| 1-30 days past due not impaired | 511,463 | 691,070 |
| 31-60 days past due not impaired | 544,928 | 24,823 |
| 61-90 days past due not impaired | 70,240 | 502,770 |
| 91-120 days past due not impaired | 306,790 | - |
| More than 121 days past due not impaired | 84,249 | 361,233 |
| | 4,920,435 | 13,263,844 |

(b) Amount owing by a subsidiary

The amount owing by a subsidiary is unsecured, non-interest bearing and repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. SHARE CAPITAL

| | Group and Company | | | |
|---|----------------------------------|--------------------|-------------------|-------------------|
| | Number of ordinary shares | | Amount | |
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Issued and fully paid up: | | | | |
| At beginning of financial year/period | 343,500,000 | 100 | 34,350,000 | 10 |
| Issued during the financial year/period | 40,000,000 | 343,499,900 | 7,200,000 | 34,349,990 |
| Share issuance expenses | - | - | (269,692) | - |
| At end of financial year/period | <u>383,500,000</u> | <u>343,500,000</u> | <u>41,280,308</u> | <u>34,350,000</u> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13. OTHER RESERVES

| | Note | Group | |
|------------------------|-------------|---------------------|---------------------|
| | | 2019 RM | 2018 RM |
| Revaluation reserve | (a) | 12,865,136 | 12,865,136 |
| Reorganisation reserve | (b) | (22,937,998) | (22,937,998) |
| | | <u>(10,072,862)</u> | <u>(10,072,862)</u> |

(a) Revaluation reserve

The revaluation reserve represents increase in the fair value of leasehold land and building, net of tax and decreases to the extent that such decreases relate to an increase on the same asset previously recognised.

(b) Reorganisation reserve

The reorganisation reserve was arising from the acquisition of TTV during financial year 2018.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS

| | | Group | |
|---|-------------|--------------|-------------|
| | Note | 2019 | 2018 |
| | | RM | RM |
| Non-current liabilities | | | |
| Term loans | (a) | 3,511,545 | 401,595 |
| Lease liabilities/finance lease liabilities | (b) | 114,148 | 170,173 |
| | | <hr/> | <hr/> |
| | | 3,625,693 | 571,768 |
| Current liabilities | | | |
| Term loans | (a) | 156,666 | 237,867 |
| Lease liabilities/finance lease liabilities | (b) | 149,177 | 87,374 |
| | | <hr/> | <hr/> |
| | | 305,843 | 325,241 |
| Total borrowings | | | |
| Term loans | (a) | 3,668,211 | 639,462 |
| Lease liabilities/finance lease liabilities | (b) | 263,325 | 257,547 |
| | | <hr/> | <hr/> |
| | | 3,931,536 | 897,009 |

(a) Term loans

Term loans of the Group bear interests ranging from 4.85% to 5.05% (2018: 7.10% to 7.20%) per annum and are secured and supported as follows:

- (i) Legal charge against leasehold land and building of the Group as disclosed in Note 5 and 6;
- (ii) Registered open and all monies charge; and
- (iii) Joint and several guarantees by certain directors of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

(b) Lease liabilities/finance lease liabilities

The motor vehicles of the Group as disclosed in Note 6 are pledged for finance leases. Such leases do not have terms for renewal which ownership would be transferred to the Group at the end of lease term. The average interest rate implicit in the leases is at 4.44% (2018: 4.44%).

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

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | RM | RM |
| Minimum lease payments: | | |
| Not later than one year | 157,883 | 96,552 |
| Later than one year and not later than five years | 116,189 | 176,964 |
| | <hr/> 274,072 | <hr/> 273,516 |
| Less: Future finance charges | (10,747) | (15,969) |
| Present value of finance lease payments | <hr/> 263,325 | <hr/> 257,547 |
| Present value of minimum lease payments payable: | | |
| Not later than one year | 149,177 | 87,374 |
| Later than one year and not later than five years | 114,148 | 170,173 |
| | <hr/> 263,325 | <hr/> 257,547 |
| Less: Amount due within twelve months | (149,177) | (87,374) |
| Amount due after twelve months | <hr/> 114,148 | <hr/> 170,173 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES (“RCCPS”)

| | Number of RCCPS | | Amount | |
|------------------------------------|-----------------|--------------|------------|------------|
| | 2019 Unit | 2018 Unit | 2019 RM | 2018 RM |
| Issued and fully paid | | | | |
| At 1 January | - | 8,750,000 | - | 87,500 |
| Redeemed during the financial year | - | (8,750,000) | - | (87,500) |
| At 31 December | - | - | - | - |

The 8,750,000 units of RCCPS with a nominal value of RM0.01 per RCCPS were issued at a premium of RM0.99 per RCCPS.

The salient features of RCCPS are as follows:

- (a) The holder of RCCPS is entitled to received an annual dividend of 4% on the amount invested. The dividend is cumulative and mandatory.
- (b) RCCPS are convertible at the sole and absolute discretion of the holder at any time at the conversion rates of 1 new ordinary share for every 30.4 to 58.0 RCCPS.
- (c) The holder of RCCPS has the right at its sole and absolute discretion to demand the Company to redeem the shares at the amount invested plus an annual rate of return of 8% (inclusive of preference dividend) on the amount invested if the Company fails to secure a qualified listing or qualified sale.
- (d) At any general meeting of the Company, each RCCPS carries a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares.
- (e) In the event of liquidation, dissolution or winding-up of the Company, the holder of RCCPS is entitled to recover up to 2.5 times of the amount invested, prior to any distribution to the ordinary shareholders.
- (f) On 2 February 2018, the holder of RCCPS has approved the request from the Company for an extension of the RCCPS redemption period to 27 February 2019 and the waiver of the RCCPS interests for the financial year ended 2017.

On 11 December 2018, the holder of RCCPS issued a conversion notice to the Group to inform that it shall convert the entire 8,750,000 redeemable preference shares amounting to RM8,750,000 into 197,039 new ordinary shares of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED INCOME

| | Group | |
|------------------------------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Non-current | | |
| Government grants: | | |
| At 1 January | 914,092 | 1,215,236 |
| Received during the financial year | 67,668 | - |
| Recognised in profit or loss | (309,039) | (301,144) |
| At 31 December | 672,721 | 914,092 |

Government grants relates to assets

Government grants have been received for the purchase of certain items of property, plant and equipment.

17. DEFERRED TAX LIABILITIES

| | As at 1 | Recognised | Recognised in | As at 31 |
|--------------------------------|----------------|--------------------------|----------------------|-----------------|
| | January | in profit or loss | other | December |
| | 2019 | (Note 26) | comprehensive | 2019 |
| | RM | RM | income | RM |
| | | | RM | |
| Group | | | | |
| Deferred tax liability: | | | | |
| Property, plant and equipment | 4,109,109 | (120,966) | - | 3,988,143 |
| | | | | |

| | As at 1 | Recognised | Recognised in | As at 31 |
|--------------------------------|----------------|--------------------------|----------------------|-----------------|
| | January | in profit or loss | other | December |
| | 2018 | (Note 26) | comprehensive | 2018 |
| | RM | RM | income | RM |
| | | | RM | |
| Group | | | | |
| Deferred tax liability: | | | | |
| Property, plant and equipment | 3,609,939 | 196,412 | 302,758 | 4,109,109 |
| | | | | |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | Group | |
|-------------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Unused tax losses | 3,494,600 | 1,324,300 |

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

The unused tax losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

| | Group |
|------|--------------|
| | 2019 |
| | RM |
| 2025 | 2,851,992 |
| 2026 | 1,869,585 |

18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--------------------------------|--------------|------------------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | Restated RM | RM | RM |
| Trade | | | | |
| Trade payables | 3,273,215 | 2,741,846 | - | - |
| Non-trade | | | | |
| Other payables | 1,177,656 | 1,092,936 | - | - |
| Accruals | 122,500 | 104,991 | 50,200 | 62,191 |
| | 1,300,156 | 1,197,927 | 50,200 | 62,191 |
| Total trade and other payables | 4,573,371 | 3,939,773 | 50,200 | 62,191 |

Trade payables are non-interest bearing and the normal trade credit term granted to the Group and the Company ranges from 30 to 90 days.

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 28(b)(ii).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRACT LIABILITIES

| | Group | | Company | |
|--|-----------|------------------|---------|------|
| | 2019 | 2018 Restated | 2019 | 2018 |
| | RM | RM | RM | RM |
| Contract liabilities relating to sale of machine contracts | 4,870,519 | 5,031,886 | - | - |

(a) Significant changes in contract balances

| | Group | | Company | |
|------------------------------------|-------------|------------------|---------|------|
| | 2019 | 2018 Restated | 2019 | 2018 |
| | RM | RM | RM | RM |
| At 1 January | (5,031,886) | (3,729,056) | | |
| Revenue recognised during the year | 5,031,886 | 3,729,056 | | |
| Billing issued during the year | (4,870,519) | (5,031,886) | | |
| At 31 December | (4,870,519) | (5,031,886) | - | - |

(b) Revenue recognised in relation to contract balances

| | Group | | Company | |
|---|-----------|------------------|---------|------|
| | 2019 | 2018 Restated | 2019 | 2018 |
| | RM | RM | RM | RM |
| Revenue recognised that was included in contract liability at the beginning of the financial year | 5,031,886 | 3,729,056 | - | - |

Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily revenue from the sale of machine contracts.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. REVENUE

| | Group | |
|---------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Sale of goods | 20,660,038 | 28,534,821 |

21. OTHER INCOME

| | Group | |
|---|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Amortisation on deferred income | 309,039 | 301,144 |
| Deposit forfeited | - | 6,697 |
| Gain on disposal of investment properties | - | 1,564,770 |
| Grant income | 492,468 | - |
| Fair value gain on money market fund | 3,940 | - |
| Rental income | - | 65,217 |
| Realised gain on foreign exchange | 91,651 | 61,314 |
| Miscellaneous | 13,803 | - |
| | 910,901 | 1,999,142 |

22. FINANCE INCOME

| | Group | | Company | |
|-----------------|--------------|-------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Interest income | 75,072 | 34,809 | 24,323 | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCE COSTS

| | Group | |
|---|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Interest expenses on: | | |
| - Bank guarantee | 2,784 | 737 |
| - Bank overdraft | 4,171 | 15 |
| - Lease liabilities/finance lease liabilities | 11,209 | 13,044 |
| - Interest on RCCPS | - | 407,400 |
| - Term loans | 112,597 | 38,812 |
| | 130,761 | 460,008 |

24. (LOSS)/PROFIT BEFORE TAX

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

| | | Group | | Company | |
|--|-------------|--------------|-------------|-------------------|-------------------|
| | Note | 2019 | 2018 | 01.01.2019 | 21.03.2018 |
| | | RM | RM | to | to |
| | | | | 31.12.2019 | 31.12.2018 |
| | | | | RM | RM |
| Amortisation and depreciation of investment properties | | - | 5,437 | - | - |
| Amortisation and depreciation of property, plant and equipment | | 913,243 | 1,374,890 | - | - |
| Amortisation and depreciation of right-of-use asset | | 576,703 | - | - | - |
| Amortisation of intangible asset | | 508,950 | 617,957 | - | - |
| Auditors' remuneration | | | | | |
| - Current year | | 75,000 | 32,500 | 25,000 | 3,000 |
| - Prior year | | 12,100 | - | 7,600 | - |
| Bad debts written off | | 697,500 | - | - | - |
| Employee benefits expense | 25 | 6,804,360 | 6,432,733 | 24,000 | - |
| Expenses relating to short-term lease | | 52,022 | - | - | - |
| Inventories written down | | 694,217 | - | - | - |
| Net unrealised loss on foreign exchange | | 104,152 | 52,362 | - | - |
| Rental of equipment | | - | 3,493 | - | - |
| Written off of intangible assets | | 693,050 | - | - | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|------------------|------------------|--------------------------------------|--------------------------------------|
| | 2019 RM | 2018 RM | 01.01.2019 to 31.12.2019 RM | 21.03.2018 to 31.12.2018 RM |
| Salaries and other staff benefits | 6,146,611 | 5,805,553 | - | - |
| Defined contribution plans | 657,749 | 627,180 | - | - |
| | 6,804,360 | 6,432,733 | - | - |
| Included in employee benefits expenses are: | | | | |
| Directors' fee | 48,000 | 42,000 | 24,000 | - |
| Directors' benefits in kind | 216,537 | - | - | - |
| Directors' other emoluments | 947,721 | 959,138 | - | - |
| | 1,212,258 | 1,001,138 | 24,000 | - |

26. INCOME TAX (INCOME)/EXPENSE

The major components of income tax (income)/expense for the financial years ended 31 December 2019 and 31 December 2018 are as follows:

| | Group | | Company | |
|--|------------------|----------------|--------------------------------------|--------------------------------------|
| | 2019 RM | 2018 RM | 01.01.2019 to 31.12.2019 RM | 21.03.2018 to 31.12.2018 RM |
| Statements of comprehensive income | | | | |
| Current income tax: | | | | |
| - Current income tax charge | 5,800 | 5,000 | 5,800 | - |
| - Adjustment in respect of prior year | 25 | 245,938 | - | - |
| | 5,825 | 250,938 | 5,800 | - |
| Deferred tax: | | | | |
| - Reversal of temporary difference | (164,796) | (193,394) | - | - |
| - Adjustment in respect of prior year | 43,830 | 389,806 | - | - |
| | (120,966) | 196,412 | - | - |
| Income tax (income)/expense recognised in profit or loss | (115,141) | 447,350 | 5,800 | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. INCOME TAX (INCOME)/EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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

| | Group | | Company | |
|---|------------------|----------------|--------------------------------------|--------------------------------------|
| | 2019 RM | 2018 RM | 01.01.2019 to 31.12.2019 RM | 21.03.2018 to 31.12.2018 RM |
| (Loss)/profit before tax | (4,548,230) | 3,249,075 | (1,624,267) | (62,191) |
| Tax at Malaysian statutory income tax rate of 24% | (1,102,855) | 779,800 | (389,800) | (14,900) |
| Adjustments: | | | | |
| Income not subject to tax | (249,419) | (711,722) | - | - |
| Non-deductible expenses | 672,378 | 539,128 | 395,600 | 14,900 |
| Deferred tax not recognised on tax losses | 520,900 | - | - | - |
| Utilisation of previously unrecognised tax losses | - | (795,600) | - | - |
| Adjustment in respect of current income tax of prior year | 25 | 245,938 | - | - |
| Adjustment in respect of deferred tax of prior year | 43,830 | 389,806 | - | - |
| Income tax (income)/expense | (115,141) | 447,350 | 5,800 | - |

27. OTHER COMPREHENSIVE INCOME

| | Group | |
|--|------------|------------|
| | 2019 RM | 2018 RM |
| Items that may be reclassified subsequently to profit or loss | | |
| Surplus on revaluation of property | - | 3,189,675 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

Amortised cost ("AC")

| | Carrying amount RM | AC RM |
|--|-----------------------------------|-------------------|
| At 31 December 2019 | | |
| Group | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 5,312,060 | 5,312,060 |
| Cash and bank balances | 8,939,234 | 8,939,234 |
| | <hr/> 14,251,294 | <hr/> 14,251,294 |
| Company | | |
| Other receivables | 5,168,428 | 5,168,428 |
| Cash and bank balances | 125,631 | 125,631 |
| | <hr/> 5,294,059 | <hr/> 5,294,059 |
| Financial liabilities | | |
| Group | | |
| Loans and borrowings | (3,931,536) | (3,931,536) |
| Trade and other payables | (4,573,371) | (4,573,371) |
| | <hr/> (8,504,907) | <hr/> (8,504,907) |
| Company | | |
| Other payables | (50,200) | (50,200) |
| | <hr/> (50,200) | <hr/> (50,200) |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

| | Carrying amount RM | AC RM |
|--|-----------------------------------|-------------------|
| At 31 December 2018 | | |
| Group | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 14,494,154 | 14,494,154 |
| Cash and bank balances | 7,540,670 | 7,540,670 |
| | <hr/> 22,034,824 | <hr/> 22,034,824 |
| Company | | |
| Cash in hand | 9 | 9 |
| <hr/> | | |
| Financial liabilities | | |
| Group | | |
| Loans and borrowings | (897,009) | (897,009) |
| Trade and other payables | (3,939,773) | (3,939,773) |
| | <hr/> (4,836,782) | <hr/> (4,836,782) |
| <hr/> | | |
| Company | | |
| Other payables | (62,191) | (62,191) |
| | <hr/> | <hr/> |

(b) Financial risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

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

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

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the reporting period is disclosed in Note 11. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment is made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade and other receivables (continued)

Credit risk concentration profile

At the end of the reporting period, the Group has a significant concentration of credit risk in the form of two (2) trade receivables, representing approximately 22% (2018: 78%) of the Group's total trade receivables.

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

Other receivables and other financial assets

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

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

Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

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

| | Carrying amount RM | Contractual cash flows | | | Total RM |
|----------------------------|--------------------------|--|---------------------------------------|-------------------------------|------------------|
| | | On demand or within one year RM | Between one to five years RM | More than five years RM | |
| Group | | | | | |
| At 31 December 2019 | | | | | |
| Term loans | 3,668,211 | 252,640 | 3,176,939 | 957,873 | 4,387,452 |
| Lease liabilities | 263,325 | 154,874 | 115,759 | - | 270,633 |
| Trade and other payables | 4,573,371 | 4,573,371 | - | - | 4,573,371 |
| | 8,504,907 | 4,980,885 | 3,292,698 | 957,873 | 9,231,456 |
| At 31 December 2018 | | | | | |
| Term loans | 639,462 | 275,928 | 669,940 | - | 945,868 |
| Finance lease liabilities | 257,547 | 96,552 | 176,964 | - | 273,516 |
| Trade and other payables | 3,939,773 | 3,939,773 | - | - | 3,939,773 |
| | 4,836,782 | 4,312,253 | 846,904 | - | 5,159,157 |
| Company | | | | | |
| At 31 December 2019 | | | | | |
| Other payables | 50,200 | 50,200 | - | - | 50,200 |
| At 31 December 2018 | | | | | |
| Other payables | 62,191 | 62,191 | - | - | 62,191 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

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

The foreign currencies in which these transactions are denominated are mainly Europe Dollar ("EURO") United States Dollar ("USD") and Singapore Dollar ("SGD").

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | RM | RM |
| Financial assets and liabilities not held in functional currencies: | | |
| <u>Trade receivables</u> | | |
| USD | 1,572,305 | 6,351,524 |
| | <hr/> | <hr/> |
| <u>Cash and bank balances</u> | | |
| USD | 3,620,138 | 2,001,805 |
| | <hr/> | <hr/> |
| <u>Trade payables</u> | | |
| EURO | (210,010) | - |
| USD | (73,257) | (61,388) |
| SGD | - | (24,210) |
| | <hr/> | <hr/> |
| | (283,267) | (85,598) |

TT VISION HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to EURO, USD and SGD.

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

| | Carrying amount RM | Changes in rate % | Effect on profit for the financial year/equity RM |
|-------------------------|--------------------------|-------------------------|---|
| 31 December 2019 | | | |
| USD | 5,119,186 | +15% | 583,587 |
| | | -15% | (583,587) |
| EURO | (210,010) | +15% | (23,941) |
| | | -15% | 23,941 |
| 31 December 2018 | | | |
| USD | 8,291,941 | +15% | 945,281 |
| | | -15% | (945,281) |
| SGD | (24,210) | +15% | (2,760) |
| | | -15% | 2,760 |

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its long-term loans and borrowings and short-term deposits with floating interest rates.

Sensitivity analysis for interest rate risk

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

| | Carrying amount RM | Changes in basis point | Effect on profit for the financial year/ equity RM |
|-------------------------|-----------------------------------|-----------------------------------|---|
| 31 December 2019 | | | |
| Term loans | (3,668,211) | +50 | (13,939) |
| | | -50 | 13,939 |
| 31 December 2018 | | | |
| Term loans | (639,462) | +50 | (2,430) |
| | | -50 | 2,430 |

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

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

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

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

Policy on transfer between levels

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

During the financial year, there was no transfer between the fair value measurement hierarchy.

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfer between Level 1 and Level 2

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

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

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. COMMITMENTS

The Group has made commitments for the following capital expenditures:

| | Group | |
|---|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Capital expenditures contracted but not provided for: | | |
| - Construction of building | 786,238 | - |

30. RELATED PARTIES

(a) Identification of related parties

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

Related parties of the Group include:

- (i) Subsidiaries;
- (ii) Person(s) connected to a director; and
- (iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

(b) Significant related party transactions

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

| | Company | |
|--|----------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Cross-charge on IPO expenses paid on behalf | | |
| - Subsidiary | 1,595,672 | - |

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

| | Group | |
|-----------------------------------|--------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Total key management compensation | 1,212,258 | 1,001,138 |

31. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

| | 2019 | 2018 |
|--|-------------|-------------|
| | RM | RM |
| (Loss)/profit attributable to the owners of the Company | (4,433,089) | 2,801,725 |
| Weighted average number of ordinary shares for basic (loss)/earnings per share | 371,006,849 | 16,814,780 |
| | 2019 | 2018 |
| | sen | sen |
| Basic (loss)/earnings per ordinary share | (1.19) | 16.60 |

Diluted (loss)/earnings per share

There are no diluted (loss)/earnings per share as the Company does not have any dilutive potential ordinary shares outstanding as at the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by equity attributable to the owners of the Company. The gearing ratio as at 31 December 2019 and 31 December 2018 is as follows:

| | | Group | | Company | |
|--------------------------|-------------|--------------|-------------|----------------|-------------|
| | Note | 2019 | 2018 | 2019 | 2018 |
| | | RM | RM | RM | RM |
| Loans and borrowings | 14 | 3,931,536 | 897,009 | - | - |
| Trade and other payables | 18 | 4,573,371 | 3,939,773 | 50,200 | 62,191 |
| Total debts | | 8,504,907 | 4,836,782 | 50,200 | 62,191 |
| Total equity | | 43,253,675 | 40,756,456 | 39,588,050 | 34,287,809 |
| Gearing ratio (times) | | 0.20 | 0.12 | 0.00 | 0.00 |

There were no changes in the Group's and the Company's approach to capital management during the financial years under review.

The Group and the Company not subject to externally imposed capital requirements.

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the financial year, the Group secured term loans of RM9,452,000 from a licensed bank to part finance construction costs of factory extension and settlement of outstanding term loan from another licensed bank. As at 31 December 2019, the Group had drawdown RM3,779,977 from the said facilities.

34. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

TT VISION HOLDINGS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. SEGMENT INFORMATION

Geographical Information

Revenue information based on geographical location of customers are as follows:

| | Revenue RM'000 |
|-------------------------|---------------------------|
| 31 December 2019 | |
| Malaysia | 16,561 |
| China | 3,305 |
| Hong Kong | 135 |
| Philippines | 434 |
| United States | 225 |
| | <u>20,660</u> |
| 31 December 2018 | |
| Malaysia | 18,211 |
| Hong Kong | 49 |
| China | 6,294 |
| Korea | 2,387 |
| Philippines | 215 |
| Germany | 528 |
| Others | 851 |
| | <u>28,535</u> |

The Group operated predominantly in Malaysia. Hence, no geographical segment on non-current assets are presented.

Information about major customers

Revenue from two customers represented approximately RM13,840,467 (2018: RM11,946,304) of the Group's total revenue.

36. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current financial year's presentation:

| | As previously reported RM | Reclassification RM | As restated RM |
|---|--|--------------------------------|-------------------------------|
| At 31 December 2018 | | | |
| Statements of financial position | | | |
| Trade and other payables | (8,971,659) | 5,031,886 | (3,939,773) |
| Contract liabilities | - | (5,031,886) | (5,031,886) |
| | | <u> </u> | <u> </u> |

As a result of the reclassification of comparative figures, corresponding adjustments have been made to the statements of cash flows.

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TT VISION HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, **GOON KOON YIN** and **WONG YIH HSOW**, being two of the directors of TT VISION HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

.....
GOON KOON YIN
Director

.....
WONG YIH HSOW
Director

Penang

Date: 25 June 2020

Registration No. 201801011030 (1273046-H)

TT VISION HOLDINGS BERHAD
(Incorporated in Malaysia)

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

I, **GOON KOON YIN**, being the director primarily responsible for the financial management of TT VISION 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.

.....
GOON KOON YIN

Subscribed and solemnly declared by the abovenamed at George Town in the State of Penang on 25 June 2020.

Before me,

.....
Commissioner of Oaths

Registration No. 201801011030 (1273046-H)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TT VISION HOLDINGS BERHAD**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TT Vision Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 93.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TT VISION HOLDINGS BERHAD**
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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of 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.

Group

Inventories (Note 10 to the financial statements)

The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- observing year-end physical inventory count to observe physical existence and condition of the finished goods and reviewing the design and assessing the implementation of controls during the count; and
- checking subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected samples of inventory items.

Trade receivables (Note 11 to the financial statements)

The Group has significant trade receivables as at 31 December 2019 which include certain amounts which are long outstanding. We focused on this area because the directors made significant judgements over assumptions about risks of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondences, and considering level of activity with the customer and explanation by the Group on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit loss as at the end of the reporting period.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TT VISION HOLDINGS BERHAD**
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Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
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Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TT VISION HOLDINGS BERHAD**

(Incorporated in Malaysia)

Other Matters

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

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

Hor Kwai Keong
No. 01994/02/2022 J
Chartered Accountant

Penang

Date: 25 June 2020