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26 February 2024

The Board of Directors
VETECE Holdings Berhad
E-32-3A & E-32-03, Menara Suezcap 2
KL Gateway
No. 2, Jalan Kerinchi
Gerbang Kerinchi Lestari
59200 Kuala Lumpur

Dear Sirs/Madam,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of VETECE Holdings Berhad ("VETECE" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Group and its combining entities (collectively known as the "Group") as detailed in Note 2 to the combined financial statements, which comprise the combined statements of financial position as at 31 August 2021, 31 August 2022 and 31 August 2023, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended ("FYE(s)") 31 August 2021, 31 August 2022 and 31 August 2023, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 83.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Group gives a true and fair view of the financial positions of the Group as at 31 August 2021, 31 August 2022 and 31 August 2023, and of its financial performance and its cash flows for the FYEs 31 August 2021, 31 August 2022 and 31 August 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards as well as Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission 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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VETECE HOLDINGS BERHAD
(Incorporated in Malaysia)

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

The directors of VETECE are responsible for the preparation of the combined financial statements contained in the Accountants' Report of the Group, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

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

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

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

VETECE HOLDINGS BERHAD
(Incorporated in Malaysia)

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

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

VETECE HOLDINGS BERHAD
(Incorporated in Malaysia)

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Other Matter

This report is made solely to the Group and has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia for inclusion in the Prospectus of the Group in connection with the listing of and quotation for the entire enlarged issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

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

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

Kuala Lumpur

Date: 26 February 2024

VETECE HOLDINGS BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **TEE CHEE CHIANG** and **CHAN WAI HOONG**, being two of the directors of VETECE HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 August 2021, 31 August 2022 and 31 August 2023 and of its financial performance and cash flows for the financial years ended 31 August 2021, 31 August 2022 and 31 August 2023.

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

……………………………
TEE CHEE CHIANG
Director

……………………………
CHAN WAI HOONG
Director

Kuala Lumpur

Date: 07 FEB 2024

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 August 2021 RM'000	2022 RM'000	2023 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	7,323	7,546	7,418
Total non-current assets		**7,323**	**7,546**	**7,418**
Current assets				
Trade and other receivables	6	3,715	3,841	8,377
Contract assets	7	1,657	716	3,680
Fixed deposits placed with licensed banks	8	5,605	5,700	1,343
Cash and bank balances	9	11,639	12,741	4,026
Total current assets		**22,616**	**22,998**	**17,426**
TOTAL ASSETS		**29,939**	**30,544**	**24,844**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Invested equity	10	2,077	2,077	2,077
Other reserves	11, 12	1,189	1,429	1,825
Retained earnings		18,241	5,952	12,516
TOTAL EQUITY		**21,507**	**9,458**	**16,418**
Non-current liabilities				
Loans and borrowings	13	4,235	4,079	4,009
Other payables	14	1,083	-	-
Deferred tax liabilities	15	287	351	385
Total non-current liabilities		**5,605**	**4,430**	**4,394**
Current liabilities				
Loans and borrowings	13	126	157	115
Trade and other payables	14	2,636	16,138	3,256
Current tax liabilities		65	361	661
Total current liabilities		**2,827**	**16,656**	**4,032**
TOTAL LIABILITIES		**8,432**	**21,086**	**8,426**
TOTAL EQUITY AND LIABILITIES		**29,939**	**30,544**	**24,844**

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

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		FYE 31 August		
	Note	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Revenue	**16**	20,045	20,842	23,133
Cost of sales		(14,170)	(13,796)	(13,394)
Gross profit		**5,875**	**7,046**	**9,739**
Other income	**17**	267	395	395
Administrative expenses		(1,878)	(1,774)	(1,262)
Operating profit		**4,264**	**5,667**	**8,872**
Finance costs	**18**	(136)	(138)	(172)
Profit before tax	**19**	**4,128**	**5,529**	**8,700**
Income tax expense	**21**	(989)	(1,377)	(2,136)
Profit for the financial year		**3,139**	**4,152**	**6,564**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Revaluation surplus, net of deferred tax liabilities		582	-	-
Exchange differences on translation of foreign operations		45	240	396
Total comprehensive income for the financial year		**3,766**	**4,392**	**6,960**
Earnings per share				
Basic (sen)	**22**	185.98	216.89	343.70

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

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	|---------------- Attributable to owners of the Group ----------------|				
		Invested equity RM'000	**Exchange reserve RM'000**	**Revaluation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 September 2020		**2,077**	**226**	**336**	**16,560**	**19,199**
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	3,139	3,139
Other comprehensive income		-	45	582	-	627
Total comprehensive income		-	45	582	3,139	3,766
Transaction with owners						
Dividends declared		-	-	-	(1,458)	(1,458)
At 31 August 2021		**2,077**	**271**	**918**	**18,241**	**21,507**
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	4,152	4,152
Other comprehensive income		-	240	-	-	240
Total comprehensive income		-	240	-	4,152	4,392
Transactions with owners						
Dividends declared		-	-	-	(16,441)	(16,441)
At 31 August 2022		**2,077**	**511**	**918**	**5,952**	**9,458**

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	|---------- Attributable to owners of the Group			----------|	
		Invested equity RM'000	**Exchange reserve RM'000**	**Revaluation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 September 2022		**2,077**	**511**	**918**	**5,952**	**9,458**
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	6,564	6,564
Other comprehensive income		-	396	-	-	396
Total comprehensive income		-	396	-	6,564	6,960
Transactions with owners						
Dividends declared		-	-	-	-	-
At 31 August 2023		**2,077**	**907**	**918**	**12,516**	**16,418**

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

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	Note	FYE 31 August 2021 RM'000	FYE 31 August 2022 RM'000	FYE 31 August 2023 RM'000
Cash flows from operating activities				
Profit before tax		4,128	5,529	8,700
Adjustments for:				
Depreciation of property, plant and equipment		253	234	248
Loss on disposal of property, plant and equipment		38	-	-
Interest income		(91)	(97)	(90)
Interest expense		136	138	172
Unrealised loss/(gain) on foreign exchange		84	83	(101)
Operating profit before changes in working capital		4,548	5,887	8,929
Changes in working capital:				
Receivables		(1,429)	(187)	(4,789)
Contract assets		65	941	(2,964)
Payables		1,056	(1,529)	1,643
Net cash generated from operations		4,240	5,112	2,819
Tax paid, net		(835)	(1,017)	(1,802)
Interests received		91	97	90
Net cash from operating activities		3,496	4,192	1,107
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(134)	(457)	(120)
Sale proceeds from disposal of property, plant and equipment		78	-	-
Net cash used in investing activities		(56)	(457)	(120)
Cash flows from financing activities				
Fixed deposits pledged as security values		(90)	(95)	(31)
Dividends paid		(1,458)	(2,200)	(14,241)
Interests paid		(136)	(138)	(172)
Repayment of term loans		(107)	(125)	(112)
Drawdown of term loans		93	-	-
Advances (to)/Repayment by related parties		(23)	(22)	354
Advances from/(Repayment to) a director		156	(293)	(284)
Net cash used in financing activities		(1,565)	(2,873)	(14,486)

VETECE HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

		FYE 31 August		
		2021	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**
Net increase/(decrease) in cash and cash equivalents		1,875	862	(13,499)
Cash and cash equivalents at the beginning of the financial year		13,837	15,951	17,129
Effects of exchange rate changes on cash and cash equivalents		239	316	396
Cash and cash equivalents at the end of the the financial year		15,951	17,129	4,026

Analysis of cash and cash equivalents

		FYE 31 August		
		2021	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**9**	11,639	12,741	4,026
Fixed deposits placed with a licensed bank	**8**	5,605	5,700	1,343
		17,244	18,441	5,369
Less: Fixed deposits pledged as security values	**8**	(1,293)	(1,312)	(1,343)
		15,951	17,129	4,026

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

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

VETECE Holdings Berhad ("VETECE" or the "Company") was incorporated as a private company limited by shares on 22 November 2023 under Companies Act 2016 and is domiciled in Malaysia. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal places of business of the Group are located at E-32-3A & E-32-03, Menara Suezcap 2, KL Gateway, No. 2, Jalan Kerinchi, Gerbang Kerinchi Lestari, 59200 Kuala Lumpur, Malaysia.

On 8 December 2023, VETECE Holdings was converted to a public company under its current name.

The principal activity of the Group is investment holding. The details of the combining entities are as follows:

Combining entities	Principal place of business/ country of incorporation	Principal activities
Vision Technology Consulting Sdn. Bhd. ("VTCM")	Malaysia	Information technology ("IT")
Vision Technology Consulting Pte. Ltd. ("VTCS")	Singapore	IT consulting, outsourcing and developing computer software

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors of VETECE in accordance with a resolution of the directors on 7 February 2024.

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The combined financial statements of VETECE Holdings consist of the financial statements of the following entities under common control which is accounted for using the merger method of accounting (collectively hereinafter referred to as the "Group") for each of the financial years:

	FYE 31 August		
Entities Under Common Control	**2021**	**2022**	**2023**
VETECE Holdings	>	>	>
VTCM	√,^	√,^	√,^
VTCS	√, *	√, *	√, *

> *No financial statements were available for VETECE Holdings as it was incorporated on 22 November 2023.*

√ *The combined financial statements of the Group include the financial statements of these combining entities prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and/or the International Financial Reporting Standards ("IFRSs") for the respective financial years.*

^ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

* *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

The audited financial statements of all the combining entities within the Group for the relevant years reported above were not subject to any qualification or modification.

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Combined financial statements of the Group for FYE 31 August 2021, 31 August 2022 and 31 August 2023

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the MFRSs and IFRSs.

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023# 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	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 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Consequential amendments as a result of MFRS 17 Insurance Contracts

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

(b) The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below:

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

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

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

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

(b) The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

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.

In another amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

(b) The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

2.3 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Basis of measurement

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(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 combined 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 merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

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NOTES TO THE COMBINED 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 acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income 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.

NOTES TO THE COMBINED 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 combination 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 combined statements 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 or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a 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) Transactions eliminated on consolidation

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

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

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 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 item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operations (continued)

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests.

3.3 Financial instruments

Financial instruments are recognised in the consolidated statements of financial position when, and only when, the Group becomes 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 has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

VETECE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income ("FVOCI") with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

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

The Group reclassifies financial assets when and only when its business models for managing those assets change.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

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

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.8(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **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. The policy for the recognition and measurement of impairment is in accordance with Note 3.8(a). 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 COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(b) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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

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

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group has not designated any financial liability as at FVPL.

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

(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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

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 *Revenue from Contracts with Customers*.

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

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

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

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

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:
(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
    (a) the Group has transferred substantially all the risks and rewards of the asset; or
    (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition (continued)

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

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

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

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

(b) Subsequent costs

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

(c) Depreciation

Machinery in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(c) Depreciation (continued)

Freehold building	2%
Leasehold buildings	Amortised by equal annual installments over lease period of 37, 70 and 90 years
Computers	20%
Electrical installation	20%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	20%
Renovation	5%

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.

3.5 Leases

(a) Definition of a lease

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting

At the lease commencement date, the Group recognises 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 presents right-of-use assets in Note 5.

The Group presents right-of-use assets as separate lines in the consolidated statements 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.

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 expects 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 3.8(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 uses its incremental borrowing rate.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

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.

The Group remeasures 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

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 asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the consolidated statements of comprehensive income.

The Group has 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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises 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.

3.6 Contract assets

Contract asset is the right to consideration in exchange for goods and services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance obligations). The policy for recognition and measurement of impairment losses is in accordance with Note 3.8(a).

3.7 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and fixed deposits placed with licensed bank, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value. Cash and cash equivalents are presented net of bank overdrafts.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets

(a) Impairment of financial assets and contract assets

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

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

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

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than the credit term.

The Group considers a financial asset to be in default when:
- the debtor is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than the credit term unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

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

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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 makes 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, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 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.

3.10 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.11 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or services at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, 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 uses 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 expects to better predict the amount of consideration to which it is entitled.

VETECE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue and other income (continued)

(a) Service contracts

Service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(b) Sale of goods

The Group's sale of goods comprise the resale of hardware and software. Revenue from the resale of hardware and software is recognised upon customer acceptance.

(c) Interest income

Interest income is recognised using the effective interest method.

VETECE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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 consolidated 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 fair value of the loan based on prevailing market interest rates.

3.13 Borrowing costs

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

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

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

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

3.14 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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 consolidated 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, unused 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.

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.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (continued)

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

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

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

3.15 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.

3.16 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The directors of VETECE, 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair value measurements

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

3.20 Contingencies

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

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

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

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

VETECE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Impairment of financial assets and contract assets

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

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At 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 loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's financial assets and contract assets are disclosed in Note 24(b).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold building RM'000	Right-of-use assets RM'000	Computers RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
	|------ At valuation -----|		|------ At cost					------|	
At cost/valuation									
At 1 September 2020	700	5,538	841	1	27	493	110	152	7,862
Additions	-	93	27	-	9	-	*	5	134
Adjustment on revaluation	-	766	-	-	-	-	-	-	766
Disposal	-	-	-	-	-	(174)	-	-	(174)
At 31 August 2021	700	6,397	868	1	36	319	110	157	8,588
Accumulated depreciation									
At 1 September 2020	19	10	698	1	21	176	88	57	1,070
Depreciation charge for the financial year	19	73	65	-	1	76	11	8	253
Disposal	-	-	-	-	-	(58)	-	-	(58)
At 31 August 2021	38	83	763	1	22	194	99	65	1,265
Carrying amount									
At 1 September 2020	681	5,528	143	-	6	317	22	95	6,792
At 31 August 2021	662	6,314	105	-	14	125	11	92	7,323

* *Denotes < RM1,000*

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold building RM'000	Right-of-use assets RM'000	Computers RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
	<------ At valuation ----->		<------ At cost					------>	
At cost/valuation									
At 1 September 2021	700	6,397	868	1	36	319	110	157	8,588
Additions	-	-	42	-	11	-	15	389	457
At 31 August 2022	700	6,397	910	1	47	319	125	546	9,045
Accumulated depreciation									
At 1 September 2021	38	83	763	1	22	194	99	65	1,265
Depreciation charge for the financial year	19	73	60	-	2	55	9	16	234
At 31 August 2022	57	156	823	1	24	249	108	81	1,499
Carrying amount									
At 1 September 2021	662	6,314	105	-	14	125	11	92	7,323
At 31 August 2022	643	6,241	87	-	23	70	17	465	7,546

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold building RM'000	Right-of-use assets RM'000	Computers RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
	<------ At valuation ----->		<------ At cost					------>	
At cost/valuation									
At 1 September 2022	700	6,397	910	1	47	319	125	546	9,045
Additions	-	-	113	-	-	-	7	-	120
At 31 August 2023	700	6,397	1,023	1	47	319	132	546	9,165
Accumulated depreciation									
At 1 September 2022	57	156	823	1	24	249	108	81	1,499
Depreciation charge for the financial year	19	73	59	-	9	55	9	24	248
At 31 August 2023	76	229	882	1	33	304	117	105	1,747
Carrying amount									
At 1 September 2022	643	6,241	87	-	23	70	17	465	7,546
At 31 August 2023	624	6,168	141	-	14	15	15	441	7,418

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Had the freehold buildings and right-of-use assets been carried at historical cost less accumulated depreciation, the net carrying amounts of the freehold buildings and right-of-use assets that would have been included in the financial statements of the Group are as follows:

	|-------------- As at 31 August	---------------	--------------|
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Freehold building	382	371	360
Right-of-use assets	5,414	5,352	5,289
	5,796	5,723	5,649

(b) Level 2 fair value

Fair value of freehold and leasehold buildings under right-of-use assets are categorised as Level 2. Level 2 fair value is determined by using the comparison method of valuation which compares the property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustment thereof are then made to arrive at the value of the property.

In view that there is comparable market data of similar properties in the vicinity where the Company's property is situated, the valuation is based on significant observable inputs and is therefore recognised under level 2 of the fair value hierarchy.

(c) Right-of-use assets

Information about leases for which the Group is lessee is presented below:

	|-------------- As at 31 August	---------------	--------------|
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Buildings			
At valuation:			
At 1 September	5,538	6,397	6,397
Additions	859	-	-
At 31 August	6,397	6,397	6,397
Accumulated depreication			
At 1 September	10	83	156
Charge for the financial year	73	73	73
At 31 August	83	156	229
Carrying amount	6,314	6,241	6,168

The Group leases several buildings (as lessee). The remaining leases for these buildings are between 70 to 90 years.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. TRADE AND OTHER RECEIVABLES

	Note	As at 31 August 2021 RM'000	2022 RM'000	2023 RM'000
Trade	**(a)**			
- Third parties		3,351	3,410	8,086
Non-trade				
Other receivables		2	5	31
Deposits		30	31	26
Prepayments		-	41	234
Amount owing by related parties	**(b)**	332	354	-
		364	431	291
Total trade and other receivables		3,715	3,841	8,377

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 30 to 90 days (2022 and 2021: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amount owing by related parties and a director

Amount owing by related parties and a director are unsecured, non-trade in nature, repayable on demand and are expected to be settled in cash.

The information about the credit exposure is disclosed in Note 24(b)(i).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. CONTRACT ASSETS

	As at 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Contract assets relating to service contracts	1,657	716	3,680

Significant changes in contract balances

	Increase/(Decrease)		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Increases due to revenue recognised during the financial year, but no right to consideration	1,391	716	3,680
Transfers from contract assets recognised at the beginning of the period to receivables	(1,722)	(1,391)	(716)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. FIXED DEPOSITS PLACED WITH A LICENSED BANK

	As at 31 August		
	2021 RM'000	**2022 RM'000**	**2023 RM'000**
Short-term deposits	5,605	5,700	1,343
Less: Pledged deposits	(1,293)	(1,312)	(1,343)
	4,312	4,388	-

Included in fixed deposits placed with a licensed bank is RM1,342,738 (2022: RM1,311,783 and 2021: RM1,292,527) have been pledged to a licensed bank for bank guarantees granted to the Group.

The fixed deposits placed with a licensed bank have maturity of 1 month (2022 and 2021: 1 month), which bear interest at rates ranging from 1.70% to 2.65% (2022: 1.70% to 1.94% and 2021: 1.44% to 1.70%) per annum.

9. CASH AND BANK BALANCES

	As at 31 August		
	2021 RM'000	**2022 RM'000**	**2023 RM'000**
Cash at bank	11,622	12,731	4,013
Cash in hand	17	10	13
	11,639	12,741	4,026

(i) During the financial years under review, the Group's acquisitions of property, plant and equipment were made entirely from internally generated funds.

(ii) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.9.2020 RM'000	**Cash flows RM'000**	**31.8.2021 RM'000**
Amount due to a director	421	156	577
Amount due from a related party	309	23	332
Term loans	4,375	(14)	4,361
	5,105	165	5,270

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. CASH AND BANK BALANCES (CONTINUED)

(ii) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.9.2021 RM'000	Cash flows RM'000	31.8.2022 RM'000
Amount due to a director	577	(293)	284
Amount due from a related party	332	22	354
Term loans	4,361	(125)	4,236
	5,270	(396)	4,874

	1.9.2022 RM'000	Cash flows RM'000	31.8.2023 RM'000
Amount due to a director	284	(284)	-
Amount due from a related party	354	(354)	-
Term loans	4,236	(112)	4,124
	4,874	(750)	4,124

10. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of VTCM and VTCS.

	Number of ordinary shares			|---------------- Amount ----------------|		
	2021 Units	2022 Units	2023 Units	2021 RM'000	2022 RM'000	2023 RM'000
Issued and fully paid-up:						
At the beginning/end of the financial years	2,025	2,025	2,025	2,077	2,077	2,077

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

12. REVALUATION RESERVE

	As at 31 August		
	2021 RM'000	2022 RM'000	2023 RM'000
Non-distributable:			
Revaluation reserve	918	918	918

The revaluation reserve represents the surplus arising from the revaluation of certain leasehold buildings of the Group.

13. LOANS AND BORROWINGS

	As at 31 August		
	2021 RM'000	2022 RM'000	2023 RM'000
Non-current:			
- Term loan I	886	830	834
- Term loan II	1,398	1,354	1,320
- Term loan III	811	788	771
- Term loan IV	1,140	1,107	1,084
	4,235	4,079	4,009
Current:			
- Term loan I	26	54	25
- Term loan II	44	45	40
- Term loan III	23	24	21
- Term loan IV	33	34	29
	126	157	115
Total loans and borrowings	4,361	4,236	4,124

The term loans bear interests at base lending rate ("BLR") minus 2.37% per annum and are secured by way of:

(i) Fixed charge over leasehold buildings as disclosed in Note 5; and
(ii) Joint and several guarantee by directors of VETECE.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER PAYABLES

		|-------------- As at 31 August --------------|		
		2021	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**
Non-current:				
Other payables		1,083	-	-
Current:				
Trade	**(a)**			
- Third parties		788	157	1,760
		788	157	1,760
Non-trade				
Other payables		259	598	636
Amount owing to a director	**(b)**	577	284	-
Deposit		-	-	36
Accruals		1,012	858	824
Dividends payable		-	14,241	-
		1,848	15,981	1,496
Total trade and other payables (current and non-current)		3,719	16,138	3,256

(a) Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 90 days (2021 and 2020: 30 to 90 days).

(b) Amounts owing to a related party and a director

Amount owing to a related party and a director are unsecured, non-trade in nature, non-interest bearing, with no fixed term of repayment.

For explanation on the Group's liquidity risk management processes, refer to Note 24(b)(ii).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED TAX LIABILITIES

	1.9.2020 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	31.8.2021 RM'000
Property, plant and equipment	131	(28)	287	287

	1.9.2021 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	31.8.2022 RM'000
Property, plant and equipment	287	64	-	351

	1.9.2022 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	31.8.2023 RM'000
Property, plant and equipment	351	34	-	385

The components of deferred tax liabilities are as follows:

	|--------------- As at 31 August	---------------	|
	2021 RM'000	2022 RM'000	2023 RM'000
Differences between carrying amount of property, plant and equipment and its tax base	(3)	61	95
Revaluation surplus arising from revaluation of property, plant and equipment	290	290	290
	287	351	385

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. REVENUE

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Timing of revenue recognition:			
Over time:			
- Implementation services	5,390	6,514	10,328
- Maintenance, support and professional services	11,583	8,640	9,862
At a point in time:			
- Resale of hardware and software	3,072	5,688	2,943
	20,045	20,842	23,133

17. OTHER INCOME

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Realised gain on foreign exchange	-	16	2
Unrealised gain on foreign exchange	-	-	101
Interest income	91	97	90
Rental income	25	55	136
Miscellaneous income	151	227	66
	267	395	395

18. FINANCE COSTS

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Term loan interests	136	138	172

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. PROFIT BEFORE TAX

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	FYE 31 August		
	2021 RM'000	**2022 RM'000**	**2023 RM'000**
Auditors' remuneration			
- current financial year	36	40	60
- over provision in prior financial year	(1)	(1)	-
Depreciation of property, plant and equipment	253	234	248
Directors' remuneration:			
- Salaries	557	560	586
- Defined contribution plan	74	62	76
- Other emoluments	2	2	2
Employee benefits expenses (Note 20)	11,280	8,176	10,272
Loss on disposal of property, plant and equipment	38	-	-
Loss on foreign exchange:			
- realised	45	-	-
- unrealised	84	83	-
Interest expense	136	138	172
Expense relating to short-term lease	-	14	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. EMPLOYEE BENEFITS EXPENSE

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Salaries, wages, bonuses, incentives and allowances	10,365	7,318	9,335
Defined contribution plan	837	784	844
Other emoluments	78	74	93
	11,280	8,176	10,272
Included in employee benefits expenses are:			
Directors' salaries, bonuses and allowances	557	560	586
Defined contribution plan	74	62	76
Other emoluments	2	2	2
	633	624	664

21. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 August 2021, 31 August 2022 and 31 August 2023 are as follows:

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Statements of comprehensive income			
Current income tax:			
- Current income tax charges	1,021	1,321	2,077
- Adjustment in respect of prior financial years	(4)	(8)	25
	1,017	1,313	2,102
Deferred tax (Note 15):			
- (Reversal)/Origination of temporary differences	(32)	50	4
- Adjustment in respect of prior financial years	4	14	30
	(28)	64	34
Income tax expense	989	1,377	2,136

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial years.

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

	FYE 31 August		
	2021 RM'000	**2022 RM'000**	**2023 RM'000**
Profit before tax	4,128	5,529	8,700
Tax at Malaysian statutory income tax rate of 24%	991	1,327	2,088
Adjustments:			
- Non-deductible expenses	125	134	38
- Crystallisation of deferred tax liabilities on revaluation property, plant and equipment	-	(9)	(4)
- Differential in tax rate	(39)	(59)	(41)
- Income not subject to tax	(88)	(22)	-
- Over provision of income tax in the previous financial years	(4)	(8)	25
- Under provision of deferred tax in the previous financial years	4	14	30
	989	1,377	2,136

22. EARNINGS PER SHARE

Basic earnings per ordinary share

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

	FYE 31 August		
	2021 RM'000	**2022 RM'000**	**2023 RM'000**
Profit attributable to the owners of the Group	3,766	4,392	6,960
Weighted average number of ordinary shares for basic and diluted earnings per share ('000)	2,025	2,025	2,025
Basic earnings per share (sen)	185.98	216.89	343.70

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

The diluted earnings per ordinary share is not applicable as the Company does not have potential dilutive equity instrument in issue as at the end of the each of the financial years that have dilutive effect to the basic earnings per ordinary share.

23. DIVIDENDS

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Single-tier interim dividend of RM0.729 per ordinary share in respect of the financial year ended 31 August 2021, paid on 10 January 2020	1,458	-	-
Single-tier interim dividend of RM1.10 per ordinary share in respect of the financial year ended 31 August 2022, paid on 17 September 2021	-	2,200	-
Second single-tier interim dividend of RM3.90 per ordinary share in respect of the financial year financial year ended 31 August 2022, paid on 17 September 2021	-	7,800	-
Single-tier interim dividend of SGD80 (RM257.64) per ordinary share in respect of the financial year financial year ended 31 August 2022, paid on 17 September 2021	-	6,441	-
	1,458	16,441	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Amortised cost

	Carrying amount RM'000	Amortised cost RM'000
At 31 August 2021		
Financial assets		
Trade and other receivables, less prepayments	3,715	3,715
Contract assets	1,657	1,657
Fixed deposits placed with licensed banks	5,605	5,605
Cash and bank balances	11,639	11,639
	22,616	22,616
Financial liabilities		
Loans and borrowings	4,361	4,361
Trade and other payables	3,719	3,719
	8,080	8,080
At 31 August 2022		
Financial assets		
Trade and other receivables, less prepayments	3,800	3,800
Contract assets	716	716
Fixed deposits placed with licensed banks	5,700	5,700
Cash and bank balances	12,741	12,741
	22,957	22,957
Financial liabilities		
Loans and borrowings	4,236	4,236
Trade and other payables	16,138	16,138
	20,374	20,374

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

(i) Amortised cost (continued)

	Carrying amount RM'000	Amortised cost RM'000
At 31 August 2023		
Financial assets		
Trade and other receivables, less prepayments	8,143	8,143
Contract assets	3,680	3,680
Fixed deposits placed with licensed banks	1,343	1,343
Cash and bank balances	4,026	4,026
	17,192	17,192
Financial liabilities		
Loans and borrowings	4,124	4,124
Trade and other payables	3,256	3,256
	7,380	7,380

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

(i) Credit risk

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

Trade receivables and contract assets

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

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

Credit risk concentration profile
At the end of the reporting period, the Group has a significant concentration of credit risk in the form of six (6) (2022 and 2021: four (4)) trade receivables, representing approximately 87% (2022: 84% and 2021: 77%) of the Group's total trade receivables.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

		Trade receivables				
	Contract assets RM'000	**Current RM'000**	**1 to 30 days past due RM'000**	**31 to 60 days past due RM'000**	**> 60 days past due RM'000**	**Total RM'000**
At 31 August 2021						
Gross carrying amount at default	1,657	2,237	584	523	7	3,351
Impairment losses	-	-	-	-	-	-
Net balance	1,657	2,237	584	523	7	3,351
At 31 August 2022						
Gross carrying amount at default	716	1,969	1,097	137	207	3,410
Impairment losses	-	-	-	-	-	-
Net balance	716	1,969	1,097	137	207	3,410

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables				
	Contract assets RM'000	**Current RM'000**	**1 to 30 days past due RM'000**	**31 to 60 days past due RM'000**	**> 60 days past due RM'000**	**Total RM'000**
At 31 August 2023						
Gross carrying amount at default	3,680	3,432	3,149	1,249	256	8,086
Impairment losses	-	-	-	-	-	-
Net balance	3,680	3,432	3,149	1,249	256	8,086

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

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

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

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group did not recognise any loss allowance for impairment for other receivables and other financial assets throughout the financial years under review. Refer to Note 3.8(a) for the Group's significant accounting policies for impairment of financial assets.

(ii) Liquidity risk

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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

	Carrying amount RM'000	Contractual cash flows: On demand or within one year RM'000	Contractual cash flows: Between one and five years RM'000	Contractual cash flows: More than five years RM'000	Contractual cash flows: Total RM'000
At 31 August 2021					
Term loans	4,361	262	1,307	4,616	6,185
Trade and other payables	3,719	3,719	-	-	3,719
	8,080	3,981	1,307	4,616	9,904
At 31 August 2022					
Term loans	4,236	262	1,307	4,352	5,921
Trade and other payables	16,138	16,138	-	-	16,138
	20,374	16,400	1,307	4,352	22,059
At 31 August 2023					
Term loans	4,124	261	1,307	4,127	5,695
Trade and other payables	3,256	3,256	-	-	3,256
	7,380	3,517	1,307	4,127	8,951

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its long term loans and borrowings with floating interest rates. The Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. The mix between fixed and floating rate borrowings are monitored and varied according to changes in interest rates to ensure that the Group's cost of financing is kept at the lowest possible.

Sensitivity analysis for interest rate risk

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

	Carrying amount RM'000	Change in Change in basis point	Effect on profit for the financial year RM'000
31 August 2021			
Term loans	4,361	+ 50	(17)
		- 50	(17)
31 August 2022			
Term loans	4,236	+ 50	(16)
		- 50	(16)
31 August 2023			
Term loans	4,124	+ 50	(16)
		- 50	(16)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) 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).

Management has set up a policy that requires all companies within the Group to manage its treasury activities and exposures. The Group also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

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

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Financial assets not held in functional currencies:			
Trade and other receivables			
United States Dollar ("USD")	-	28	-
Australian Dollar ("AUD")	141	108	-
Thai Baht ("THB")	60	-	-
Chinese Yuan ("CNY")	-	-	60
	201	136	60
Cash and bank balances			
USD	439	763	843
	439	763	843
Trade and other payables			
USD	(459)	-	203
CNY	(968)	(1,514)	-
	(1,427)	(1,514)	203

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, AUD, THB and CNY.

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

	Carrying amount RM'000	Change in rate	Effect on profit for the financial year RM'000
31 August 2021			
USD	(20)	+5%	(1)
		-5%	1
AUD	141	+5%	5
		-5%	(5)
THB	60	+5%	2
		-5%	(2)
CNY	(968)	+5%	(37)
		-5%	37

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

	Carrying amount RM'000	Change in rate	Effect on profit for the financial year RM'000
31 August 2022			
USD	763	+5%	29
		-5%	(29)
AUD	108	+5%	4
		-5%	(4)
CNY	(1,514)	+5%	(58)
		-5%	58
31 August 2023			
USD	640	+5%	32
		-5%	(32)
CNY	60	+5%	3
		-5%	(3)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amounts of bank balances, receivables and payables and short-term borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

Other long-term financial assets and liabilities are reasonable approximation of their fair values 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.

There was no transfers between the fair value measurement hierarchy during the financial year.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

(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 year.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. RELATED PARTIES

(a) Identification of related parties

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

Related parties of the Group include:
(i) Entities in which directors have substantial financial interests;
(ii) Entity in which a shareholder connected to a director of the Group;
(iii) Shareholder; and
(iv) 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

	|---------------- FYE 31 August ----------------|		
	2021 RM'000	2022 RM'000	2023 RM'000
Outsourcing fee paid to:			
- VTCS	1,151	702	-

(c) Compensation of key management personnel

	|---------------- FYE 31 August ----------------|		
	2021 RM'000	2022 RM'000	2023 RM'000
Salaries, bonus and allowances	1,163	1,189	1,290
Defined contribution plans	147	137	161
Other related expenses	5	5	6
	1,315	1,331	1,457

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during financial years ended 31 August 2021, 31 August 2022 and 31 August 2023.

The Group monitors capital using gearing ratio, which is total debt divided by total equity of the Group. The gearing ratio as at 31 August 2021, 31 August 2022 and 31 August 2023 are as follows:

		|---------------- FYE 31 August ----------------|		
	Note	**2021** **RM'000**	**2022** **RM'000**	**2023** **RM'000**
Loans and borrowings	**13**	4,361	4,236	4,124
Total debts		4,361	4,236	4,124
Equity attributable to owners of the Company				
Total Equity		21,507	9,458	16,418
Gearing ratio (times)		0.20	0.45	0.25

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

The Group is not subject to externally imposed capital requirements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Acquisition of subsidiaries

(i) **Acquisition of VTCM**

On 7 February 2024, the Company entered into a conditional share sale agreement with Chan Wai Hoong, Choo Kwang Hui Nicholas, Goh Yeh Hwang and Tee Chee Chiang to acquire the entire issued share capital of VTCM of RM2,000,000 comprising 2,000,000 ordinary shares in VTCM for a purchase consideration of RM15,990,848.23. The acquisition of VTCM is to be wholly satisfied by the issuance of 286,574,341 new VETECE shares at an issue price of RM0.0558 per share.

(ii) **Acquisition of VTCS**

On 7 February 2024, the Company entered into a conditional share sale agreement with VETECE Group Sdn Bhd to acquire the entire issued share capital of VTCM of SGD25,000 comprising 25,000 ordinary shares in VTCS for a purchase consideration of RM414,351.66. The acquisition of VTCS is to be wholly satisfied by the issuance of 7,425,657 new VETECE at an issue price of RM0.0558 per share.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION

The group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by Directors for the purpose of making decisions about resource allocation and performance assessment.

The reportable segments are as follows:

Segments	Description
Implementation services	Conduct feasibility study to understand the clients' system requirement. Recommendation of enterprise IT solution to best suit clients' system requirement. Implementation of enterprise IT solutions into the clients' business processes.
Maintenance, support and professional services	Provide maintenance and support services for maintaining the system and upgrades. Provide IT professionals for clients' internally managed IT projects and/or to meet their operational needs.
Resale of hardware and software	Resale of hardware and software.

There is no inter-segment pricing.

Factors used to identify reportable segments
The group is organised into business units based on its business segment purposes.

Segment profit
Segment performance is used to measure performance as Directors believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets
The total of segment asset is measured based on all of a segment, as included in the internal reports that are reviewed by the Directors.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the Directors, hence no disclosures are made on segment liabilities.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Implementation services RM'000	Maintenance, support and professional services RM'000	Resale of hardware and software RM'000	Total RM'000
At 31 August 2021				
Revenue:				
Revenue from external customers	5,390	11,583	3,072	20,045
Results:				
Included in the measure of segment profits are:				
- Depreciation of property, plant and equipment				(253)
- Rental income				25
- Interest income				91
- Employee benefits expense				(11,280)
- Interest expense				(136)
Segment profit	405	5,185	285	5,875
Unallocated expenses				(1,747)
Income tax expense				(989)
Profit for the financial year				3,139
Assets:				
Additions to non-current assets				134
Segment assets				29,939

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Implementation services RM'000	Maintenance, support and professional services RM'000	Resale of hardware and software RM'000	Total RM'000
At 31 August 2022				
Revenue:				
Revenue from external customers	6,514	8,640	5,688	20,842
Results:				
Included in the measure of segment profits are:				
- Depreciation of property, plant and equipment				(234)
- Rental income				55
- Interest income				97
- Employee benefits expense				(8,176)
- Interest expense				(138)
Segment profit	3,066	3,735	245	7,046
Unallocated expenses				(1,517)
Income tax expense				(1,377)
Profit for the financial year				4,152
Assets:				
Additions to non-current assets				457
Segment assets				30,544

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Implementation services RM'000	Maintenance, support and professional services RM'000	Resale of hardware and software RM'000	Total RM'000
At 31 August 2023				
Revenue:				
Revenue from external customers	10,328	9,862	2,943	23,133
Results:				
Included in the measure of segment profits are:				
- Depreciation of property, plant and equipment				(248)
- Rental income				136
- Interest income				90
- Employee benefits expense				(10,272)
- Interest expense				(172)
Segment profit	4,756	4,809	174	9,739
Unallocated expenses				(1,039)
Income tax expense				(2,136)
Profit for the financial year				6,564
Assets:				
Additions to non-current assets				120
Segment assets				24,844

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

Geographical Information
Revenue and non-current assets information based on geographical location of customers are as follows:

	Revenue RM'000	Non-current assets RM'000
At 31 August 2021		
Malaysia	15,408	7,323
Australia	2,259	-
Brunei	638	-
Thailand	583	-
Papua New Guinea	471	-
Singapore	163	#
Hong Kong	46	-
Others	477	-
	20,045	7,323
At 31 August 2022		
Malaysia	18,480	7,546
Australia	1,338	-
Brunei	173	-
Thailand	28	-
Papua New Guinea	541	-
Singapore	187	#
Hong Kong	47	-
Others	48	-
	20,842	7,546
At 31 August 2023		
Malaysia	22,300	7,418
Australia	304	-
Singapore	204	#
Hong Kong	300	-
Others	25	-
	23,133	7,418

Note:

Less than RM1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from external customers which contributed 10% or more to the total revenue recognised is as follows:

	FYE 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Customer A	3,156	4,754	10,550
Customer B	2,821	2,577	1,729
Customer C	2,259	1,338	304
Customer D	1,774	1,552	1,888
Customer E	1,387	970	672
Customer F	-	4,162	90
	11,397	15,353	15,233