

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **QUANTUM METAL EXCHANGE, INC.**

A Nevada Corporation

One World Trade Center, Suite 8500

New York, NY 10007

USA

---

(212) 220-7301

info@qmexchange.world

SIC - 7812

**Annual Report**  
**For the Period Ending: August 31, 2021**  
(the "Reporting Period")

As of November 19, 2021, the number of shares outstanding of our Common Stock was:

35,898,026

As of May 31, 2021, the number of shares outstanding of our Common Stock was:

34,898,026

As of August 31, 2020, the number of shares outstanding of our Common Stock was:

34,388,026

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☒ No: ☐

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

---

<sup>1</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the

Yes: ☒ No: ☐

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

<u>PaperWorks, Inc.:</u>	<u>April 30, 2008, to May 1, 2012</u>
<u>VuMee Inc.:</u>	<u>May 2, 2012, to June 12, 2018</u>
<u>AltSol, Inc.:</u>	<u>June 12, 2018, to July 10, 2018</u>
<u>VuMee Inc.:</u>	<u>July 10, 2018, to April 28, 2021</u>
<u>Quantum Metal Exchange Inc. (the "Company"):</u>	<u>April 27, 2021, to Present</u>

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Nevada: "Active Status"

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

a. On August 6, 2021, the Company entered into a Stock Purchase Agreement, (the "Stock Purchase Agreement") by and between the Company, Quantum Metal Capital Inc., a New York corporation ("QMC"), Lim Khong Soon and Law Lee Poh. Lim Khong Soon and Law Lee Poh were the sole shareholders of QMC and are officers and directors of the Company. Pursuant to the Stock Purchase Agreement, on that same date, the Company acquired 100% of the issued and outstanding shares of common stock of QMC for a total purchase price of \$5, which was paid 80% to Lim Khong Soon and 20% to Law Lee Poh, correlating to their respective ownership of QMC, and therefore QMC became a wholly owned subsidiary of the Company. There were no changes in the directors or officers of either the Company or QMC as a result of this transaction, and each entity will continue its operations in the current structure. The Stock Purchase Agreement and the transactions pursuant to same, were approved by the Board of Directors of the Company as a whole.

b. On August 20, 2021, Quantum Metal Exchange, Inc. ("we," "our," or the "Company") entered into a Share Exchange Agreement, (the "Share Exchange Agreement") by and between the Company, Quantum Metal Sdn Bhd, a Malaysia corporation ("QMSB") and Dato Lim Khong Soon, Tan Eng Foo and Thor Seng Wah, who are all of the shareholders of QMSB. Dato Lim Khong Soon is also an officer and director of the Company. Pursuant to the Share Exchange Agreement, on August 20, 2021, the Company acquired 100% of the issued and outstanding shares of QMSB in exchange for the issuance to the shareholders of QMSB of one million shares of common stock of the Company, which were issued effective August 23, 2021, as follows: 700,000 shares to Dato Lim Khong Soon, 150,000 shares to Tan Eng Foo and 150,000 shares to Thor Seng Wah, and therefore on such date QMSB became a wholly owned subsidiary of the Company. The closing of the Share Exchange

---

surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Agreement did not constitute a change in control, as the Company's largest shareholder remains unchanged and no other person became the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities. Additionally, there was no change in the composition of the Company's board of directors and nor was there any change to the officers of the Company. Accordingly, there was no change in control of the Company.

The address(es) of the issuer's principal executive office:

One World Trade Center, Suite 8500, New York, NY 10007

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

## 2) Security Information

Trading symbol:	<u>QMEI</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>74768C100</u>	
Par or stated value:	<u>\$0.00001</u>	
Total shares authorized:	<u>1,500,000,000</u>	as of date: <u>November 19, 2021</u>
Total shares outstanding:	<u>35,898,026</u>	as of date: <u>November 19, 2021</u>
Number of shares in the Public Float <sup>2</sup> :	<u>300,013</u>	as of date: <u>November 19, 2021</u>
Total number of shareholders of record:	<u>41</u>	as of date: <u>November 19, 2021</u>

*All additional class(es) of publicly traded securities (if any):*

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____

<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

Total shares outstanding: \_\_\_\_\_ as of date: \_\_\_\_\_

### Transfer Agent

Name: Action Stock Transfer Corp.  
 Phone: +1 (801) 274-1088  
 Email: [action@actionstocktransfer.com](mailto:action@actionstocktransfer.com)  
 Address: 2469 E. Fort Union Blvd, Suite 214, Salt Lake City, UT 84121

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes: ☒ No: ☐

## 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

### A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

Shares Outstanding as of Second Most Recent Fiscal Year End: <div>Opening Balance</div> Date <u>August 31, 2019</u> Common: <u>34,388,026</u> Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>March 25,2021</u>	<u>New Issuance</u>	<u>510,000</u>	<u>Common stock</u>	<u>\$0.1</u>	<u>Yes</u>	<u>CJC Hong Kong Limited (controlling person: Nankalamu)</u>	<u>Conversion of convertible note</u>	<u>Restricted</u>	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	
Shares Outstanding on Date of This Report:										
<u>Ending Balance:</u>		<u>Ending</u>								<u>Balance</u>
Date <u>August 31, 2021</u>		Common: <u>34,898,026</u>								
Preferred: _____										

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its quarter ended June 30, 2021, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2019 through June 30, 2021 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

#### B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP  
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: Steve Rivera  
Title: Certified Public Accountant  
Relationship to Issuer: Outside Accountant

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

---

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

## 5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

None

B. Please list any subsidiaries, parents, or affiliated companies.

1. Quantum Metal Sdn. Bhd., a Malaysia company;
2. Quantum Metal Capital, Inc, a New York company; and its subsidiaries:
  - a. Quantum Metal Exchange Pte. Ltd., a Singapore company;
  - b. Quantum Metal Pte. Ltd., a United Kingdom company;
  - c. Quantum Metal Pty. Ltd., an Australian company; and
  - d. Quantum Metal Thailand Co. Ltd., a Thailand Company.

---

<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

C. Describe the issuers' principal products or services.

None

## 6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The company leases four (4) properties:

1. Blk 1-04-01 E-Gate, Lebu Tunku Kudin 2, Gelgor 11700 Penang, Malaysia. The contract is for 24 months, from January 1, 2020 to December 31, 2021;
2. Unit 7.5 Level 7, Block A, Datatran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia. The contract is for 24 months, from June 15, 2019 to June 14, 2022;
3. 5<sup>th</sup> floor—1-05-9A, E-Gate Lebu Tunku Kudin 2, 11700 Gelugor Pulau Pinang, Malaysia. The contract is for 35 months, from August 15, 2020 to July 15, 2023; and
4. Sarawak office--#UG-02, Gateway Kuching, No. 9 Jain Bukit Mata, 93100 Kuching Sarawak , Malaysia. The contract is for 36 months, from February 1, 2021 to January 31, 2024.

## 7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Mr. Pui Lam "Rex" Cheung</u>	<u>Director</u>	<u>Hong Kong SAR, China</u>	<u>800,000</u>	<u>N/A</u>	<u>None</u>	<u>Appointed July 3, 2018</u>

<u>Liu, Zhongkuo</u>	<u>Director</u>	<u>Shenzhen, China</u>	<u>None</u>	<u>N/A</u>	<u>None</u>	<u>Appointed April 8, 2021</u>
<u>Lim, Khong Soon</u>	<u>Founder President / Chief Executive Officer/ Director</u>	<u>Penang, Malaysia</u>	<u>700,000</u>	<u>N/A</u>	<u>None</u>	<u>Appointed April 8, 2021</u> <u>Controlling person of Forever Best Limited</u>
<u>Law, Lee Poh</u>	<u>Co-founder Director</u>	<u>Sarawak, East Malaysia</u>	<u>None</u>	<u>N/A</u>	<u>None</u>	<u>Appointed April 8, 2021</u> <u>Controlling person of Forever Best Limited</u>
<u>Forever Best Limited/ Controlling persons: Lim Khong Soon, Law Lee Poh</u>	<u>Owner of more than 5%</u>	<u>Seychelles</u>	<u>29,488,000</u>	<u>Common Stock</u>	<u>84.50%</u>	
<u>Wang, Ping</u>	<u>Owner of more than 5%</u>	<u>Wenling City, Zhejiang Prov., China</u>	<u>3,150,000</u>	<u>Common Stock</u>	<u>9.03%</u>	

## 8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or



None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

### Securities Counsel

Name: Laura Anthony  
Firm: Anthony L.G., PLLC  
Address 1: 625 N Flagler, Suite 600  
Address 2: West Palm Beach, FL 33401  
Phone: (561) 514-0936  
Email: LAnthony@AnthonyPLLC.com

### Accountant or Auditor

Name: Steven Riviera, CPA  
Firm: Berman Hopkins CPAs and Associates, LLP  
Address 1: 255 S. Orange Ave., Ste. 1200  
Address 2: Orlando, FL 32801  
Phone: (407) 421-6126  
Email: riviera@bermanhopkins.com

### Investor Relations

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

### Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_

Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

## 10) Issuer Certification

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Mr. Lim Khong Soon certify that:

1. I have reviewed this Annual Disclosure Statement of Quantum Metal Exchange, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/30/2021 [Date]

/s/ Mr. Lim Khong Soon [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

### *Principal Financial Officer:*

I, Law Lee Poh (acting CFO) certify that:

1. I have reviewed this Annual Disclosure Statement of Quantum Metal Exchange, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/30/2021 [Date]

/s/ Law Lee Poh [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**QUANTUM METAL  
EXCHANGE, INC. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**August 31, 2021 and 2020**



**BERMAN HOPKINS**  
CPAs & ASSOCIATES, LLP

**255 S. Orange Ave., Ste 1200  
Orlando, FL 32801**

## TABLE OF CONTENTS

	Page
Consolidated Balance Sheets	1
Consolidated Statements of Income	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

**August 31,**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,614,006	\$ 1,669,024
Receivables, net	612,992	749,075
Inventories	2,286,087	2,336,335
Prepaid expenses and other current assets	1,385,031	958,207
Total current assets	8,898,116	5,712,641
<b>EQUIPMENT, NET</b>	59,837	40,748
<b>RIGHT OF USE ASSETS, NET</b>	584,475	143,718
<b>INVESTMENTS IN SUBSIDIARIES</b>	22,689	-
<b>Total Assets</b>	<b>\$ 9,565,117</b>	<b>\$ 5,897,107</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,665,277	\$ 1,183,900
Due to related party	357,133	5,202
Current income tax liability	399,294	382,388
Lease liabilities, current portion	128,283	51,930
Term loan, current portion	45,463	-
Total current liabilities	3,595,450	1,623,420
<b>Non-Current Liabilities</b>		
Lease liabilities, net of current portion	497,704	135,795
Term loan, net of current portion	183,536	-
Total non-current liabilities	681,240	135,795
<b>Total Liabilities</b>	4,276,690	1,759,215
<b>Stockholders' equity</b>		
Common stock, \$0.00001 par value; 1,500,000,000 shares authorized; 35,898,026 and 34,388,026 shares issued and outstanding	359	344
Additional paid-in capital	3,469,969	3,396,314
Retained earnings	1,841,881	760,845
Accumulated other comprehensive loss	(23,782)	(19,611)
<b>Total Stockholders' Equity</b>	5,288,427	4,137,892
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 9,565,117</b>	<b>\$ 5,897,107</b>

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF INCOME**

**For the years ended August 31,**

	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>Revenues</b>	\$ 56,452,387	\$ 36,602,772
<b>Cost of Sales</b>	<u>51,897,817</u>	<u>32,290,205</u>
<b>Gross Profit</b>	4,554,570	4,312,567
<b>Operating expenses</b>	<u>4,065,507</u>	<u>2,680,868</u>
<b>Operating income</b>	<u>489,063</u>	<u>1,631,699</u>
<b>Other income (expense)</b>		
Interest income	20,508	16,096
Interest expense	(131,248)	(88,755)
Management and system fee income	1,542,712	3,565
Other expense	<u>(148,820)</u>	<u>(62,850)</u>
Total other income (expense)	<u>1,283,152</u>	<u>(131,944)</u>
<b>Net income before income taxes</b>	1,772,215	1,499,755
Current income tax expense	<u>(431,899)</u>	<u>(362,863)</u>
<b>Net income</b>	<u><u>\$ 1,340,316</u></u>	<u><u>\$ 1,136,892</u></u>
<b>Net income per share basic and diluted:</b>		
Net income attributable to stockholders per share	<u><u>\$ 0.04</u></u>	<u><u>\$ 0.03</u></u>
Weighted average shares outstanding: basic and diluted	<u><u>34,632,109</u></u>	<u><u>34,388,026</u></u>

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the years ended August 31,**

	<b>2021</b>	<b>2020</b>
Net income	<u>\$ 1,340,316</u>	<u>\$ 1,136,892</u>
Other comprehensive income (loss):		
Foreign currency translation adjustment	<u>(4,171)</u>	<u>43,072</u>
Other comprehensive income (loss)	<u>(4,171)</u>	<u>43,072</u>
Comprehensive income attributable to stockholders	<u><u>\$ 1,336,145</u></u>	<u><u>\$ 1,179,964</u></u>

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**



**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**For the years ended August 31, 2021 and 2020**

	<u>Common Stock</u>					
	<u>Shares</u>	<u>Amount</u>	<u>Additional Paid-in- Capital</u>	<u>Retained earnings (deficit)</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total stockholders' equity</u>
Balance at August 31, 2019	34,388,026	\$ 344	\$ 3,396,314	\$ (376,047)	\$ (62,683)	\$ 2,957,928
Net income	-	-	-	1,136,892	-	1,136,892
Foreign currency translation adjustment	-	-	-	-	43,072	43,072
Balance at August 31, 2020	34,388,026	344	3,396,314	760,845	(19,611)	4,137,892
Common stock issued for conversion of notes payable	510,000	5	50,995	-	-	51,000
Dividends paid	-	-	-	(259,280)	-	(259,280)
Common stock issued for acquisition of Quantum Metal Sdn Bhn	1,000,000	10	(10)	-	-	-
Acquisition of Quantum Metal Capital, Inc.	-	-	22,670	-	-	22,670
Net income	-	-	-	1,340,316	-	1,340,316
Foreign currency translation adjustment	-	-	-	-	(4,171)	(4,171)
Balance at August 31, 2021	<u>35,898,026</u>	<u>\$ 359</u>	<u>\$ 3,469,969</u>	<u>\$ 1,841,881</u>	<u>\$ (23,782)</u>	<u>\$ 5,288,427</u>

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended August 31,**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,340,316	\$ 1,136,892
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation expense on equipment	12,815	7,611
Depreciation expense on right of use assets	145,074	55,239
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in operating assets:		
Receivables, net	138,738	(533,010)
Prepaid expenses and other assets	(428,635)	945,766
Inventories	55,287	209,623
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,492,226	(124,928)
Due to/from related party, net	328,395	(102,142)
Current income tax liability	16,372	256,652
Deferred revenue	-	(145,276)
<b>Net cash provided by operating activities</b>	<u>3,100,588</u>	<u>1,706,427</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(31,990)	(21,153)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	<u>(22,689)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(54,679)</u>	<u>(21,153)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net activity relating to lease liabilities	(143,649)	(40,670)
Net activity from borrowings on term loan	228,999	-
Common stock issued for conversion of notes payable	5	-
Common stock issued for acquisition of Quantum Metal Sdn Bhn	10	-
Dividends paid	<u>(262,038)</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<u>(176,673)</u>	<u>(40,670)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>75,746</u>	<u>24,420</u>
<b>Net increase in cash and cash equivalents</b>	2,944,982	1,669,024
Cash and cash equivalents at beginning of year	<u>1,669,024</u>	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,614,006</u>	<u>\$ 1,669,024</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Shares issued for conversion of convertible note	<u>\$ 51,000</u>	<u>\$ -</u>
Right of use assets acquired with financing leases	<u>\$ 589,367</u>	<u>\$ 136,281</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 131,248</u>	<u>\$ 88,755</u>

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

## **Quantum Metal Exchange, Inc. and Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

#### **NOTE A - BACKGROUND**

Quantum Metal Exchange, Inc. ("QMEI") was originally incorporated in the State of Nevada on April 30, 2008 as PaperWorks, Inc. On July 10, 2018, the acting CEO and sole director of QMEI filed a Second Amended and Restated Articles of Incorporation with the Nevada Secretary of State changing the name of the Company to Quantum Metal Exchange, Inc. QMEI's management is focused on seeking and acquiring cash-generating businesses.

On August 20, 2021, QMEI entered into a Share Exchange Agreement to acquire 100% of the issued and outstanding shares of Quantum Metal Sdn. Bhd. and subsidiary (Incorporated in Malaysia) ("QMSB") in exchange for the issuance to the shareholders of QMSB of one million shares of common stock of QMEI. QMSB is principally engaged in sale and purchase of gold products and related services.

On August 6, 2021, QMEI entered into a Stock Purchase Agreement to acquire 100% of the issued and outstanding shares of common stock of Quantum Metal Capital, Inc. and subsidiaries (a New York corporation) ("QMC"). Subsidiaries of QMC as of August 31, 2021 include Quantum Metal Exchange (Singapore) Pte. Ltd., Quantum Metal (Thailand) Company Limited, Quantum Metal (UK) Pte. Ltd., and Quantum Metal (AUS) Pty. Ltd. QMC is designed with the intention for it to become the business service, development and investment product arm of QMEI, to provide business development and investment-related services to companies and partners in Asia, Middle East, Europe, Africa, and Australia, specifically in the area of precious metal commodities.

QMEI, QMSB, and QMC are collectively referred to as the "Company".

#### **NOTE B - BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**

##### **1. Basis of presentation**

QMSB maintains its accounting records in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia. The subsidiaries of QMSB and QMC maintain accounting records under the functional authoritative accounting standards of the countries in which they are located. The accompanying consolidated financial statements have been prepared from those accounting records and adjusted as necessary to comply, in all material respects, with the requirements of accounting principles generally accepted in the United States of America ("US GAAP").

##### **2. Functional and reporting currency**

The accounting records of the QMSB are prepared in its functional currency, Malaysian Ringgit ("RM").

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE B - BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**  
**(continued)**

2. Functional and reporting currency (continued)

The accompanying consolidated financial statements have been prepared using the US dollar as the Company's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period yearly average exchange rates for consolidated statement of income and historic rates for equity accounts in accordance with the relevant provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830, *Foreign Currency Matters*. As a result of these translation procedures, a cumulative translation adjustment of approximately \$(4,200) and \$43,100 was recorded directly in stockholders' equity in the years ended August 31, 2021 and 2020, respectively.

The RM to US dollar closing rates of exchange as of the reporting dates and the period average exchange rates for corresponding reporting periods are indicated below.

	2021	2020
As of beginning of fiscal year	0.240074	0.237781
As of end of fiscal year	0.240543	0.240074
Average for fiscal year	0.240309	0.238928

Management considers foreign currency translation effects of the subsidiaries of QMSB and QMC to be insignificant for the fiscal years ended August 31, 2021 and 2020.

3. Consolidation principles

These consolidated financial statements include all majority-owned and controlled subsidiaries of the Company. All significant intercompany accounts and transactions have been eliminated.

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied by the Company from one reporting period to another with the exception of newly adopted accounting pronouncements.

1. Use of estimates

The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the periods reported.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

1. Use of estimates (continued)

Estimates are used when accounting for certain items such as allowances for doubtful accounts; employee compensation programs; depreciation and amortization lives; asset retirement obligations; legal and tax contingencies; inventory values; valuations of investments and determining when investment impairments are other than temporary; goodwill; assets and liabilities assumed in a purchase business combinations and deferred tax assets, including valuation allowances. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

2. Fair value of financial instruments

The carrying amounts of financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash on current accounts with banks, bank deposits and other highly liquid short-term investments with original maturities of less than three months.

4. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries through the end of the reporting period.

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

In accordance with ASC 805, Business Combinations, subsidiaries are consolidated for the entirety of the fiscal year of the parent company as there was not a significant change in ownership of the Company or its subsidiaries as a result of the acquisition.

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

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. Basis of consolidation (continued)

a. *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Company at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognized in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

Non-controlling interests in the entities acquired may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

b. *Non-controlling Interests*

Non-controlling interests are presented within equity in the consolidated balance sheets, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. There were no amounts recognized relating to non-controlling interests for the fiscal years ended August 31, 2021 and 2020.

c. *Changes in Ownership Interests in Subsidiaries Without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in the equity of the Company.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. Basis of consolidation (continued)

*d. Loss of control*

Upon the loss of control of a subsidiary, the Company recognizes any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- i.* the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- ii.* the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognized in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on of the initial recognition for subsequent accounting or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture. There were no amounts recognized in other comprehensive income for the fiscal years ended August 31, 2021 and 2020.

5. Receivables, net

Receivables are stated at cost less an allowance for doubtful accounts. Management quantifies this allowance based on current information regarding the customers' and borrowers' ability to repay their obligations. Amounts previously written off which are subsequently collected is recognized as income. As of August 31, 2021 and 2020, there was no allowance for doubtful accounts.

The Company's normal trade credit term range from 1 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

6. Inventories

Inventories are stated at the lower of acquisition cost inclusive of completion expenses or market value. Inventories are released to production or written-off otherwise at average cost. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads. As of August 31, 2021 and 2020, all inventories presented on the accompanying consolidated balance sheets represent finished goods inventory.

The provision for obsolescence is calculated on the basis of slow-moving and obsolete inventories analysis. As of August 31, 2021 and 2020, management determined there were no slow-moving and obsolete inventories, and as such, no provision was recorded.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7. Goodwill**

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Under ASC No. 350, *Intangibles - Goodwill and Other*, ("ASC No. 350") goodwill is first assessed with regard to qualitative factors to determine whether it is necessary to perform the two-step quantitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. It is required to calculate the fair value of a reporting unit only if a qualitative assessment indicates that it is more likely than not that its carrying amount is more than its fair value.

The impairment test under ASC No. 350 includes a two-step approach. Under the first step, management compares fair value of a "reporting unit" to its carrying value. A reporting unit is the level at which goodwill impairment is measured and it is defined as an operating segment or one level below it if certain conditions are met. If the fair value of the reporting unit is less than its carrying value, step two is required to determine if goodwill is impaired.

Under step two, the amount of goodwill impairment is measured by the amount, if any, that the reporting unit's goodwill carrying value exceeds its "implied" fair value of goodwill. The implied fair value of goodwill is determined by deducting the fair value of all tangible and intangible net assets of the reporting unit (both recognized and unrecognized) from the fair value of the reporting unit (as determined in the first step).

The excess of the fair value of net assets acquired over acquisition cost represents negative goodwill (or "bargain purchase") which is recognized as a gain in the consolidated statements of income on the date of the acquisition.

Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful or legal lives.

**8. Financial instruments**

A financial asset is defined as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to either receive cash or another financial instrument from a second entity, or exchange other financial instruments on potentially favorable terms with the second entity. A financial asset exists if and when two or more parties agree to payments terms and those payment terms are reduced to a contract. To be a financial asset, an asset must arise from a contractual agreement between two or more parties, not by an imposition of an obligation by one party on another.

A financial liability is a contract that imposes on one entity an obligation to either deliver cash or another financial instrument to a second entity, or exchange other financial instruments on potentially unfavorable terms with the second entity.

**We do not provide any assurance on these consolidated financial statements.**



**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**8. Financial instruments (continued)**

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset only when the parties owe each other determinable amounts, there is a right and intention to set-off, and the right of set-off is enforceable by law.

Financial assets are recognized initially at fair value. Financial liabilities and equity instruments are recorded initially at the fair value of the property, goods, services, or other consideration received or at the fair value of the financial instrument used, whichever is more clearly determinable.

All equity investments are subsequently measured at fair value with gains and losses recognized in profit or loss.

Dividend income from this category of financial assets is recognized in profit or loss.

The Company's management believes the carrying values of its assets and liabilities approximate to a reasonable estimate of their fair value due to their short-term maturities.

*Derecognition*

A financial asset or part of it is derecognized and accounted for as a sale when the transferor surrenders control over those financial assets if and only if the transferred assets have been isolated from the transferor, the transferee has the right to pledge or exchange the assets received without any constraints, and the transferor does not maintain effective control over the transferred asset.

A financial liability or a part of it is derecognized when it has been extinguished, either when the debtor pays the creditor and is relieved of its obligation for the liability, or the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**9. Investments in subsidiaries**

Investments in subsidiaries are stated at cost in the consolidated balance sheets, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognized in profit or loss.

**10. Equipment, net**

All items of equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal estimated useful lives of equipment used for this purpose are:

Computer and peripheral	5-10 years
Furniture and fittings	10 years
Handphone	5 years
Motor vehicles	5 years
Office equipment	10 years
Signboard	6-7 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. Any changes are accounted for as a change in estimate.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Equipment, net (continued)

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognized in profit or loss.

11. Right of use assets, net and lease liabilities

Leases are presented in accordance with Financial Accounting Standards Board issued ASU 2016-02 (*Leases (Topic 842)*), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria.

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less.

For these leases, the Company recognizes the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the consolidated balance sheets.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those equipment.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**11. Right of use assets, net and lease liabilities (continued)**

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 Company uses its incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognized in profit or loss if the carrying amount has been reduced to zero.

**12. Impairment**

**a. *Impairment of Financial Assets***

If the Company determines that a decline in fair value below the amortized cost basis is other than temporary, the cost basis of the individual security is written down to fair value and the write-down is included in earnings for debt securities for which the entity determines that it intends to sell the debt security or the entity determines that it is more likely than not will be required to sell the debt security before recovery of its amortized cost basis. If the Company does not intend to sell the debt security, or it is not more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, then it separates the impairment into two components and recognizes any impairment related to credit loss in earnings while the other component is recognized in other comprehensive income, net of tax.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**12. Impairment (continued)**

**a. *Impairment of Financial Assets (continued)***

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the consolidated balance sheets.

**b. *Impairment of Long-Lived Assets***

The Company performs tests for impairment of assets where an impairment trigger has been identified. In accordance with the requirements of US GAAP, management first compares the carrying amount with the undiscounted cash flows. If the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized. If the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying amount and fair value.

For the purposes of impairment testing, a long-lived asset or asset group represents the lowest level for which management can separately identify cash flows that are largely independent of the cash flows of other assets and liabilities. Management combines the assets of different entities which operate together performing different stages of the production of finished goods. Management has determined that long-lived assets were not impaired as of August 31, 2021 and 2020.

**13. Employee benefits**

**a. *Short-term Benefits***

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognized in profit or loss in the period in which the associated services are rendered by employees of the Company.

**b. *Defined Contribution Plans***

The Company's contributions to defined contribution plans are recognized in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans. Employees are eligible to participate in the plan once they have attained 20 years of age and are considered to be full-time employees.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

13. Employee benefits (continued)

c. *Employees Provident Fund*

The Company participates in the Employees Provident Fund (Malaysia) ("EPF") as mandated by the Employees Provident Fund Ordinance of 1951. EPF is intended to help employees from the private sector save a fraction of their salary in a lifetime banking scheme, to be used primarily as a retirement fund but also in the event that the employee is temporarily or no longer fit to work. EPF functions by requiring a contribution of at least 11% of each member's monthly salary and storing it in a savings account, while the member's employer is obligated to additionally fund at least 12% of employee's salary to the savings at the same time (13% if salary is below RM5,000). For the fiscal years ended August 31, 2021 and 2020, the Company contributed to EPF approximately \$53,000 and \$39,000, respectively.

The Company also participates in similar country-mandated employee savings programs in countries in which its subsidiaries operate. There were no amounts contributed to these programs for the fiscal years ended August 31, 2021 and 2020.

14. Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry -forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when a different tax rate is enacted.

Pursuant to the provisions of ASC No. 740, *Income Taxes*, the Company provides valuation allowances for deferred tax assets for which it does not consider realization of such assets to be more likely than not. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the historical taxable income generation, projected future taxable income, the reversal of existing deferred tax liabilities and tax planning strategies in making this assessment.

The Company does not calculate deferred taxes in respect of temporary differences associated with investments in subsidiaries and associates.

The Company accounts for uncertain tax positions and reflects liabilities for unrecognized income tax benefits together with corresponding interest and penalties in the consolidated statements of income as income tax expense.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**15. Earnings (Loss) per share calculations**

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per share". Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. The Company's diluted earnings (loss) per share is the same as the basic earnings (loss) per share for the years ended August 31, 2021 and 2020.

**16. Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For 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.

For financial reporting purposes, the fair value measurements are analyzed into Level 1, Level 2 and Level 3, as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

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

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**17. Shared based expense**

ASC 718, "Compensation - Stock Compensation," prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, "Equity - Based Payments to Non-Employees." Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

No amounts were incurred relating to share-based expense for the years ended August 31, 2021 and 2020, respectively.

**18. Related parties**

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions.

**19. Revenue from contracts with customers**

Revenues from contracts with customers are presented in accordance with Financial Accounting Standards Board issued ASU 2014-09 (*Revenue from Contracts with Customers (Topic 606)*). Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Company recognizes revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognized when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue is recognized when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance.

**We do not provide any assurance on these consolidated financial statements.**



**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

20. Accounting standard adopted September 1, 2019

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09 (*Revenue from Contracts with Customers (Topic 606)*), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the FASB ASC Topic 606, as of September 1, 2019, using the modified retrospective transition method for all contracts not substantially completed as of the date of adoption. Under this modified approach, the Company took advantage of a practical expedient available within the guidance that does not require analysis of contracts that were completed in prior periods. The adoption of ASC 606 represents a change in accounting principle that is intended to more closely align revenue recognition with the transfer of control of the Company's products and services to the customer.

The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for the products and/or services.

To achieve this principle, the Company applies the following five steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations in the contract, and
5. Recognize revenue when or as the Company satisfies a performance obligation.

The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to non-public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018.

The Company has determined that the adoption of ASC 606 had no impact to beginning retained earnings or any other component of stockholders' equity as of September 1, 2019.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE D - CONVERTIBLE NOTES**

During the year ended August 31, 2019, NYJJ Investments Limited (“NYJJ”), a shareholder of the Company, had advanced the Company a total of \$29,250 for operating expenses, and in exchange for such advance the Company issued to NYJJ an unsecured convertible note (the “Convertible Note”) in principal of \$29,250, with maturity of one year and interest accruing at the rate of 3% per annum. As of May 22, 2019, total interest accrued under the Convertible Note was \$238, giving rise to total outstanding amounts of \$29,488. The Convertible Note was convertible into shares of Common Stock of the Company at a conversion price of \$0.001 per share.

On May 22, 2019, NYJJ exercised its right to convert the Convertible Note in exchange for the issuance by the Company of 29,488,000 shares to Ms. Wang Ping. The Convertible Note had a principal of \$29,250, with maturity of one year and interest accruing at the rate of 3% per annum. As of May 22, 2019, total interest accrued under the Convertible Note was \$238, giving rise to total outstanding amounts of \$29,488. The Convertible Note was convertible into shares of Common Stock of the Company at a conversion price of \$0.001 per share. Ms. Wang was the controlling shareholder of the Company before and after the conversion.

During the fiscal year ended August 31, 2021, the Convertible Note was converted in exchange for \$51,000, comprised of \$5 of common stock and \$50,995 in additional paid-in-capital, as presented in the accompanying consolidated statements of changes in stockholders’ equity.

**NOTE E - INVESTMENTS IN SUBSIDIARIES**

The Company is an investor in several subsidiaries. The Company has evaluated its related parties under FASB Accounting Standard Codification 810, *Consolidations*, and, as a result, accounts for its investments in the affiliates using the equity method because it can exercise significant influence.

The basis of the Company in the subsidiaries is as follows, as of August 31:

	2021	2020
At beginning of fiscal year	\$ -	\$ -
Additions	22,689	-
Disposals	-	-
At end of fiscal year	<u>\$ 22,689</u>	<u>\$ -</u>

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended August 31, 2021 and 2020**

**NOTE E - INVESTMENTS IN SUBSIDIARIES (continued)**

The details of the subsidiaries are as follows, as of August 31:

<u>Name of Subsidiary</u>	<u>Principal Place of Business/Country of Incorporation</u>	<u>Percentage of Issued Share Capital Held</u>		<u>Principal Activities</u>
		<u>2021</u>	<u>2020</u>	
Aco Gold Sdn Bhd.*	Malaysia	80%	-	Dealers in all types of previous and non-ferrous metals
Quantum Metal (Thailand) Co., Tld.*	Thailand	49%	-	Operation of online platforms for trading of goods and services

\*This subsidiary was audited by another firm.

During the fiscal year ended August 31, 2021, the Company has acquired 80% equity interests in Aco Gold Sdn. Bhd, as well as a 49% interest in Quantum Metal (Thailand) Co., Tld.

**NOTE F - EQUIPMENT, NET**

Equipment consisted of the following at August 31:

	<u>2021</u>	<u>2020</u>
Computer and peripheral	\$ 61,355	\$ 34,423
Furniture and fittings	4,396	3,752
Handphone	851	-
Office equipment	23,430	20,029
Signboard	1,390	1,388
	<u>91,422</u>	<u>59,592</u>
Accumulated depreciation	<u>(31,585)</u>	<u>(18,844)</u>
	<u>\$ 59,837</u>	<u>\$ 40,748</u>

Depreciation expense relating to equipment was approximately \$12,800 and \$7,600 for the fiscal years ended August 31, 2021 and 2020, respectively.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE G - RIGHT OF USE ASSETS, NET**

The Company has lease contracts for office premises and motor vehicles used in its operations. The lease terms are as below as of August 31:

	<u>2021</u>	<u>2020</u>
Office premises	2 to 6 years	2 to 3 years
Motor vehicles	7 to 9 years	7 to 9 years

The Company also has leases with lease terms of 12 months or less. The Company has applied the “short-term lease” recognition exemptions for these leases.

Right of use assets consisted of the following at August, 31:

	<u>2021</u>	<u>2020</u>
Office premises	\$ 353,244	\$ 88,882
Motor vehicles	473,362	152,948
	826,606	241,830
Accumulated depreciation	(242,131)	(98,112)
	<u>\$ 584,475</u>	<u>\$ 143,718</u>

Depreciation expense relating to right of use assets was approximately \$145,000 and \$55,200 for the fiscal years ended August 31, 2021 and 2020, respectively.

**NOTE H - GOODWILL**

During the fiscal year ended August 31, 2021, QMSB recorded an impairment loss of approximately \$15,000 relating to its investment in Aco Gold Sdn Bhd in “Other Expenses” on the accompanying consolidated statements of income. Aco Gold Sdn Bhd was incurring losses for a number of financial years and management did not foresee any cash flows from this cash-generating unit in the near future.

**NOTE I - FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits with licensed banks of the Company at the end of the reporting period bore effective interest rates ranging from 1.80% to 1.85% for the fiscal year ended August 31, 2021, and 2.10% to 3.10% for the fiscal year ended August 31, 2020, per annum. The fixed deposits have maturity periods ranging from 2 to 12 months.

The fixed deposits with licensed banks of the Company at the end of the reporting period have been pledged to licensed banks as security for banking facilities granted to the Company.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended August 31, 2021 and 2020**

**NOTE J - STOCKHOLDERS' EQUITY**

1. Common stock

The Company is authorized to issue 1,500,000,000 shares of common stock with a par value of \$0.00001 per share (the "Common Stock").

As of August 31, 2021 and 2020, there were 35,898,026 and 34,388,026 shares of Common Stock issued and outstanding, respectively.

2. Dividends

Dividends are paid on common stock at the recommendation of the Board of Directors and approved at a stockholders' meeting. During the year ended August 31, 2021, the QMSB declared and paid dividends in the amount of approximately \$259,000.

**NOTE K - EARNINGS PER SHARE**

Earnings per share is calculated as follows for the fiscal years ended:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Weighted average number of shares	34,632,109	34,388,026
Net income/(loss)	\$ 1,340,316	\$ 1,136,892
Basic and diluted net earnings per share	<u>\$ 0.04</u>	<u>\$ 0.03</u>

Basic net earnings per share of common stock is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the reporting period.

The Company does not have potentially dilutive shares outstanding.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE L - LEASE LIABILITIES**

The Company leases equipment and offices under financing leases. The economic substance of the lease is that the Company is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Company's assets and liabilities. Depreciation of assets held under capital leases is included with depreciation expense.

Minimum future lease payments under the capital leases at August 31, 2021 were as follows:

2022	\$ 130,993
2023	109,003
2024	60,186
2025	90,665
2026	83,287
Thereafter	<u>212,891</u>
Total minimum lease payments	687,025
Less amount representing interest	<u>(61,038)</u>
Present value of minimum lease payments	625,987
Less current portion	<u>(128,283)</u>
Long-term portion	<u>\$ 497,704</u>

A summary of right of use assets held under these leases is summarized in the right of use assets, net footnote disclosure.

**NOTE M - TERM LOAN**

In September 2020 the Company entered into a term loan with a bank. The term loan bears interest at 3.50% per annum. Monthly payments of principal and interest are \$18,511 through the maturity date in March 2026. The term loan is secured by a joint and several guarantee issued by the directors of the Company. The Company determined it was in compliance with certain financial covenants it was required to maintain in relation to this term loan as of August 31, 2021.

Maturity requirements on the term loan are as follows, as of August 31, 2021:

2022	\$ 45,463
2023	47,080
2024	48,755
2025	50,489
2026	<u>37,212</u>
Total	228,999
Less current portion	<u>(45,463)</u>
Long-term portion	<u>\$ 183,536</u>

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE N - BANK OVERDRAFTS**

The bank overdrafts of the Company are secured by a joint and several guarantee issued by directors and fixed deposits with licensed banks. The bank overdrafts of the Company at the end of the reporting period bore floating interest rates ranging from 4.25% to 7.31% (2020 - 4.5% to 5.5%) per annum.

**NOTE O - BANKERS' ACCEPTANCES**

The bankers' acceptances of the Group and of the Company are secured by the fixed deposits pledged with licensed banks and a joint and several guarantee issued by the directors.

**NOTE P - INCOME TAXES**

Income tax expense consisted of the following for the years ended August 31:

	2021	2020
Net income before income taxes	\$ 1,772,215	\$ 1,499,755
Tax at the statutory tax rate of 24%	431,899	362,863

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% for the fiscal years ended August 31, 2021 and 2020 of the estimated assessable profit for the fiscal year.

Management has determined that deferred tax assets relating to temporary or permanent timing differences, as well as any amounts relating to United States repatriation taxes or Global Intangible Low-Taxed Income (GILTI), were insignificant and therefore not recognized during the fiscal years ended August 31, 2021 and 2020.

**NOTE Q - ACQUISITION OF A SUBSIDIARY**

On October 14, 2020, the Company acquired 80% equity interests in Aco Gold Sdn. Bhd. The Company's investment in the subsidiary is approximately \$20.

The subsidiary has contributed revenue of approximately \$7,700 and loss after taxation of approximately \$15,700 to the Company since the date of acquisition.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE R - RELATED PARTY DISCLOSURES**

1. Identities of related parties

Parties are considered to be related to the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Company has related party relationships with its directors, key management personnel and entities within the same group of companies.

2. Amount owing by a subsidiary, a related party, director or shareholder

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

3. Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Company also entered into the following related party transactions.

The significant outstanding balances of the related companies together with their terms and conditions are disclosed in the respective notes to the consolidated financial statements.

The terms of the Convertible Note issued to NYJJ, a shareholder of the Company, and the conversion of the Convertible Note into common stock by Ms. Wang Ping, the controlling shareholder of the Company, are disclosed in the Convertible Note disclosure.

During the year ended August 31, 2019, NYJJ Investments Limited, a shareholder of the Company, paid an amount of \$11,901 by paying for expenses on behalf of the Company. As of August 31, 2021, and 2020, the Company was obligated to the shareholder, for an unsecured, non-interest-bearing demand loan with a balance of \$38,273.

**We do not provide any assurance on these consolidated financial statements.**



**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE S - PANDEMIC**

On March 11 2020, the World Health Organization declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on March 18, 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasizing on liquidity management to meet its continuing financial commitments and liquidity needs.

Given the dynamic nature of the COVID-19 pandemic, it is not practical to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorized for issue.

**NOTE T - CONTINGENT LIABILITIES**

During the year ended November 30, 2013, the Company recognized \$19,700 payable to Mr. George Sharp ("Mr. Sharp"). On February 19, 2016, the Superior Court for San Diego County (the "Court") issued a default judgment against the Company in the amount of \$19,700 plus interest. As of August 31, 2020, the total outstanding on the judgment was \$28,391, and on January 4, 2021, a third party satisfied the judgment in whole. The Company maintains the right to move to vacate the judgment, and the Company considers the chance to be required to settle the amount as possible but not probable. Accordingly, the payable and the related expense of \$20,000 has been reversed.

**NOTE U - RISKS AND UNCERTAINTIES**

The major financial risks inherent to the Company's operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within acceptable limits.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE U - RISKS AND UNCERTAINTIES (continued)**

1. Market risk

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk and foreign currency risk.

*a) Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of changes in market interest rates relates primarily to long-term debt obligations with floating interest rates. However, as of August 31, 2021 and 2020, the Company has no long-term debt obligations.

*b) Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The operations of the Company are exposed to currency risks when reporting currency is in US Dollars.

2. Credit risk

Credit risk is the risk when counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The Company structures the levels of credit risk it undertakes by assessing the degree of risk for each counterparty or groups of parties. Such risks are monitored on a revolving basis and are subject to a quarterly, or more frequent, review.

The Company's management reviews aging analysis of outstanding trade receivables and follows up on past due balances.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended August 31, 2021 and 2020**

**NOTE U - RISKS AND UNCERTAINTIES (continued)**

3. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources.

The Company monitors its risk to a short age of funds using a regular cash flow forecast. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. To provide for sufficient cash balances required for settlement of its obligations in time the Company uses cash flow forecasting instruments.

**NOTE V - SUBSEQUENT EVENTS**

The Company entered into various stock purchase transactions to acquire companies subsequent to the balance sheet date. These transactions are summarized as follows:

- On September 2, 2021, the Company entered into a stock purchase agreement to acquire 100% of the issued and outstanding shares of common stock of Quantum Metal Corporate Academy PTE Ltd.
- On October 8, 2021, the Company entered into a stock purchase agreement to acquire 70% of the issued and outstanding shares of Quantum Metal Recovery, Inc.

In accordance with ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions that occurred after August 31, 2021, up through the date of that the consolidated financial statements were available to be issued, and has determined that, aside from the events noted above, no additional material transactions have occurred that would warrant disclosure in the consolidated financial statements.

**We do not provide any assurance on these consolidated financial statements.**