

**DYNAFRONT HOLDINGS BERHAD**

Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM  
18 DECEMBER 2020 (DATE OF INCORPORATION)  
TO 30 JUNE 2021**

**DYNAFRONT HOLDINGS BERHAD**  
Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM  
18 DECEMBER 2020 (DATE OF INCORPORATION)  
TO 30 JUNE 2021**

<b>Contents</b>	<b>Pages</b>
Directors' Report	1 – 5
Statement by Directors	6
Statutory Declaration	6
Independent Auditors' Report to the Members	7 – 10
Statements of Comprehensive Income	11
Statements of Financial Position	12 – 13
Consolidated Statement of Changes in Equity	14 – 15
Statement of Changes in Equity	16
Statements of Cash Flows	17 – 19
Notes to the Financial Statements	20 – 70

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 18 December 2020 (date of incorporation) to 30 June 2021.

**CONVERSION OF PRIVATE COMPANY TO PUBLIC COMPANY**

The Company was incorporated as DynaFront Holdings Sdn. Bhd. on 18 December 2020 as a private limited liability company. On 10 March 2021, the Company was converted into a public limited liability company by shares and assumed its present name.

On 23 July 2021, the Company was successfully listed on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad.

**FIRST YEAR OF INCORPORATION**

There were no comparative figures presented in the Company's financial statements as this is the first set of financial statements prepared since its incorporation.

As explained in Note 31 to the financial statements, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earlier period presented.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in investment holding. The principal activities and other information of its subsidiaries are set out in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Profit/(loss) for the financial year/period, net of tax	<u>590,012</u>	<u>(726,410)</u>
Attributable to:		
- Owners of the Company	616,419	(726,410)
- Non-controlling interest	<u>(26,407)</u>	<u>-</u>
	<u>590,012</u>	<u>(726,410)</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the date of incorporation. The Company is not in a position to pay or declare dividends for the current financial period.

**RESERVES AND PROVISIONS**

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

## ISSUANCE OF SHARES OR DEBENTURES

The Company was incorporated with an issued and fully paid-up share capital of RM2 consisting of 2 ordinary shares on the date of incorporation.

During the financial period, the Company issued additional 59,999,998 ordinary shares at an issue price of RM0.0867 per share for a total consideration of RM5,202,000 pursuant to the acquisition of subsidiaries under the restructuring exercise as disclosed in Note 31 to the financial statements.

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

There were no debentures issued during the financial period.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS OF THE COMPANY

The Directors in office since the date of incorporation to the date this report are:

Chan Eng Lim *	(First Director)
Gan Hui Ping *	(First Director)
Chan Choong Wai *	(Appointed on 16 February 2021)

\* *Being a Director of one or more subsidiaries*

## DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016 ("Act"), the Directors who served in the subsidiaries (excluding Directors who are also Directors of the Company) in office since the date of incorporation to the date of this report are as follows:

Johan Bachtiar T. Permana

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of Directors in office at the end of the financial period in shares or debentures of the Company and its related corporations during the financial period were as follows:

Name of Directors:	Number of Ordinary Shares			
	At 18.12.2020 (Date of incorporation) Unit	Acquired Unit	Sold Unit	At 30.06.2021 Unit
<i>Ordinary shares in the Company</i>				
<b>Direct interest:</b>				
- Chan Eng Lim	1	-	-	1
- Gan Hui Ping	1	8,748,634 <sup>(1)</sup>	-	8,748,635

## DIRECTORS' INTERESTS (cont'd)

According to the register of Directors' shareholdings, the interest of Directors in office at the end of the financial period in shares or debentures of the Company and its related corporations during the financial period were as follows: (cont'd)

	Number of Ordinary Shares			
	At 18.12.2020 (Date of incorporation) Unit	Acquired Unit	Sold Unit	At 30.06.2021 Unit
<b>Name of Directors:</b>				
<i>Ordinary shares in the ultimate holding company</i>				
<b>Direct interest:</b>				
- Chan Chong Wai *	-	11,297,064 <sup>(1)</sup>	-	11,297,064
- Chan Eng Lim *	-	22,594,126 <sup>(1)</sup>	-	22,594,126
- Gan Hui Ping *	-	11,297,064 <sup>(1)</sup>	-	11,297,064

\* *Deemed interest by virtue of shares held in Watergate Solidwood Sdn. Bhd. pursuant to Section 8(4) of the Act.*

<sup>(1)</sup> *Resulting from restructuring exercise as disclosed in Note 31 to the financial statements.*

All Directors are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in shares of the Company to the extent that the Company has an interest.

## DIRECTORS' REMUNERATION AND BENEFITS

The amounts of fees and other benefits paid to or receivable by the Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

	Subsidiaries RM
Salaries and other emoluments	672,000
Contributions to defined contribution plan	110,250
Social security contributions	1,847
<b>Total remuneration</b>	<b>784,097</b>

Since the date of incorporation, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 26(b) to the financial statements.

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

## OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or the provision for doubtful debts;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.
- (d) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.
- (e) The total amount paid to or receivable by the auditors of the Company and its subsidiaries as remuneration for their services for the financial period are as set out in Note 5 to the financial statements.
- (f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director of the Company.
- (g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company and its subsidiaries.

Registration No.: 202001042085 (1398406-X)

#### **SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

Details of significant events during the financial period are disclosed in Note 33 to the financial statements.

#### **EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

Details of the events subsequent to the end of the financial period are disclosed in Note 34 to the financial statements.

#### **ULTIMATE HOLDING COMPANY**

The Directors regard Watergate Solidwood Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company of the Company.

#### **AUDITORS**

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 25 October 2021.

CHAN ENG LIM

GAN HUI PING

Registration No.: 202001042085 (1398406-X)

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 11 to 70 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and of their financial performance and cash flows for the financial period from 18 December 2020 (date of incorporation) to 30 June 2021.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 25 October 2021.

CHAN ENG LIM

GAN HUI PING

**STATUTORY DECLARATION**

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

I, CHAN ENG LIM, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 11 to 70 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed  
at Kuala Lumpur in the Federal Territory  
on 25 October 2021

CHAN ENG LIM

Before me,  
Tan Kim Chooi  
No. W661  
Commissioner for Oaths



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DYNAFRONT HOLDINGS BERHAD**

Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of DynaFront Holdings Berhad, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period from 18 December 2020 (date of incorporation) to 30 June 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 70.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the financial period from 18 December 2020 (date of incorporation) to 30 June 2021 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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 IESBA Code.

**Key Audit Matters**

Key audit matters are those matter that, in our professional judgement, were of the most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined that there are no key audit matters to communicate in our report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DYNAFRONT HOLDINGS BERHAD (cont'd)**

Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DYNAFRONT HOLDINGS BERHAD (cont'd)**

Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

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:

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DYNAFRONT HOLDINGS BERHAD (cont'd)**  
Registration No.: 202001042085 (1398406-X)  
(Incorporated in Malaysia)

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 11 to the financial statements.

**Other Matter**

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

MOORE STEPHENS ASSOCIATES PLT  
201304000972 (LLP0000963-LCA)  
Chartered Accountants (AF002096)

LO KUAN CHE  
03016/11/2022 J  
Chartered Accountant

Petaling Jaya, Selangor  
Date: 25 October 2021

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Note	Group		Company
		01.07.2020 to 30.06.2021 RM	01.07.2019 to 30.06.2020 <sup>(1)</sup> RM	18.12.2020 to 30.06.2021 RM
Revenue	4	9,232,242	9,619,910	-
Cost of sales		(4,221,392)	(4,311,447)	-
<b>Gross profit</b>		5,010,850	5,308,463	-
Other income		164,945	181,306	-
Administrative expenses		(1,018,294)	(511,230)	(722,010)
Other operating expenses		(3,001,346)	(3,095,435)	(4,400)
<b>Profit/(loss) from operations</b>		1,156,155	1,883,104	(726,410)
Finance costs		(46,742)	(87,506)	-
<b>Profit/(loss) before tax</b>	5	1,109,413	1,795,598	(726,410)
Tax expense	6	(519,401)	(523,028)	-
<b>Profit/(loss) for the financial year/period</b>		590,012	1,272,570	(726,410)
<b>Other comprehensive income, net of tax Items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operation		(106,000)	70,333	-
<b>Total comprehensive income for the financial year/period</b>		484,012	1,342,903	(726,410)
<b>Profit/(loss) attributable to:</b>				
- Owners of the Company		616,419	1,266,276	(726,410)
- Non-controlling interest		(26,407)	6,294	-
		590,012	1,272,570	(726,410)
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company		521,019	1,329,576	(726,410)
- Non-controlling interest		(37,007)	13,327	-
		484,012	1,342,903	(726,410)
<b>Basic earnings per ordinary share attributable to Owners of the Company (sen):</b>	7	1.03	2.11	

<sup>(1)</sup> As explained in Note 31, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

The annexed notes form an integral part of,  
and should be read in conjunction with, these financial statements.

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

		Group		Company
	Note	2021 RM	2020 <sup>(1)</sup> RM	2021 RM
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Plant and equipment	8	393,870	483,111	-
Right-of-use assets	9	1,728,005	2,060,866	-
Intangible assets	10	140	260	-
Investment in subsidiaries	11	-	-	5,757,708
Tax recoverable	12	56,063	51,403	-
Deferred tax assets	13	98,500	-	-
		<u>2,276,578</u>	<u>2,595,640</u>	<u>5,757,708</u>
<b>Current Assets</b>				
Trade receivables	14	1,706,241	2,410,829	-
Other receivables	15	304,865	1,312,446	-
Contract assets	16	286,535	206,488	-
Amounts due from shareholders	17	137,605	2,223,165	-
Fixed deposits placed with licensed banks	18	2,565,839	4,135,437	-
Cash and bank balances		1,579,552	1,028,098	50,002
		<u>6,580,637</u>	<u>11,316,463</u>	<u>50,002</u>
<b>TOTAL ASSETS</b>		<u><u>8,857,215</u></u>	<u><u>13,912,103</u></u>	<u><u>5,807,710</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	19	5,202,002	-	5,202,002
Invested equity	19	-	3,662,299	-
Retained earnings/(Accumulated loss)		4,051,041	6,485,804	(726,410)
Reserves	20	(3,432,907)	71,902	-
<b>Total equity attributable to Owners of the Company</b>		<u>5,820,136</u>	<u>10,220,005</u>	<u>4,475,592</u>
Non-controlling interest		118,973	301,980	-
<b>Total Equity</b>		<u><u>5,939,109</u></u>	<u><u>10,521,985</u></u>	<u><u>4,475,592</u></u>

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021 (cont'd)**

		<b>Group</b>		<b>Company</b>
	<b>Note</b>	<b>2021</b>	<b>2020<sup>(1)</sup></b>	<b>2021</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-Current Liabilities</b>				
Lease liabilities	21	502,208	832,404	-
Deferred tax liabilities	13	-	21,146	-
		<u>502,208</u>	<u>853,550</u>	<u>-</u>
<b>Current Liabilities</b>				
Trade payables	22	22,289	27,000	-
Other payables	23	783,911	654,282	81,244
Contract liabilities	16	492,861	474,941	-
Lease liabilities	21	837,682	1,127,150	-
Amounts due to subsidiaries	24	-	-	1,056,852
Amount due to a Director	25	194,022	-	194,022
Tax payable		85,133	253,195	-
		<u>2,415,898</u>	<u>2,536,568</u>	<u>1,332,118</u>
<b>Total Liabilities</b>		<u>2,918,106</u>	<u>3,390,118</u>	<u>1,332,118</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,857,215</u>	<u>13,912,103</u>	<u>5,807,710</u>

<sup>(1)</sup> As explained in Note 31, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

Note	Attributable to Owners of the Company						Total RM	Non- Controlling Interest RM	Total Equity RM
	Share Capital RM	Invested Equity RM	Restructuring Reserve RM	Foreign Currency Translation Reserve RM	Distributable Retained Earnings RM	Non-Distributable			
<b>Group</b>									
<b>At 1 July 2019</b>	-	3,662,299	-	8,602	5,219,528	8,890,429	288,653	9,179,082	
Profit net of tax	-	-	-	-	1,266,276	1,266,276	6,294	1,272,570	
<b>Other comprehensive income:</b>									
Foreign currency translation differences for foreign operation	-	-	-	63,300	-	63,300	7,033	70,333	
<b>Total comprehensive income</b>	-	-	-	63,300	1,266,276	1,329,576	13,327	1,342,903	
<b>At 30 June 2020<sup>(1)</sup></b>	-	3,662,299	-	71,902	6,485,804	10,220,005	301,980	10,521,985	



**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (cont'd)**

Note	Attributable to Owners of the Company						Non-Controlling Interest RM	Total Equity RM
	Share Capital RM	Invested Equity RM	Restructuring Reserve RM	Foreign Currency Translation Reserve RM	Distributable Retained Earnings RM	Total RM		
<b>Group (cont'd)</b>								
<b>At 1 July 2020<sup>(1)</sup></b>	-	3,662,299	-	71,902	6,485,804	10,220,005	301,980	10,521,985
Profit/(loss) net of tax	-	-	-	-	616,419	616,419	(26,407)	590,012
<b>Other comprehensive income:</b>								
Foreign currency translation differences for foreign operation	-	-	-	(95,400)	-	(95,400)	(10,600)	(106,000)
<b>Total comprehensive income</b>	-	-	-	(95,400)	616,419	521,019	(37,007)	484,012
<b>Transactions with Owners of the Company:</b>								
- Issuance of new ordinary shares <sup>(2)</sup>	19	2	-	-	-	2	-	2
- Dividends paid to former shareholders of a subsidiary	31(c)	-	-	-	(3,051,182)	(3,051,182)	-	(3,051,182)
- Capital reduction arising from a subsidiary	31	-	(1,314,000)	-	-	(1,314,000)	(146,000)	(1,460,000)
- Issuance of shares/effect of restructuring <sup>(3)</sup>	31	5,202,000	(2,348,299)	(3,409,409)	-	(555,708)	-	(555,708)
<b>Total transactions with Owners of the Company</b>		5,202,002	(3,662,299)	(3,409,409)	-	(3,051,182)	(146,000)	(5,066,888)
<b>At 30 June 2021</b>		5,202,002	-	(3,409,409)	(23,498)	4,051,041	118,973	5,939,109

(1) As explained in Note 31, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

(2) The Company was incorporated with an issued and fully paid-up share capital of RM2 consisting of 2 ordinary shares on the date of incorporation.

(3) The effect of restructuring arose from the Restructuring Exercise as explained in Note 31.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Note	Share Capital RM	Accumulated loss RM	Total Equity RM
<b>Company</b>				
<b>At 18 December 2020 (Date of incorporation)</b>		2	-	2
Loss net of tax, representing total comprehensive income for the financial period		-	(726,410)	(726,410)
<b>Transaction with Owners of the Company:</b>				
Issuance of shares <sup>(1)</sup>	31	5,202,000	-	5,202,000
<b>At 30 June 2021</b>		<u>5,202,002</u>	<u>(726,410)</u>	<u>4,475,592</u>

<sup>(1)</sup> *The issuance of shares arose from the Restructuring Exercise as explained in Note 31.*

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Note	Group		Company
		01.07.2020 to 30.06.2021 RM	01.07.2019 to 30.06.2020 <sup>(1)</sup> RM	18.12.2020 to 30.06.2021 RM
<b>Cash Flows from Operating Activities</b>				
Profit/(loss) before tax		1,109,413	1,795,598	(726,410)
Adjustments for:				
Amortisation of intangible assets		120	120	-
Bad debts written off		-	20,140	-
Depreciation of plant and equipment		88,517	90,161	-
Depreciation of right-of-use assets		869,325	1,078,505	-
Interest expense		46,742	87,506	-
Interest income		(67,996)	(120,319)	-
Plant and equipment written off		120	-	-
Unrealised loss on foreign exchange		6,644	7,551	4,400
Waiver of lease liabilities		(35,863)	-	-
Operating profit/(loss) before changes in working capital		2,017,022	2,959,262	(722,010)
<b>Changes in working capital:</b>				
Amounts due from shareholders		-	367,931	-
Trade and other receivables		1,837,302	(572,263)	-
Trade and other payables		124,176	(468,685)	81,244
Contract assets		(80,047)	(206,488)	-
Contract liabilities		17,920	(14,069)	-
Cash generated from/(used in) operations		3,916,373	2,065,688	(640,766)
Interest paid		(46,742)	(87,506)	-
Interest received		67,996	120,319	-
Tax paid		(813,992)	(405,157)	-
<b>Net cash from/(used in) operating activities</b>		<b>3,123,635</b>	<b>1,693,344</b>	<b>(640,766)</b>
<b>Cash Flows from Investing Activities</b>				
Additional investment in subsidiaries	31	-	-	(555,708)
Purchase of plant and equipment	8	(6,666)	(196,706)	-
<b>Net cash used in investing activities</b>		<b>(6,666)</b>	<b>(196,706)</b>	<b>(555,708)</b>
<b>Cash Flows from Financing Activities</b>				
Advances from subsidiaries		-	-	1,052,452
Advances from a Director		194,022	-	194,022
Dividends paid to former shareholders of a subsidiary	31(c)	(3,051,182)	-	-
Payment for the principal portion of lease liabilities	(ii), (iii)	(1,270,672)	(1,282,497)	-
Proceeds from issuance of ordinary shares	19	2	-	-
<b>Net cash (used in)/from financing activities</b>		<b>(4,127,830)</b>	<b>(1,282,497)</b>	<b>1,246,474</b>

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (cont'd)**

	Group		Company
	01.07.2020 to 30.06.2021 RM	01.07.2019 to 30.06.2020 <sup>(1)</sup> RM	18.12.2020 to 30.06.2021 RM
Note			
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,010,861)	214,141	50,000
Cash and cash equivalents at beginning of the financial year/date of incorporation	5,163,535	4,945,619	2
Effect of exchange rate changes on cash and cash equivalents	<u>(7,283)</u>	<u>3,775</u>	<u>-</u>
<b>Cash and cash equivalents at end of the financial year/period</b>	(i) <u>4,145,391</u>	<u>5,163,535</u>	<u>50,002</u>

(1) As explained in Note 31, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

**Note:**

(i) Cash and cash equivalents comprise:

	Group		Company
	01.07.2020 to 30.06.2021 RM	01.07.2019 to 30.06.2020 RM	18.12.2020 to 30.06.2021 RM
Fixed deposits placed with licensed banks	2,565,839	4,135,437	-
Cash and bank balances	<u>1,579,552</u>	<u>1,028,098</u>	<u>50,002</u>
	<u>4,145,391</u>	<u>5,163,535</u>	<u>50,002</u>

(ii) Cash outflows for right-of-use assets are as follows:

	Group	
	01.07.2020 to 30.06.2021 RM	01.07.2019 to 30.06.2020 RM
<b>Included in net cash from operating activities:</b>		
- Interest paid in relation to lease liabilities	(46,742)	(87,506)
- Payment relating to short-term lease	(70,320)	(70,332)
- Payment relating to low value assets	(2,110)	(5,110)
<b>Included in net cash used in financing activities:</b>		
- Payment for the principal portion of lease liabilities	<u>(1,270,672)</u>	<u>(1,282,497)</u>
	<u>(1,389,844)</u>	<u>(1,445,445)</u>

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (cont'd)**

**Note:** (cont'd)

(iii) The reconciliation of the movement of liabilities to cash flows arising from financing activities:

	<b>Lease Liabilities RM</b>
<b>Group</b>	
<b>2021</b>	
At 1 July 2020	1,959,554
Addition (Note 9)	719,711
Exchange differences	(32,840)
Waiver	(35,863)
Interest expense	46,742
Repayment	(1,317,414)
Net changes from financing cash flows	(1,270,672)
At 30 June 2021	<u>1,339,890</u>
<b>2020</b>	
At 1 July 2019, as previously reported	-
Adjustment on initial application of MFRS 16	
- Hire purchase payables	1,278,868
- Lease of premises	743,977
- Other payables	1,200,714
- Exchange differences	18,492
At 1 July 2019, as restated	3,242,051
Interest expense	87,506
Repayment	(1,370,003)
Net changes from financing cash flows	(1,282,497)
At 30 June 2020	<u>1,959,554</u>

The annexed notes form an integral part of,  
and should be read in conjunction with, these financial statements.

**DYNAFRONT HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2021**

**1. CORPORATE INFORMATION**

The Company was incorporated as DynaFront Holdings Sdn. Bhd. on 18 December 2020 as a private limited liability company and is domiciled in Malaysia. On 10 March 2021, the Company was converted into a public limited liability company by shares and assumed its present name. On 23 July 2021, the Company was successfully listed on the LEAP Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is located at C-8-1, 8<sup>th</sup> Floor, Corporate Office Tower Block C, KL Trillion, 338, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan.

The Company is principally engaged in investment holding. The principal activities and other information of its subsidiaries are set out in Note 11. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

The Directors regard Watergate Solidwood Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company of the Company.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 25 October 2021.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

**(i) Accounting pronouncements that are effective and adopted during the financial year/period**

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 16	Covid-19 – Related Rent Concessions
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group and of the Company.

**2. BASIS OF PREPARATION (cont'd)**

**(a) Statement of compliance (cont'd)**

**(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

***Effective for financial periods beginning on or after 1 January 2021***

Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2
--	--

***Effective for financial periods beginning on or after 1 April 2021***

Amendments to MFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
-----------------------	---

***Effective for financial periods beginning on or after 1 January 2022***

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 – 2020 Cycle	

***Effective for financial periods beginning on or after 1 January 2023***

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

***Effective date to be announced***

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
------------------------------------	---

The Group and the Company will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial applications.

**(b) Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost convention except otherwise disclosed in the accounting policy notes.

## 2. BASIS OF PREPARATION (cont'd)

### (c) 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 consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, unless otherwise stated.

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### (i) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business.

Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### (ii) Impairment of financial assets and receivables

The Group and the Company assess on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(n)(i) depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



## 2. BASIS OF PREPARATION (cont'd)

### (d) Significant accounting estimates and judgements (cont'd)

#### (iii) Deferred tax assets and liabilities

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

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

The Company controls an entity when it is exposed, 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.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

#### (ii) Business Combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Basis of consolidation (cont'd)**

(ii) Business Combinations (cont'd)

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

For each business combination, the Group elects whether it measures the 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.

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

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group's reserves.

(iv) Acquisition from entities under common control

The business combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, the financial statements incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party, and that control is not transitory.

The net assets of the combining entities or businesses are accounted for based on the carrying values from the controlling parties' perspective at the date of transfer. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve, as applicable.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the 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 equity-accounted investee or as a financial asset depending on the level of influence retained.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Basis of consolidation (cont'd)**

(vi) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to Owners of the Company. Non-controlling interest is initially measured at acquisition-date share of net assets other than goodwill as of the acquisition date and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

(vii) Transactions eliminated on consolidation

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

**(b) Foreign currency**

(i) Foreign currency transactions and balances

In preparing the financial statements of the Company and its subsidiaries, transactions in currencies other than the Company and its subsidiaries' functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to other comprehensive income.

Exchange reserve in respect of a foreign operation is recognised to the profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to the profit or loss in respect of all other partial disposals.

### 3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### (c) **Revenue and other income recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s customary business practices.

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

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

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

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

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

#### Sales of goods

Revenue from the sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and goods and services taxes and discounts.

#### Service contracts

Revenue is recognised over the period of the contract by reference to the progress or milestone towards complete satisfaction of that performance obligation and acceptance by customers.

Other income earned by the Group is recognised on the following basis:

#### Interest income

Interest income is recognised on an accrual basis using the effective interest method.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(c) Revenue and other income recognition (cont'd)**

Government grant

Government grant received from government on wages subsidy is recognised on monthly basis over the qualified period under the criteria set by the government.

**(d) Employee benefits**

Short-term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year/period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

**(e) Borrowing costs**

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

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(f) Income taxes**

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year/period, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (f) Income taxes (cont'd)

##### Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. 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 be available for the assets to be utilised.

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

##### Value Added Tax

Revenue, expenses, and assets are recognised net of the amount of Value Added Tax ("VAT") except:

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

The net amount of VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statements of financial position.

#### (g) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured 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 site on which it is located, less any lease incentives received.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Leases (cont'd)

The right-of-use asset is subsequently 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. The estimated useful lives of the right-of-use assets are as follows:

Computers and software	2.5 years
Leasehold office units	20 years
Motor vehicles	5 years
Premises	1.5 to 2 years

If right-of-use assets relates to a class of plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of plant and equipment.

The right-of-use assets and lease liabilities are presented as a separate line in the statements of financial position.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(n)(ii).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

#### (h) Earnings per share

Basic earnings per share ("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 year/period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year/period for the effects of all dilutive potential ordinary shares.

#### (i) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Plant and equipment (cont'd)

##### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss.

##### (ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment at the following annual rates:

Computers and software	40%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10% – 25%
Renovation	10%
Signboard	10%

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

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.



### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Intangible assets

##### Trademark

Trademark is recognised as intangible asset if it is probable that the future economic benefits that are attributable to such asset will flow to the Group and the costs of such asset can be measured reliably.

Trademark is measured at cost less accumulated amortisation and accumulated impairment losses, if any.

The trademark is assessed for impairment whenever there is an indication that the intangible asset may be impaired.

##### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

##### Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives of the trademark for the current and comparative periods are 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

#### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and fixed deposits placed with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

#### (l) Contract assets and liabilities

Contract assets and liabilities in services contract represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract assets are recognised as revenue when performance obligations are satisfied.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (l) Contract assets and liabilities (cont'd)

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liabilities are the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of services contract, contract liabilities are the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

#### (m) Financial instruments

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

###### ***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

###### Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Financial instruments (cont'd)**

**(ii) Financial instrument categories and subsequent measurement (cont'd)**

The Group and the Company categorise financial instruments as follows: (cont'd)

***Financial assets*** (cont'd)

Amortised cost (cont'd)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(n)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 3(n)(i)).

***Financial liabilities***

Amortised cost

The financial liabilities of the Group and of the Company are initially recognised as amortised cost. Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

**(iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

**(iv) Regular way purchase or sale of financial assets**

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) 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.

**(v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Financial instruments (cont'd)**

**(v) Derecognition (cont'd)**

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

**(n) Impairment**

**(i) Financial assets**

The Group and the Company recognise loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowances of the Group and of the Company are measured on either of the following basis:

- (i) 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**Simplified approach - trade receivables and contract assets**

The Group applies the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

**General approach - other financial instruments and financial guarantee contracts**

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s and the Company’s historical experience and informed credit assessment and including forward looking information, where available.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Impairment (cont'd)

##### (i) Financial assets (cont'd)

###### General approach - other financial instruments and financial guarantee contracts (cont'd)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

###### Credit impaired financial assets

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

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 180 or 365 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Impairment (cont'd)

##### (i) Financial assets (cont'd)

###### Write-off policy

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

##### (ii) Non-financial assets

The carrying amounts of non-financial assets (except deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value-in-use and its fair value less costs to sell. 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.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in the profit or loss.

#### (o) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

### 3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### (o) **Equity instruments** (cont'd)

##### Ordinary shares

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.

##### Issuance expense

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

#### (p) **Operating segments**

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of:
  - (i) the combined reported profit of all operating segments that did not report a loss; and
  - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are 10% or more of the combined segments that reported a loss.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least 75% of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

#### (q) **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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(g) Fair value measurements (cont'd)**

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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair values are 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 and the Company can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

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

**4. REVENUE**

		<b>Group</b>	
		<b>01.07.2020</b>	<b>01.07.2019</b>
		<b>to</b>	<b>to</b>
		<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
Rendering of services	(i)	8,668,070	8,343,846
Sales of goods	(ii)	564,172	1,276,064
		<u>9,232,242</u>	<u>9,619,910</u>
<b>Timing of revenue recognition:</b>			
- Point in time		3,991,961	3,880,610
- Over time		5,240,281	5,739,300
		<u>9,232,242</u>	<u>9,619,910</u>

**(i) Rendering of services**

		<b>Group</b>	
		<b>01.07.2020</b>	<b>01.07.2019</b>
		<b>to</b>	<b>to</b>
		<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
Software installation, commissioning, post-contract support and maintenance services ("Proprietary software")	(a)	4,154,219	5,739,300
Application service provider ("Managed services")	(b)	3,427,789	2,604,546
Consultancy services	(c)	1,086,062	-
		<u>8,668,070</u>	<u>8,343,846</u>



#### 4. REVENUE (cont'd)

(i) Rendering of services (cont'd)

(a) Software installation, commissioning, post-contract support and maintenance services ("Proprietary software")

(i) Software installation and commissioning

Software solutions offered by the Group to its customers generally involve two phases which are installation and commissioning respectively. These integrated services include implementation, data migration, software design or development, testing and go-live process.

Such integrated services are explicitly stated in the contract with customers. The billing method by the Group is in the form of milestone billing which represents the work completed with reference to stages which are stipulated in the contract.

(ii) Post-contract support and maintenance services ("PCSM")

The Group offers PCSM which is an after-sales element included in the contract with customers on the software solutions. This represents the right of customers to receive services or unspecified product upgrades/enhancements, or both. Generally, these services include upgrade support and correction of errors (i.e. bug fixes or debugging), as well as unspecified upgrades or enhancements towards software previously installed. The period and duration of PCSM provided is dependent on the terms stipulated in the respective contract.

Performance obligation ("PO")

The Group entered into separate fixed-price contracts with respective customers and such obligations are distinct and are able to be performed separately and tailored to respective needs of different customers. Based on individual contracts with customers which comprised of two POs, software installation, commissioning and PCSM are capable of being distinct and separately identifiable.

Software installation and commissioning will be considered as a single PO as these two services are integrated and interdependent with the stages agreed in the contract and the customers are unable to use the software if one of the mentioned natures of work is incomplete. The reason of PCSM being distinct is due to software installed remain functional without the needs of PCSM. Accordingly, the Group allocates the transaction price based on relative stand-alone selling price of each PO.

Timing of recognition

For software installation and commissioning, the PO is satisfied over time upon completion of services based on the milestone achievement. The completion of installation and commissioning of software has generally no alternative use for the Group as the software is customised according to the customer's needs and specifications. The Group has an enforceable right to payment for the stages of services performed by reference to the milestone of the contract agreed mutually. Therefore, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that agreed performance obligation mentioned in the contract.

For PCSM, customers simultaneously consumed and received the benefits provided by the Group on the service rendered and revenue is recognised over time. The Group has an enforceable right to payment for the services provided completed over the contract period.

**4. REVENUE** (cont'd)

(i) Rendering of services (cont'd)

(b) Application service provider ("Managed services")

The Group is engaged in providing management services to its customers' sales via an online portal. Revenue is recognised based on a pre-determined percentage of total sales generated by its customers for a particular month or fixed monthly subscription basis.

Performance obligation ("PO")

The PO is satisfied upon rendering of services and billed on a monthly basis.

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time upon completion of services rendered. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

(c) Consultancy services

The Group entered into contract with customers to carry out consultancy services. Revenue from consultancy services is recognised on a straight-line basis over the terms of the contract.

Performance obligation ("PO")

The PO is satisfied upon rendering of services.

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time upon completion of services rendered. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

(ii) Sales of goods

Performance obligation ("PO")

The contracts with customers are bundled and consist of obligations for the sale of computer products (i.e. hardware, software and software license) and delivery of the said goods to its customers in some instances. Contracts for bundled services are comprised of multiple POs and are capable of being distinct and separately identifiable. However, the management has assessed that the delivery obligation is primarily a value-added fulfilment service and is not considered to be a significant distinct PO. Accordingly, the contract with customers is considered as a single PO and is satisfied at point in time basis.

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time when the control over the goods have been transferred to the customer and obtain customer acceptance of the said goods. Revenue is recognised based on the price specified in the invoices, net of discounts, rebates and incentives where applicable. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

**4. REVENUE** (cont'd)Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from maintenance and implementation charges yet to be recognised as revenue as at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

(i) Maintenance charges

	<b>Group</b>	
	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM</b>	<b>RM</b>
Total contract revenue	2,600,113	1,870,000
Less: Cumulative revenue recognised	<u>(1,707,633)</u>	<u>(933,667)</u>
Aggregate amount of revenue that are partially or fully unsatisfied as at reporting date	<u>892,480</u>	<u>936,333</u>

(ii) Implementation charges

	<b>Group</b>	
	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM</b>	<b>RM</b>
Total contract revenue	3,982,122	7,217,493
Less: Cumulative revenue recognised	<u>(1,918,170)</u>	<u>(3,018,300)</u>
Aggregate amount of revenue that are partially or fully unsatisfied as at reporting date	<u>2,063,952</u>	<u>4,199,193</u>

The remaining unsatisfied performance obligations are expected to be recognised as revenue within the next 12 to 24 months (2020: 12 to 24 months).

The contract assets and liabilities related to contracts with customers are disclosed in Note 16.

**5. PROFIT/(LOSS) BEFORE TAX**

Profit/(loss) before tax is arrived at after charging/(crediting):-

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020</b>	<b>01.07.2019</b>	<b>18.12.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration			
- auditors of the Company:			
- statutory audit	50,000	20,000	25,000
- component auditors			
- statutory audit	<u>20,079</u>	<u>20,551</u>	<u>-</u>

**5. PROFIT/(LOSS) BEFORE TAX (cont'd)**

Profit/(loss) before tax is arrived at after charging/(crediting):- (cont'd)

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020 to 30.06.2021 RM</b>	<b>01.07.2019 to 30.06.2020 RM</b>	<b>18.12.2020 to 30.06.2021 RM</b>
Amortisation of intangible assets	120	120	-
Bad debts written off	-	20,140	-
Depreciation of plant and equipment	88,517	90,161	-
Depreciation of right-of-use assets	869,325	1,078,505	-
Employee benefit expenses (Note a)	4,879,040	4,328,333	-
Initial public offering ("IPO") expenses	672,150	-	672,150
Interest expense on:			
- Lease liabilities	46,742	87,506	-
Interest income	(67,996)	(120,319)	-
Plant and equipment written off	120	-	-
Realised loss on foreign exchange	29,573	7,551	-
Right-of-use assets:			
- Short-term lease	70,320	70,332	-
- Lease of low value assets	2,110	5,110	-
Unrealised loss on foreign exchange	6,644	7,551	4,400
Wage subsidies (Note b)	(60,000)	(48,000)	-
Waiver of lease liabilities	(35,863)	-	-
	<u>4,879,040</u>	<u>4,328,333</u>	<u>672,150</u>

(a) The employee benefit expenses comprise:

	<b>Group</b>	
	<b>01.07.2020 to 30.06.2021 RM</b>	<b>01.07.2019 to 30.06.2020 RM</b>
<b>Staff costs:</b>		
Salaries, allowances, bonus and overtime	3,577,209	3,312,844
Contributions to defined contribution plan	474,772	372,343
Social security contributions	37,799	63,303
	<u>4,089,780</u>	<u>3,748,490</u>
<b>Directors' remuneration:</b>		
<b>Directors of the Company:</b>		
<b>Executive Directors:</b>		
Salaries and other emoluments	672,000	500,000
Contributions to defined contribution plan	110,250	78,150
Social security contributions	1,847	1,693
	<u>784,097</u>	<u>579,843</u>
<b>Director of the subsidiary:</b>		
Salaries and other emoluments	5,163	-
	<u>789,260</u>	<u>579,843</u>
	<u>4,879,040</u>	<u>4,328,333</u>

**5. PROFIT/(LOSS) BEFORE TAX (cont'd)**

- (b) Representing grant received from the Malaysian Government by a subsidiary of the Company in relation to wage subsidies for eligible employees.

**6. TAX EXPENSE**

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020</b>	<b>01.07.2019</b>	<b>18.12.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Income tax:</b>			
- Current year	530,625	512,840	-
- Underprovision in prior year	108,422	13,624	-
	<u>639,047</u>	<u>526,464</u>	<u>-</u>
<b>Deferred tax (Note 13):</b>			
- Relating to origination and reversal of temporary differences	19,724	(12,500)	-
- (Over)/underprovision in prior year	(139,370)	9,064	-
	<u>(119,646)</u>	<u>(3,436)</u>	<u>-</u>
Tax expense for the financial year/ period	<u>519,401</u>	<u>523,028</u>	<u>-</u>

Group

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year. The subsidiary, DynaFront Systems Berhad, being a resident company incorporated in Malaysia with paid-up capital of not more than RM2.5 million at the beginning of the basis period for a year of assessment and its gross income from business sources not exceeding RM50 million qualified for the preferential tax rate under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 ("ITA 1967") and amendment to ITA 1967 by the Finance Act 2019 (Act 823) (Amendment to Section 2) as follows:

On the first RM600,000 (2020: RM600,000) of chargeable income: 17% (2020: 17%)  
In excess of RM600,000 (2020: RM600,000) of chargeable income: 24% (2020: 24%)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Company

There is no provision for tax expense for the current period as the Company did not generate any taxable income. The Company's principal activity is investment holding company and under Section 60F of the ITA 1967, the preferential tax rate of 17% on the first RM600,000 of chargeable income pursuant to Paragraph 2A, Schedule 1 of the ITA 1967 is not applicable to the Company. Hence, the statutory tax rate of 24% is levied on the chargeable income, if any, pursuant to Paragraph 2, Part 1, Schedule 1 of the ITA 1967.

**6. TAX EXPENSE (cont'd)**

The reconciliation of the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020</b> to <b>30.06.2021</b> RM	<b>01.07.2019</b> to <b>30.06.2020</b> RM	<b>18.12.2020</b> to <b>30.06.2021</b> RM
Profit/(loss) before tax	<u>1,109,413</u>	<u>1,795,598</u>	<u>(726,410)</u>
Tax at the Malaysian statutory income tax rate of 24% (2020: 24%)	266,259	430,944	(174,338)
Effect of income subject to 17% (2020: 17%) preferential tax rate *	(42,000)	(42,000)	-
Effect of Indonesia prevailing tax rate of 22% (2020: 22%)	5,282	(1,376)	-
Expenses not deductible for tax purposes	287,105	122,540	174,338
Income not subject to tax	(14,475)	(168)	-
Deferred tax assets not recognised	48,178	-	-
Utilisation of previously unrecognised deferred tax assets	-	(9,600)	-
Under/(over)provision in prior year:			
- income tax	108,422	13,624	-
- deferred tax	<u>(139,370)</u>	<u>9,064</u>	<u>-</u>
Tax expense for the financial year/ period	<u>519,401</u>	<u>523,028</u>	<u>-</u>

\* *The determination of whether an entity will be entitled to Small and Medium Enterprise ("SME") preferential tax rate will be on the first day of the basis period. The first day of the basis period for DynaFront Systems Berhad is 1 July 2020, hence it will be eligible for the preferential tax rate of 17%. With effect from Year of Assessment 2022, DynaFront Systems Berhad will be ineligible for the preferential tax rate of 17% as it ceased to fall under the definition of SME.*

The Group has estimated unutilised tax losses of RM219,111 (2020: Nil) available for set-off against future taxable profits.

The availability of the tax losses will be subject to taxation authority of Indonesia discretion and approval to set-off against future taxable profits.

**7. EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share for the financial year is calculated by dividing profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

**7. EARNINGS PER ORDINARY SHARE** (cont'd)

	<b>Group</b>	
	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>
<b>Basic earnings per ordinary share:</b>		
Profit after tax attributable to Owners of the Company (RM)	<u>616,419</u>	<u>1,266,276</u>
<b>Weighted average number of ordinary shares:</b>		
Number of ordinary shares at date of incorporation	2	-
Effect of restructuring <sup>(1)</sup>	<u>59,999,998</u>	<u>59,999,998</u>
<b>Weighted average number of ordinary shares in issue (unit) at end of the financial year</b>	<u>60,000,000</u>	<u>59,999,998</u>
Basic earnings per ordinary share (sen)	<u>1.03</u>	<u>2.11</u>

<sup>(1)</sup> *Based on the issued share capital of 59,999,998 ordinary shares after the completion of restructuring exercise which were assumed to be issued throughout the financial years ended 30 June 2021 and 30 June 2020 as the acquisition of subsidiaries were accounted under common control under the merger accounting method of consolidation.*

The basic and diluted earnings per ordinary share is equal as there is no potential dilutive ordinary shares outstanding as at 30 June 2021 and 30 June 2020 respectively.

**8. PLANT AND EQUIPMENT**

	<b>Computers and software RM</b>	<b>Furniture and fittings RM</b>	<b>Motor vehicles RM</b>	<b>Office equipment RM</b>	<b>Renovation RM</b>	<b>Signboard RM</b>	<b>Total RM</b>
<b>Group</b>							
<b>2021</b>							
<b>Cost</b>							
At 1 July 2020	2,728,732	325,189	995,253	232,723	190,105	1,600	4,473,602
Additions	5,189	-	-	1,477	-	-	6,666
Written off	(268,101)	(4,343)	-	(3,598)	-	-	(276,042)
Exchange differences	-	-	-	(8,159)	-	-	(8,159)
At 30 June 2021	2,465,820	320,846	995,253	222,443	190,105	1,600	4,196,067
<b>Accumulated Depreciation</b>							
At 1 July 2020	2,712,499	152,464	995,253	52,143	77,439	693	3,990,491
Charge for the financial year	12,953	29,643	-	26,751	19,010	160	88,517
Written off	(268,101)	(4,343)	-	(3,478)	-	-	(275,922)
Exchange differences	-	-	-	(889)	-	-	(889)
At 30 June 2021	2,457,351	177,764	995,253	74,527	96,449	853	3,802,197
<b>Net Carrying Amount</b>							
At 30 June 2021	8,469	143,082	-	147,916	93,656	747	393,870



**8. PLANT AND EQUIPMENT (cont'd)**

	Leasehold office units RM	Computers and software RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Total RM
<b>Group (cont'd)</b>								
<b>2020</b>								
<b>Cost</b>								
At 1 July 2019, as previously reported	1,406,400	3,355,499	325,189	2,406,656	45,604	186,625	1,600	7,727,573
Effect on adoption of MFRS 16	(1,406,400)	(636,904)	-	(1,411,403)	-	-	-	(3,454,707)
At 1 July 2019, as restated	-	2,718,595	325,189	995,253	45,604	186,625	1,600	4,272,866
Additions	-	10,137	-	-	183,089	3,480	-	196,706
Exchange differences	-	-	-	-	4,030	-	-	4,030
At 30 June 2020	-	2,728,732	325,189	995,253	232,723	190,105	1,600	4,473,602
<b>Accumulated Depreciation</b>								
At 1 July 2019, as previously reported	29,300	2,925,529	122,821	1,824,815	29,043	58,516	533	4,990,557
Effect on adoption of MFRS 16	(29,300)	(231,811)	-	(829,562)	-	-	-	(1,090,673)
At 1 July 2019, as restated	-	2,693,718	122,821	995,253	29,043	58,516	533	3,899,884
Charge for the financial year	-	18,781	29,643	-	22,654	18,923	160	90,161
Exchange differences	-	-	-	-	446	-	-	446
At 30 June 2020	-	2,712,499	152,464	995,253	52,143	77,439	693	3,990,491
<b>Net Carrying Amount</b>								
At 30 June 2020	-	16,233	172,725	-	180,580	112,666	907	483,111

**9. RIGHT-OF-USE ASSETS**

	Leasehold office units RM	Computers and software RM	Motor vehicles RM	Premises RM	Total RM
<b>Group</b>					
<b>2021</b>					
<b>Cost</b>					
At 1 July 2020	1,440,000	636,904	1,411,403	743,977	4,232,284
Addition	-	-	-	719,711	719,711
Reclassification to other receivables	(125,168)	-	-	-	(125,168)
Exchange differences	(62,468)	-	-	-	(62,468)
At 30 June 2021	<u>1,252,364</u>	<u>636,904</u>	<u>1,411,403</u>	<u>1,463,688</u>	<u>4,764,359</u>
<b>Accumulated Depreciation</b>					
At 1 July 2020	102,000	486,573	1,108,776	474,069	2,171,418
Charge for the financial year	53,717	150,331	215,442	449,835	869,325
Exchange differences	(4,389)	-	-	-	(4,389)
At 30 June 2021	<u>151,328</u>	<u>636,904</u>	<u>1,324,218</u>	<u>923,904</u>	<u>3,036,354</u>
<b>Net Carrying Amount</b>					
At 30 June 2021	<u>1,101,036</u>	<u>-</u>	<u>87,185</u>	<u>539,784</u>	<u>1,728,005</u>
<b>2020</b>					
<b>Cost</b>					
At 1 July 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	1,406,400	636,904	1,411,403	743,977	4,198,684
At 1 July 2019, as restated	1,406,400	636,904	1,411,403	743,977	4,198,684
Exchange differences	33,600	-	-	-	33,600
At 30 June 2020	<u>1,440,000</u>	<u>636,904</u>	<u>1,411,403</u>	<u>743,977</u>	<u>4,232,284</u>
<b>Accumulated Depreciation</b>					
At 1 July 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	29,300	231,811	829,562	-	1,090,673
At 1 July 2019, as restated	29,300	231,811	829,562	-	1,090,673
Charge for the financial year	70,460	254,762	279,214	474,069	1,078,505
Exchange differences	2,240	-	-	-	2,240
At 30 June 2020	<u>102,000</u>	<u>486,573</u>	<u>1,108,776</u>	<u>474,069</u>	<u>2,171,418</u>
<b>Net Carrying Amount</b>					
At 30 June 2020	<u>1,338,000</u>	<u>150,331</u>	<u>302,627</u>	<u>269,908</u>	<u>2,060,866</u>

**9. RIGHT-OF-USE ASSETS (cont'd)**

The expenses charged to the profit or loss during the financial year are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Depreciation of right-of-use assets	869,325	1,078,505
Interest expense on lease liabilities	46,742	87,506
Low value assets	2,110	5,110
Short-term lease	<u>70,320</u>	<u>70,332</u>

**10. INTANGIBLE ASSETS**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Trademark</b>		
<b>Cost</b>		
At beginning/end of the financial year	<u>1,200</u>	<u>1,200</u>
<b>Accumulated Amortisation</b>		
At beginning of the financial year	940	820
Charge for the financial year	<u>120</u>	<u>120</u>
At end of the financial year	<u>1,060</u>	<u>940</u>
<b>Net Carrying Amount</b>		
At end of the financial year	<u>140</u>	<u>260</u>

**11. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>
	<b>2021</b>
	<b>RM</b>
<b>Unquoted shares, at cost</b>	
At 18 December 2020 (Date of incorporation)	-
Effect of restructuring <sup>(1)</sup>	<u>5,757,708</u>
At 30 June 2021	<u>5,757,708</u>

<sup>(1)</sup> Resulting from restructuring exercise as disclosed in Note 31.

**11. INVESTMENT IN SUBSIDIARIES** (cont'd)

The details of the subsidiaries are as follows:

<b>Name of Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Principal Activities</b>	<b>Effective Equity Interest 2021</b>
DynaFront Systems Berhad ("DSB")	Malaysia	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems	100%
PT DynaFront Systems Indonesia ("PTDSI") *	Indonesia	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems	90%

\* *Not audited by Moore Stephens Associates PLT.*

**Non-controlling interest in subsidiary**

The subsidiary of the Group that has non-controlling interest ("NCI") is as follows:

	<b>2021 RM</b>	<b>2020<sup>(1)</sup> RM</b>
<b>PTDSI</b>		
NCI percentage of ownership and voting interest	10%	10%
Carrying amount of NCI (RM)	<u>118,973</u>	<u>301,980</u>
(Loss)/profit allocated to NCI (RM)	(26,407)	6,294
Other comprehensive income allocated to NCI	<u>(10,600)</u>	<u>7,033</u>
Total comprehensive income allocated to NCI	<u>(37,007)</u>	<u>13,327</u>

The summarised financial information (before intra-group elimination) of the subsidiary that has NCI as at the end of each reporting period is as follows:

	<b>2021 RM</b>	<b>2020<sup>(1)</sup> RM</b>
<b>PTDSI</b>		
<b>Assets and liabilities:</b>		
Non-current assets	1,646,809	3,780,048
Current assets	214,073	169,571
Non-current liabilities	-	(276,121)
Current liabilities	<u>(671,158)</u>	<u>(653,701)</u>
<b>Net assets</b>	<u>1,189,724</u>	<u>3,019,797</u>
<b>Results:</b>		
Revenue	284,052	1,458,603
(Loss)/profit for the year	<u>(264,073)</u>	<u>62,938</u>

## 11. INVESTMENT IN SUBSIDIARIES (cont'd)

### Non-controlling interest in subsidiary (cont'd)

The summarised financial information (before intra-group elimination) of the subsidiary that has NCI as at the end of each reporting period is as follows: (cont'd)

	2021 RM	2020 <sup>(1)</sup> RM
<b>PTDSI</b> (cont'd)		
<b>Cash flows:</b>		
- Net cash from operating activities	15,932	281,200
- Net cash used in investing activities	(1,478)	(109,091)
- Net cash used in financing activities	<u>(15,485)</u>	<u>(96,798)</u>
<b>Net changes in cash and cash equivalents</b>	<u><u>(1,031)</u></u>	<u><u>75,311</u></u>

<sup>(1)</sup> *The effective equity interest presented for the financial year ended 30 June 2020 is to reflect the business combination involving entities under common control which did not result in any change in economic substance, the basis of which further elaborated in Notes 31 and 32 respectively.*

## 12. TAX RECOVERABLE

Under the taxation laws of Indonesia, PTDSI submits tax return on the basis of self-assessment. The Directorate General of Taxation may assess or amend taxes within five (5) years of the time the tax becomes due.

The Directors are in view that the prepaid tax is not expected to be refunded within the next twelve (12) months.

## 13. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2021 RM	2020 RM
At beginning of the financial year	21,146	24,582
Recognised in profit or loss (Note 6)	<u>(119,646)</u>	<u>(3,436)</u>
At end of the financial year	<u><u>(98,500)</u></u>	<u><u>21,146</u></u>

Presented after appropriate offsetting as follows:

	Group	
	2021 RM	2020 RM
Deferred tax assets	(103,851)	-
Deferred tax liabilities	<u>5,351</u>	<u>21,146</u>
	<u><u>(98,500)</u></u>	<u><u>21,146</u></u>

Deferred tax assets have been recognised up to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

**13. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)**

The recognised deferred tax (assets)/liabilities arising from temporary differences before offsetting are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Deferred tax assets:</b>		
- Advance payment from customers	(103,851)	-
<b>Deferred tax liabilities:</b>		
- Differences between the carrying amount of plant and equipment, right-of-use assets and their tax base	5,351	21,146
	<u>(98,500)</u>	<u>21,146</u>

The Group has estimated unutilised tax losses of RM219,111 (2020: Nil) for which no deferred tax assets have been recognised in the financial statements.

The comparative figure has been restated to reflect the actual unutilised tax losses carry forward available to its subsidiary.

**14. TRADE RECEIVABLES**

The normal credit term of trade receivables of the Group is 30 days (2020: 14 to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

In prior year, included in trade receivables was an amount of RM1,721,498 due from a related party in which certain Directors have substantial financial interest, and subject to normal credit term of 30 days.

**15. OTHER RECEIVABLES**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Other receivables	14	1,101,982
Deposits	149,172	148,782
Prepayments	101,381	60,449
VAT recoverable	54,298	1,233
	<u>304,865</u>	<u>1,312,446</u>

In prior year, included in other receivables was an amount of RM1,016,803 due from a related party in which certain Directors have substantial financial interest. This non-trade amount represents unsecured, interest-free advance which was collectible on demand.

**16. CONTRACT ASSETS/(LIABILITIES)**

		<b>Group</b>	
	<b>Note</b>	<b>2021 RM</b>	<b>2020 RM</b>
<b>Contract assets:</b>			
- Service contracts	(i)	286,535	206,488
<b>Contract liabilities:</b>			
- Advance payment from customers		(492,861)	(474,941)

Contract assets primarily relate to the Group's right to consideration for work completed on service contracts but not yet billed as at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 30 days.

Contract liabilities primarily relate to advance payment from customers before a related performance obligation is satisfied by the Group and are expected to be recognised in revenue in the subsequent financial year.

The contract assets will be transferred to trade receivables when the rights become unconditional.

(i) Service contracts

	<b>Group</b>	
	<b>2021 RM</b>	<b>2020 RM</b>
At beginning of the financial year	206,488	-
Revenue recognised during the financial year [Note 4(i)]	8,668,070	8,343,846
Progress billings during the financial year	(8,588,023)	(8,137,358)
At end of the financial year	286,535	206,488

**17. AMOUNTS DUE FROM SHAREHOLDERS**

These represent the amounts from the unpaid share capital due from shareholders of PTDSI.

PTDSI was incorporated with 10,000 units of ordinary shares at a price of IDR1,000,000 each amounted to and equivalent of RM2,920,000. On 17 March 2021, the share capital of PTDSI was reduced from IDR10,000,000,000 to IDR5,000,000,000, equivalent to an amount of RM1,460,000.

The unpaid share capital becomes due only when called upon by the Company, which is allowable under the Indonesia's Company Law.

**18. FIXED DEPOSITS PLACED WITH LICENSED BANKS**

The effective interest rates of the fixed deposits placed with licensed banks of the Group range from 1.4% to 1.90% (2020: 2.20% to 2.90%) per annum and have maturity period ranging from 1 to 6 months (2020: 1 to 6 months).

**19. SHARE CAPITAL AND INVESTED EQUITY**(a) Share capital

	Group and Company			
	Number of shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
<b>Ordinary shares</b>				
<b>Issued and fully paid:</b>				
At date of incorporation	2	-	2	-
Effect of restructuring (Note 31)	59,999,998	-	5,202,000	-
At end of the financial year/period	<u>60,000,000</u>	<u>-</u>	<u>5,202,002</u>	<u>-</u>

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

(b) Invested equity

	Group	
	2021 RM	2020 RM
Invested equity	<u>-</u>	<u>3,662,299</u>

The invested equity comprised of the share capital of DSB and PTDSI. The amount has been reversed against the restructuring reserve in the current financial year, the details of which are explained in Note 31.

**20. RESERVES**(i) Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(ii) Restructuring Reserve

In the event where a new company is formed to facilitate a restructuring exercise, in which the new company itself is not a business, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts as if the restructuring had occurred before the start of the earliest period presented. The other components of equity of the acquired entities are added to the same components within the Group's equity.



**20. RESERVES** (cont'd)(ii) Restructuring Reserve (cont'd)

The restructuring reserve comprises the difference between cost of investment recorded by the Company and the share capital of DSB and PTDSI arising from the restructuring exercise as disclosed in Note 31.

**21. LEASE LIABILITIES**

	<b>Computers and software RM</b>	<b>Motor vehicles RM</b>	<b>Leasehold office units and Premises RM</b>	<b>Total RM</b>
<b>Group</b>				
<b>2021</b>				
<b>Future minimum lease payments:</b>				
Payable within one year	48,566	208,824	610,376	867,766
Payable more than 1 year but not more than 2 years	-	331,965	185,118	517,083
	48,566	540,789	795,494	1,384,849
Less: Unexpired finance charges	(1,024)	(32,048)	(11,887)	(44,959)
<b>Present value of future minimum lease payments</b>	<b>47,542</b>	<b>508,741</b>	<b>783,607</b>	<b>1,339,890</b>
<b>Present value of future minimum lease payments:</b>				
Payable within one year	47,542	190,178	599,962	837,682
Payable more than 1 year but not more than 2 years	-	318,563	183,645	502,208
	47,542	508,741	783,607	1,339,890
<b>Analysed as:</b>				
Current	47,542	190,178	599,962	837,682
Non-current	-	318,563	183,645	502,208
	47,542	508,741	783,607	1,339,890
<b>2020</b>				
<b>Future minimum lease payments:</b>				
Payable within one year	246,144	156,618	762,258	1,165,020
Payable more than 1 year but not more than 2 years	48,566	208,824	276,121	533,511
Payable more than 2 years but not more than 5 years	-	331,965	-	331,965
	294,710	697,407	1,038,379	2,030,496
Less: Unexpired finance charges	(12,533)	(51,765)	(6,644)	(70,942)
<b>Present value of future minimum lease payments</b>	<b>282,177</b>	<b>645,642</b>	<b>1,031,735</b>	<b>1,959,554</b>

**21. LEASE LIABILITIES (cont'd)**

	<b>Computers and software RM</b>	<b>Motor vehicles RM</b>	<b>Leasehold office units and Premises RM</b>	<b>Total RM</b>
<b>Group (cont'd)</b>				
<b>2020 (cont'd)</b>				
<b>Present value of future minimum lease payments:</b>				
Payable within one year	234,635	136,901	755,614	1,127,150
Payable more than 1 year but not more than 2 years	47,542	190,178	276,121	513,841
Payable more than 2 years but not more than 5 years	-	318,563	-	318,563
	<u>282,177</u>	<u>645,642</u>	<u>1,031,735</u>	<u>1,959,554</u>
<b>Analysed as:</b>				
Current	234,635	136,901	755,614	1,127,150
Non-current	47,542	508,741	276,121	832,404
	<u>282,177</u>	<u>645,642</u>	<u>1,031,735</u>	<u>1,959,554</u>

The range of interest rates per annum at the reporting date for the lease liabilities are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	%	%
Computers and software	2.43 - 2.60	2.43 - 2.60
Motor vehicles	3.60	3.60
Premises	<u>5.49</u>	<u>6.71</u>

**22. TRADE PAYABLES**

The normal credit term granted by the trade payables to the Group is 30 days (2020: 30 days).

**23. OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	RM	RM	RM
Other payables	93,739	192,080	-
Accruals	<u>690,172</u>	<u>462,202</u>	<u>81,244</u>
	<u>783,911</u>	<u>654,282</u>	<u>81,244</u>

In prior year, included in other payables was an amount of RM72,348 due to related parties in which certain Directors have substantial financial interest. These non-trade amounts represent unsecured, interest-free advances which were repayable on demand.

## 24. AMOUNTS DUE TO SUBSIDIARIES

These non-trade amounts represent unsecured, interest-free advance which are repayable on demand.

## 25. AMOUNT DUE TO A DIRECTOR

This non-trade amount represents unsecured, interest-free advance which is repayable on demand.

## 26. RELATED PARTIES DISCLOSURES

### (a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have a related party relationships with its ultimate holding company, subsidiaries, related parties and key management personnel. The related parties are companies in which certain Directors have substantial financial interests and/or are also Directors of the companies.

### (b) Related party transactions

The related party balances are shown in Notes 14, 15, 23, 24 and 25 respectively. The related party transactions of the Group and of the Company are shown below.

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020</b>	<b>01.07.2019</b>	<b>18.12.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transactions with subsidiaries:</b>			
<b><i>DynaFront Systems Berhad</i></b>			
- Payment on behalf	-	-	841,907
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><i>PT DynaFront Systems Indonesia</i></b>			
- Payment on behalf	-	-	214,945
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Transactions with related parties:</b>			
<b><i>DynaFront International Pte Ltd</i></b>			
- Repayment from	2,716,836	821,719	-
- Sales	(995,338)	(2,030,011)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><i>Easicircle Sdn. Bhd.</i></b>			
- Repayment from/(advances to), net	1,017,108	(261,035)	-
- Sales	(305)	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**26. RELATED PARTIES DISCLOSURES** (cont'd)**(b) Related party transactions** (cont'd)

The related party transactions of the Group and of the Company are shown below. (cont'd)

	<b>Group</b>		<b>Company</b>
	<b>01.07.2020</b>	<b>01.07.2019</b>	<b>18.12.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transactions with related parties:</b>			
(cont'd)			
<b><i>Glossy Valley Sdn. Bhd.</i></b>			
- Management fee	14,242	-	-
- Repayment to, net	(451,022)	(358,632)	-
- Rental of premise, net of rental waiver	364,432	430,358	-
	<u>364,432</u>	<u>430,358</u>	<u>-</u>
<b>Transaction with a Director:</b>			
- Advances from	194,022	-	194,022
	<u>194,022</u>	<u>-</u>	<u>194,022</u>

**(c) Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company and its subsidiaries as well as certain senior management personnel of the Group.

The remuneration paid by the Group to key management personnel during the financial year are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Directors' remuneration:</b>		
Salaries and other emoluments	677,163	500,000
Contributions to defined contribution plan	110,250	78,150
Social security contributions	1,847	1,693
	<u>789,260</u>	<u>579,843</u>
<b>Key management personnel:</b>		
Salaries, allowances and bonus	637,800	654,442
Contributions to defined contribution plan	82,278	84,803
Social security contributions	2,770	2,616
	<u>722,848</u>	<u>741,861</u>
<b>Total remuneration</b>	<u>1,512,108</u>	<u>1,321,704</u>

**27. SEGMENTAL INFORMATION****Reporting format**

The Group does not have the reportable segments, as the services are managed indistinctly because they require the similar technology and marketing strategies. Hence, segment analysis has not been prepared as the Group's business is focused only in the business of providing life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems.

**Segment assets**

Segment assets are measured based on the geographical location of the assets, excluding deferred tax assets and tax assets.

**Segment liabilities**

Segment liabilities are measured based on the geographical location of the liabilities, excluding deferred tax liabilities and tax liabilities.

**Geographical segments**

The internal management reports consist of performance based on geographical locations of the customers as follows:

	<b>Group</b>	
	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>to</b>	<b>to</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM</b>	<b>RM</b>
Malaysia	3,647,665	5,738,345
Hong Kong	-	25,000
Indonesia	5,365,815	3,758,738
Philippines	81,346	97,827
Thailand	137,416	-
	<u>9,232,242</u>	<u>9,619,910</u>

The geographical information of the Group's assets and liabilities is presented as follows:

	<b>Note</b>	<b>Indonesia</b>	<b>Malaysia</b>	<b>Elimination</b>	<b>Total</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2021</b>					
<b>Segment assets</b>	<b>A</b>	<u>1,804,819</u>	<u>14,058,648</u>	(7,160,815)	<u>8,702,652</u>
<b>Segment liabilities</b>	<b>B</b>	<u>671,158</u>	<u>3,564,922</u>	(1,403,107)	<u>2,832,973</u>
<b>Other information:</b>					
Addition to non-current assets:					
- Plant and equipment		1,477	5,189	-	6,666
- Right-of-use assets		-	719,711	-	<u>719,711</u>
		<u>1,477</u>	<u>724,900</u>	-	<u>726,377</u>

**27. SEGMENTAL INFORMATION** (cont'd)**Geographical segments** (cont'd)

The geographical information of the Group's assets and liabilities is presented as follows: (cont'd)

	Note	Indonesia RM	Malaysia RM	Elimination RM	Total RM
<b>2020</b>					
<b>Segment assets</b>	<b>A</b>	<u>3,898,216</u>	<u>10,130,768</u>	(168,284)	<u>13,860,700</u>
<b>Segment liabilities</b>	<b>B</b>	<u>929,822</u>	<u>2,362,969</u>	(177,014)	<u>3,115,777</u>
<b>Other information:</b>					
Addition to non-current assets:					
- Plant and equipment		<u>183,089</u>	<u>13,617</u>	-	<u>196,706</u>

- A** The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2021 RM	2020 RM
Investment in subsidiaries	(5,757,708)	-
Inter-segment assets	<u>(1,403,107)</u>	<u>(168,284)</u>
	<u>(7,160,815)</u>	<u>(168,284)</u>

Reconciliation of assets:

	Group	
	2021 RM	2020 RM
Segment operating assets	8,702,652	13,860,700
Deferred tax assets	98,500	-
Tax recoverable	<u>56,063</u>	<u>51,403</u>
<b>Total assets</b>	<u>8,857,215</u>	<u>13,912,103</u>

- B** The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2021 RM	2020 RM
Inter-segment liabilities	<u>(1,403,107)</u>	<u>(177,014)</u>

**27. SEGMENTAL INFORMATION** (cont'd)

**Geographical segments** (cont'd)

**B** The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position: (cont'd)

Reconciliation of liabilities:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Segment operating liabilities	2,832,973	3,115,777
Deferred tax liabilities	-	21,146
Tax payable	<u>85,133</u>	<u>253,195</u>
<b>Total liabilities</b>	<u><u>2,918,106</u></u>	<u><u>3,390,118</u></u>

**Major customer information**

The Group has 3 customers which contribute approximately RM5.79 million or 63% (2020: 2 customers, RM5.93 million or 62%) of the Group's total revenue for the financial years ended 30 June 2021 and 30 June 2020 respectively.

**28. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

The Group's and the Company's financial assets (excluding prepayments) and financial liabilities are all categorised at amortised costs.

**Financial Risk Management Objectives and Policies**

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing their financial risks, including credit risk, interest rate risk, liquidity risk and foreign currency risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy are not to engage in speculative transactions. The Group and the Company do not apply hedge accounting.

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

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from its receivables (which consist of trade and other receivables), contract assets and amounts due from shareholders of a subsidiary. There are no significant changes as compared to prior years.

## 28. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (i) Credit risk (cont'd)

##### **Trade receivables and contract assets**

##### ***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities

##### ***Exposure to credit risk, credit quality and collateral***

As the Group does not hold any collateral, the maximum exposure to credit risk from receivables and contract assets is represented by the carrying amounts in the statements of financial position as at end of the reporting period.

##### ***Credit risk concentration profile***

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at 30 June 2021, the Group has significant concentration of credit risk arising from the amounts due from 3 customers (2020: 2 customers) constituting 92% (2020: 95%) of net trade receivables of the Group.

##### ***Recognition and measurement of impairment loss***

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group has recognised a loss allowance of 100% for any receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses as disclosed in Note 3(n)(i).

The Group assesses impairment of trade receivables on individual basis. This is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the Directors and where necessary, the Group will also commence legal proceeding against the customers.



**28. FINANCIAL INSTRUMENTS** (cont'd)**Financial Risk Management Objectives and Policies** (cont'd)**(i) Credit risk** (cont'd)**Trade receivables and contract assets** (cont'd)**Impairment losses**

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 30 June 2021 and 30 June 2020:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<i>Trade receivables</i>		
Not past due	673,330	695,866
Past due:		
- Less than 30 days	578,995	232,615
- 31 to 60 days	246,215	284,609
- 61 to 90 days	207,701	159,027
- More than 90 days	-	1,038,712
	1,032,911	1,714,963
<b><i>Trade receivables, net</i></b>	1,706,241	2,410,829
<b><i>Contract assets</i></b>	286,535	206,488
	1,992,776	2,617,317

**Receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

**Receivables that are past due but not impaired**

The Group has not provided for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable which are not past due for more than 180 days. These relate to a number of independent customers with slower repayment patterns, for whom there is no recent history of default. The Group does not hold any collateral or other credit enhancement over these balances.

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

## 28. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (i) Credit risk (cont'd)

##### Other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position.

Credit risk on deposits is mainly arising from deposits paid to its landlord as security and utilities deposit which will be received upon termination of such services and thus have low credit risk.

As at the end of the reporting period, no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these are mainly arising from debtors that have good records of payment in the past.

##### Amounts due from shareholders

These represent the amounts from the unpaid share capital due from shareholders of PTDSI (Note 17). On 17 March 2021, the share capital of PTDSI was reduced from IDR10,000,000,000 to IDR5,000,000,000, which is equivalent to RM2,920,000 to RM1,460,000.

The Group considers these amounts to have low credit risks as the unpaid share capital becomes due only when called upon by the Company, which is allowable under the Indonesia's Company Law.

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

As at the reporting date, there were no indications of impairment loss in respect of amounts due from shareholders.

#### (ii) Interest rate risk

As the Group did not have any floating rate instruments as at 30 June 2021 and 30 June 2020, a change in interest rates would not have any impact to the profit after tax and equity of the Group.

#### (iii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities. The Group and the Company maintain sufficient levels of cash at a reasonable level to meet its working capital requirements.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial risks management objectives and policies** (cont'd)

**(iii) Liquidity risk** (cont'd)

The following table sets out the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying Amount RM	Contractual Cash Flows			Total RM
		On demand/ Within 1 year RM	1 – 2 years RM	2 – 5 years RM	
<b>Group</b>					
<b>2021</b>					
<b>Financial liabilities:</b>					
Trade payables	22,289	22,289	-	-	22,289
Other payables	783,911	783,911	-	-	783,911
Lease liabilities	1,339,890	867,766	517,083	-	1,384,849
Amount due to a Director	194,022	194,022	-	-	194,022
	<u>2,340,112</u>	<u>1,867,988</u>	<u>517,083</u>	<u>-</u>	<u>2,385,071</u>
<b>2020</b>					
<b>Financial liabilities:</b>					
Trade payables	27,000	27,000	-	-	27,000
Other payables	654,282	654,282	-	-	654,282
Lease liabilities	1,959,554	1,165,020	533,511	331,965	2,030,496
	<u>2,640,836</u>	<u>1,846,302</u>	<u>533,511</u>	<u>331,965</u>	<u>2,711,778</u>
<b>Company</b>					
<b>2021</b>					
<b>Financial liabilities:</b>					
Amounts due to subsidiaries	1,056,852	1,056,852	-	-	1,056,852
Amount due to a Director	194,022	194,022	-	-	194,022
Other payables	81,244	81,244	-	-	81,244
	<u>1,332,118</u>	<u>1,332,118</u>	<u>-</u>	<u>-</u>	<u>1,332,118</u>

**28. FINANCIAL INSTRUMENTS (cont'd)****Financial risks management objectives and policies (cont'd)****(iv) Foreign currency risk**

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

The Group and the Company are exposed to foreign currency risk on transaction and balances that are denominated in currencies other than the functional currency of the Group and of the Company. The currencies giving rise to this risk are primarily Indonesia Rupiah ("IDR"), Singapore Dollar ("SGD") and United States Dollar ("USD").

Foreign exchange exposures in transactional currencies other than functional currency of the Group and of the Company are kept to an acceptable level.

**Exposure to foreign currency risk**

The Group's and the Company's significant exposure to foreign currency (a currency which is other than functional currency of the Group and of the Company) risk, based on carrying amounts as at end of the reporting period was:

	<b>Group</b>		<b>Company</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>IDR</b>			
- Trade receivables	1,051,228	-	-
- Amount due to a subsidiary	-	-	(214,945)
- Amount due to a Director	(194,022)	-	(194,022)
<b>SGD</b>			
- Trade receivables	-	565,606	-
<b>USD</b>			
- Trade receivables	607,948	41,256	-
	<u>1,465,154</u>	<u>606,862</u>	<u>(408,967)</u>

**Foreign currency risk sensitivity analysis**

The following table demonstrates the sensitivity of the Group's and of the Company's results after tax and equity to a reasonably possible change in these foreign currencies exchange rates against RM, with all other variables held constant:

	<b>Group</b>		<b>Company</b>
	<b>Increase/(Decrease) in results after tax/equity</b>		<b>Increase/(Decrease) in results after tax/equity</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>IDR/RM</b>			
- Strengthened by 5%	32,574	-	(15,541)
- Weakened by 5%	(32,574)	-	15,541
<b>SGD/RM</b>			
- Strengthened by 5% (2020: 5%)	-	21,493	-
- Weakened by 5% (2020: 5%)	-	(21,493)	-
	<u>-</u>	<u>(21,493)</u>	<u>-</u>

## 28. FINANCIAL INSTRUMENTS (cont'd)

### Financial risks management objectives and policies (cont'd)

#### (iv) Foreign currency risk (cont'd)

##### Foreign currency risk sensitivity analysis (cont'd)

The following table demonstrates the sensitivity of the Group's and of the Company's results after tax and equity to a reasonably possible change in these foreign currencies exchange rates against RM, with all other variables held constant: (cont'd)

	Group		Company
	Increase/(Decrease) in results after tax/ equity		Increase/ (Decrease) in results after tax/equity
	2021 RM	2020 RM	2021 RM
<b>USD/RM</b>			
- Strengthened by 5% (2020: 5%)	23,102	1,568	-
- Weakened by 5% (2020: 5%)	<u>(23,102)</u>	<u>(1,568)</u>	<u>-</u>

## 29. FAIR VALUES INFORMATION

### Financial instruments other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values*

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

## 30. CAPITAL MANAGEMENT

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

PTDSI is also required by the Limited Liability Company Law No. 40 Year 2007 to contribute and maintain a non-distributable reserve fund until the said reserve reaches 20% of the issued and fully paid share capital. The allocation amount is subject to shareholders' approval during the annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business 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 the financial years ended 30 June 2021 and 30 June 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt includes lease liabilities less cash and cash equivalents whilst total capital is the equity attributable to the Owners of the Company.

**30. CAPITAL MANAGEMENT (cont'd)**

The gearing ratio as at 30 June 2021 and 30 June 2020, which are within the Group's objective of capital management are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Lease liabilities	<u>1,339,890</u>	<u>1,959,554</u>
Less:		
- Fixed deposits placed with licensed banks	<u>2,565,839</u>	<u>4,135,437</u>
- Cash and bank balances	<u>1,579,552</u>	<u>1,028,098</u>
	<u>4,145,391</u>	<u>5,163,535</u>
Net cash	(2,805,501)	(3,203,981)
Equity attributable to the Owners of the Company, representing total capital	<u>5,820,136</u>	<u>10,220,005</u>
Gearing ratio	<u>*</u>	<u>*</u>

\* *Not applicable*

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

The Group and the Company are not subject to any externally imposed capital requirements, except as disclosed above.

**31. RESTRUCTURING EXERCISE**

In conjunction with, and as integral part of the listing of the Company's shares on the LEAP Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following restructuring exercise:

- (a) On 27 January 2021, the Company acquired 100% equity interest in DSB for a consideration of RM4,443,708 by way of issuance of 51,253,844 new ordinary shares at an issue price of RM0.0867 per share. Upon the acquisition, DSB became a wholly-owned subsidiary of the Company. The acquisition was completed on 3 February 2021.
- (b) On 29 January 2021, the Company acquired 90% equity interest in PTDSI for a consideration of RM758,292 by way of issuance of 8,746,154 new ordinary shares at an issue price of RM0.0867 per share. Upon the acquisition, PTDSI became a subsidiary of the Company. The acquisition was completed on 25 February 2021.
- (c) On 22 December 2020, the Directors of DSB declared and approved an interim single-tier dividend of RM2.95 per ordinary share for the financial year ended 30 June 2021 amounted to RM3,051,182, which was paid on 22 December 2020.

For the purpose of accounting for the restructuring exercise, the Group has applied book value accounting on the basis that the restructuring exercise does not constitute a business combination to which acquisition accounting can be applied.

Under the book value accounting, the difference between cost of investment recorded by the Company and the share capitals of DSB and PTDSI respectively is accounted for as restructuring reserve.

### 31. RESTRUCTURING EXERCISE (cont'd)

The restructuring reserve is shown as follows:

New shares issued by the Company as consideration for the acquisition of subsidiaries:	Number of new shares Unit	RM
- DSB	51,253,844	4,443,708
- PTDSI <sup>(1)</sup>	<u>8,746,154</u>	<u>1,314,000</u>
<b>Total investment in subsidiaries (Note 11)</b>	<u>59,999,998</u>	<u>5,757,708</u>
<b>Less: Reversal of invested equity [Note 19(b)]</b>		
- DSB		(1,034,299)
- PTDSI <sup>(2)</sup>		<u>(2,628,000)</u>
<b>Total invested equity [Note 19(b)]</b>		<u>(3,662,299)</u>
<b>Adjustment on capital reduction:</b>		
- PTDSI (Note 17)		<u>1,314,000</u>
<b>Restructuring reserve</b>		<u><u>3,409,409</u></u>

(1) *Represented by consideration of RM758,292 from restructuring exercise as mention in (b) and RM555,708 assumed by the Company arising from unpaid share capital due from a Director cum shareholder in PTDSI ("Assumption of debt"), representing additional investment into PTDSI by the Company.*

(2) *Represented by 90% of share capital of RM2,920,000 in PTDSI.*

### 32. COMPARATIVE FIGURES

#### (a) The Group

The acquisition of the issued share capital of DSB and PTDSI by the Company is a business combination involving entities under common control and did not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for as follows:

- (i) the assets and liabilities of the acquired entities are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- (ii) the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- (iii) the equity structure of the Group reflects the share capital of the Company and the invested equity of the acquired entities.

The comparative figures are based on the combined financial statements as at 30 June 2020, as disclosed in the Information Memorandum dated 16 June 2021.

The Group was not in legal existence in the previous financial year as the acquisition of the subsidiaries was completed during the financial period ended 30 June 2021, the details of which are disclosed in Note 31.

#### (b) The Company

There were no comparative figures presented in the Company's financial statements as this is the first set of financial statements prepared since its incorporation.

### 33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) Pre-IPO restructuring exercise

On 3 February 2021 and 25 February 2021, the acquisition of DSB and PTDSI was completed for a total consideration of RM5,757,708 by way of issuance of 59,999,998 new ordinary shares and assumption of debt of RM555,708 as disclosed in Note 31. Consequent thereon, both DSB and PTDSI became subsidiaries of the Company.

(b) Coronavirus 2019 (COVID-19) outbreak

The Coronavirus (COVID-19) outbreak was identified in Wuhan, China in December 2019. The World Health Organisation (“WHO”) has declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and subsequently WHO declared the COVID-19 outbreak as global pandemic on 11 March 2020.

Following the WHO's declaration, the Malaysian Government has on 16 March 2020 imposed the Movement Control Order (“MCO”) starting from 18 March 2020 to restrain the spread of COVID-19 outbreak in Malaysia. Throughout the MCO, most businesses were not allowed to operate, except those categorised as “Essential Services”. Since then, various versions of the MCO had been imposed and various phases of the National Recovery Plan had been imposed in different states as at the date of this report.

Upon the implementation of MCO, the Group's operations were not severely affected as it has been categorised as essential services and were allowed to operate while adhering to the standard operating procedures and directives issued by the Malaysian Government.

Due to this unprecedented occurrence, up to the date on which this set of financial statements were authorised for issue, the Group will continue to monitor the development of the COVID-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group. Since the Group has been categorised as essential services, the management does not expect significant impact to the Group's business operations.

### 34. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 1 July 2021, the Company received approval from Bursa Malaysia Securities Berhad to list the enlarged issued share capital comprising 72,000,000 ordinary shares on the LEAP Market of Bursa Malaysia Securities Berhad (“Proposed Listing”). The Proposed Listing involved the placement of 12,000,000 new ordinary shares at an issue price of RM0.21 per share (“Placement Shares”) to sophisticated investors who fall within any of the categories of investors set out in Part I of Schedule 6 or Part I of Schedule 7 of the Capital Markets and Services Act 2007.

Upon completion of the Proposed Listing, the Company's enlarged issued capital increased from RM5,202,002 to RM7,722,002. The number of ordinary shares increased from 60,000,000 to 72,000,000 units respectively, representing approximately 16.67% of the enlarged issued share capital of the Company.

The Company's entire enlarged issued and paid-up share capital of RM7,722,002 comprising 72,000,000 units of ordinary shares was listed on the LEAP Market of Bursa Malaysia Securities Berhad on 23 July 2021.

Pursuant to the completion of the listing exercise, the remaining estimated IPO expenses amounting to RM148,555 will be set-off against the Group's and the Company's share capital in the financial year ending 30 June 2022.