9. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to legal, regulatory and business risks where we operate. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on our major customers, particularly Dell group of companies

The revenue generated collectively from the Dell group of companies comprised 37.6%, 45.2%, 52.6% and 54.7% of our Group's revenues in the FYE Under Review. Please refer to Section 7.12 of this Prospectus for the detailed breakdown of the companies under the Dell group of companies which are our major customers during the FYE Under Review.

Our customers under the Dell group of companies, are spread across different countries and region, including Malaysia, PRC, Hong Kong, Australia, Singapore, Thailand, Taiwan, South Korea, India, Myanmar, Indonesia and the Philippines. As set out in Section 7.12 of this Prospectus, certain companies under the Dell group of companies contributed more to our Group's revenue during the FYE Under Review, as compared to other companies under the same group. As such, we are exposed to risks that we may fail to secure sufficient projects in the future, or encounter delays in payments or non-payments from the companies under the Dell group of companies, which may adversely affect our Group's business operations and financial performance.

While we do not have long-term contracts with Dell group of companies, we have maintained a mutually beneficial and trusted working relationship of 7 years with the Dell group of companies as at the LPD. Their long-term working relationship with us indicates that we have been able to effectively and efficiently deliver IT infrastructure and cybersecurity solutions for them.

Notwithstanding the above, there can be no assurance that we will continue to maintain the business relationship and continue to secure future projects or receive prompt payments from the Dell group of companies.

9.1.2 We are dependent on our Executive Directors for the continued success of our Group

We believe that our success is heavily dependent upon the continued service of our Executive Directors who have extensive knowledge and experience in our business and industry. Our Executive Directors are vital for the strategic direction, leadership, business planning and development, and management of our Group's operations, in addition to formulating and implementing strategies to drive the future growth of our Group.

As such, the loss of any of our Executive Directors without suitable or timely replacements may result in an adverse effect on our Group's operations and may eventually affect our ability to maintain and/or improve our business or financial performances.

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9.1.3 We depend on our ability to secure new projects and customers

Our future profitability and financial performance depend on our ability to secure new projects and customers. Projects related to the provision of IT infrastructure and cybersecurity solutions secured by our Group are generally on a purchase order basis and last for a period of 2 to 3 months, depending on the complexity of the project, may extend up to 6 months if there is any delay in obtaining the required hardware. Upon completion of the projects, we enter into maintenance service contracts and/or managed IT service contracts with some of these customers, ranging between 1 and 3 years.

The absence of long-term contracts poses a risk of losing our existing customers since they are not obligated to continue engaging us for our solutions and services. If we were to lose any of our customers, particularly our major customers, and are unable to secure sales from new customers or additional sales from existing customers in a timely manner, our business and financial performance may be adversely affected.

9.1.4 Our Group may face risks of security breaches and failure to protect our proprietary information as well as our customers' information

We have a NOC to support our managed network services, which have the necessary facilities to monitor and manage our customers' IT infrastructure. In addition, we also retain confidential data/information pertaining to our customers.

As such, we may also face risks of external security threats such as malware attacks, hacking, espionage and cyber intrusion, as well as internal security breaches. This includes unauthorised access to restricted information by employees, or attacks which originate from malware-infected devices which are brought into the network system by employees.

Any such security breaches can compromise the security of our data and/or customers' data, and this would materially and adversely affect our business operations. Failure to protect our proprietary and customers' information from security breaches could adversely damage our business reputation and brand name, and subsequently have long-term repercussions on our business operations.

While we work with established hosting providers to host our data and our NOC is presently certified by ISO / IEC 27001:2013 certification indicating that we have in place the necessary policies, procedures and facilities to safeguard our NOC, there can be no assurance that we may not face any security breaches in the future.

9.1.5 Our managed IT services business segment may be affected by system failures

Our managed IT services segment contributed 45.5%, 27.8%, 24.2% and 17.8% to our Group's total revenue in the FYE Under Review. Our managed IT services involve the real-time monitoring and management of our customers' IT infrastructure, including any network issues and cybersecurity threats and attacks to the network. For our managed network services, we have a NOC that has facilities that are internet-enabled to monitor and manage our customers' networks on a real-time basis, continuously. We also provide our managed network and cybersecurity services customers with 24-hour support daily.

We are thus dependent on our software systems and network connection to operate our NOC which is internet-enabled to allow for remote monitoring of our customers' IT infrastructure. As such, should there be any system failures or malfunctions caused by events that may be beyond our control, such as power failures, natural disasters, equipment failure and network connectivity downtime, this may disrupt the provision of managed IT services to our customers.

We hold ISO / IEC 27001:2013 certification indicating that we have in place the necessary policies, procedures and cloud-based disaster recovery facilities for business continuity. However, there can be no assurance that we will not face any system failures or malfunctions in the future that may materially impact our ability to carry out our managed IT services.

9.1.6 We are exposed to fluctuations in foreign exchange rates

Approximately 29.8% to 35.8% of our Group's revenue in the FYE Under Review are generated from markets outside of Malaysia. In addition, the financial statements of our subsidiary, Infoline Shenzhen in the PRC, as well as any purchases and sales conducted within the PRC, are denominated in RMB. Any revenues generated from customers in Asia Pacific, excluding Malaysia and PRC, are denominated in USD and SGD. Meanwhile, our purchases from our suppliers may not necessarily be denominated in the same currency as the revenues received from our customers.

As such, any foreign exchange fluctuations in RMB, USD and SGD may have an impact on our Group's reported operating profits based in Malaysia. In circumstances where the RMB, USD and SGD significantly appreciate or depreciate, we will record higher or lower revenue, respectively, as our sales are recorded in RM.

At present, we do not use any financial instruments to hedge our exposure against transactions in foreign currencies. However, we will continue to assess the need to utilise financial instruments to hedge our currency exposure, taking into consideration factors such as foreign currency involved, exposure period and transaction costs.

9.1.7 We face credit risks

We grant our customers credit periods of between 30 and 90 days and as such we are exposed to credit risks arising from our Group's trade receivables which may arise from events and circumstances beyond our control. In the event of significant delay or default in payment by our customers or where our customers face significant financial difficulties, we will have to make allowance for impairment losses on uncollectible trade receivables or write-off uncollectible trade receivables as bad debts, which may adversely affect our financial performance.

During the past FYE Under Review, our impairment loss on trade receivables and bad debts written off are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
Impairment loss on trade receivables	-	-	60	47
Bad debts written off	-	5	1	-
	-	**5**	**61**	**47**

Despite closely monitoring the ageing of our trade receivables and keeping a close relationship with our customers, there is no guarantee that our customers will be able to fulfil their payment obligations and will continue to maintain their positive payment records in the future.

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9.1.8 Our business operations and financial performance may be affected by the COVID-19 pandemic

On 16 March 2020, the Government announced the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. Our Group was able to partially resume our operations in our office in Malaysia on 4 May 2020 after receipt of approval from MITI, and subsequently fully resumed our operations in our head office on 10 June 2020.

Meanwhile, our Group was able to fully resume our operations in our office in PRC on 17 February 2020.

However, during this period, our IT projects were interrupted as some of the IT projects which required physical installation and configuration at the customers' premises could not be carried out during the MCO period. Further, there were also delays in delivery of IT components required for our IT projects. As a result, the implementation of some of our projects during the MCO period were prolonged by 6 to 8 weeks, though there were no penalties imposed by our customers for any project delays. As such, there was no adverse impact on our financial performance arising from such delays. In addition, as our managed network services were deemed as essential services, our NOC was operating as usual and we were able to render our managed network services remotely to our customers. Despite the challenges faced, our Group's revenues increased from RM31.06 million in FYE 2019 to RM44.59 million in FYE 2021.

Although our business operations have continued throughout the MCO, the operating environment has changed since the COVID-19 pandemic with the need to adhere to strict SOPs at additional costs. Any deterioration in the conditions of the COVID-19 pandemic may also potentially result in a tightening of the MCO including targeted enhanced MCO in a specific location, which could potentially interrupt and/or suspend our IT projects at our customers' premises. This could lead to an adverse impact on our business and financial conditions.

While our Group's financial performance was not adversely impacted by the COVID-19 pandemic thus far, there is no assurance that the COVID-19 pandemic will not impact us in the future. There is no assurance that the outbreak of COVID-19 in Malaysia and PRC can be effectively controlled, or that another outbreak of similar nature to COVID-19 or other pandemics will not happen in the future. Such future outbreaks or pandemics may materially and adversely affect our business operations and financial performance.

In addition, we may also face delays in implementing our business strategies and capital expenditure in accordance with the expected timeline as set out in Section 7.19.2 of this Prospectus, due to the COVID-19 pandemic. Failure to implement our business strategies in a timely manner may adversely affect our future business and financial performance.

Please refer to Section 7.11 of this Prospectus on the effect of COVID-19 on our business operations and the implementation of SOPs by us to reduce the risk of COVID-19 transmission.

9.1.9 We are subject to the risk of inadequate insurance coverage

We maintain insurance coverage for our business operations. Currently, the insurance policies taken out by us include fire, burglary and public liability. All these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events.

We believe our current insurance coverage undertaken is adequate for our business and level of operations. Nonetheless, there can be no assurance that our insurance coverage would be adequate to cover the losses, damages or liabilities or to compensate the claims, which we may incur in the course of our business operations. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is insufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial performance may be materially and adversely affected. Further, there can be no assurance that such insurance policies will continue to be available on terms acceptable to us.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other industry players

Notwithstanding our competitive advantages and key strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products and services.

We will leverage on our future expansion plans to enhance our competitiveness. Additionally, through our IPO, we expect to establish a stronger corporate profile and higher market presence in the industry both locally and internationally, through our marketing, branding and promotional activities via webinars and digital marketing.

Whilst we strive to remain competitive, there can be no assurance that any change in the competitive environment would not have any material and adverse impact on our business and financial performance.

9.2.2 We are dependent on the availability of technical professionals

Our Group's continued success will depend, to a significant extent, on the capabilities, experience and efforts of our technical professionals. We believe that our business continuity and future success relies on the continued service of our skilled and experienced technical professionals. The loss of our personnel within a short span of time without suitable and timely replacement, or our inability to attract or retain qualified and competent personnel could have an unfavourable and material impact on our Group's ability to compete effectively and this in turn may affect our business and operating results.

As part of our strategy to attract new skilled personnel as well as to retain our current employees, we offer competitive remuneration packages, continuous on-the-job training and career advancement prospects. We have also put in place a succession plan for our key management team and senior technical personnel where we ensure we have identified and groomed suitable candidates to gradually assume these roles. In addition, we have access to a talent pool as we provide on-the-job training to graduates. Despite this, there can be no assurance that we will be able to attract or retain qualified or competent personnel.

Please refer to Section 7.16 of this Prospectus for further details on our employees.

9.2.3 We are subject to economic, social, political and regulatory risks in the countries in which we operate in as well as global pandemic risks

Our business is subject to risks associated with conducting business internationally because we sell our solutions and, to a certain extent, purchase parts and components from overseas. We also have market presence in both local and international markets and therefore, we are susceptible to legal, regulatory, political and economic conditions as well as operational risks in the countries in which we operate.

As we continue to expand our business to foreign markets, our financial condition and results of operations could be affected by a variety of factors, including:

- Political and economic instability, including global and regional macroeconomic disruptions such as natural calamities, epidemics or other risks related to countries where we procure our components and parts or sell our solutions;

- Trade protection measures and import or export licencing requirements;

- Risks with respect to international taxation, including transfer pricing regulations;

- Difficulty in staffing and managing widespread operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations, particularly with any COVID-19 restrictions;

- Difficulties in enforcing contracts and collecting accounts receivable because of distance and different legal rules; and

- Risks with respect to social and political crises resulting from terrorism and war, amongst others.

Notwithstanding that our Group will continue to adopt prudent management and efficient operating procedures to mitigate these factors, there can be no assurance that any adverse economic, social, political and regulatory factors will not materially affect our Group's future financial results.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no prior market for our Shares. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, that such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors as set out in Section 4.5 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

9.3.2 There may be a delay in or abortion of our Listing

Our IPO is exposed to the risk of potential failure or delay should the following events, amongst others, occur:

(i) the Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;

(ii) we are unable to meet the public spread requirements of the Listing Requirements, i.e. at least 25.00% of our issued and paid-up capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of Listing; or

(iii) the revocation of the approvals from the relevant authorities prior to our Listing and/or admission for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which our Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA upon expiration of that period until full refund is made; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA upon expiration of that period until full refund is made; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

  (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

  (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analyst's recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volume witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.4 There is no assurance of payment of dividends to our shareholders

It is the intention of our Board to recommend and distribute a dividend of up to 30% of the profit attributable to the owners of the Company. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, capital expenditure and other investment plans.

There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to Section 12.14 of this Prospectus for further information on our dividend policy.

9.3.5 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 363,229,120 Shares, of which up to 96,250,000 Shares, will be held by investors participating in our Listing (representing approximately 26.50% of our enlarged issued share capital) and 69.55% will be held by the Promoters and substantial shareholders via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the ACE Market of Bursa Securities following our Listing.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters and substantial shareholders could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If the Promoters and substantial shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

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9.4 OTHER RISK

9.4.1 Our Promoters will be able to exert significant influence over our Company

Upon completion of our IPO, our Promoters will collectively hold an aggregate of 252,648,867 Shares, representing approximately 69.55% of our enlarged issued Shares. As a result, these shareholders, acting together, will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Company has appointed 4 Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

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10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Material related party transactions entered into by our Group

Save as disclosed below, there are no existing or proposed material related party transactions which involved the interest, direct or indirect, of our Directors, substantial shareholders and/ or persons connected with them for the FYE Under Review and from 1 January 2022 up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2018		FYE 2019		FYE 2020		FYE 2021		From 1 January 2022 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(i)	Infoline Solutions and I-Frasis	**Interested Director** • CWC (1)(2)	Rental of property to Infoline Solutions for use as office(4)	6.0	0.3	-	-	-	-	-	-	-	-
(ii)	Infoline Solutions and CWC			-		29.2	(11) 0.7	50.4	(11)1.1	50.4	(11)0.8	21.0	(11)1.1
(iii)	Infoline Solutions and I-Frasis	**Interested Director** • CWC (1)(2)	Rental of property to Infoline Solutions for use as warehouse(5)	24.0	(11)0.9	-	-	-	-	-	-	-	-
(iv)	Infoline Solutions and CWC			12.0	(11)0.5	48.0	(11)1.1	36.0	(11)0.8	-	-	-	-
(v)	Infoline Solutions and I-Ducations	**Interested Director** • CWC (2)(3)	Rental of property to Infoline Solutions for use as office(6a)	-	-	-	-	4.4	(11)0.1	26.4	(11)0.4	11.0	(11)0.6
(vi)	Infoline Solutions and I-Ducations	**Interested Director** • CWC (2)(3)	Rental of property to Infoline Solutions for use as office(6b)	24.0	(11)0.9	24.0	(11)0.6	24.0	(11)0.5	24.0	(11)0.4	10.0	(11)0.5

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2018		FYE 2019		FYE 2020		FYE 2021		From 1 January 2022 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(vii)	Infoline Shenzhen and Infoline Technology Limited	**Interested Director** • CWC [(7)]	Purchase of hardware and maintenance support from Infoline Technology Limited	-	-	[(9)]209.1	[(12)]0.9	[(10)]478.6	[(12)]1.6	-	-	-	-
(viii)	Infoline Solutions and Infoline Technology Limited	**Interested Director** • CWC [(2)(7)]	Purchase of hardware from Infoline Technology Limited	-*	-	-	-	16.2	[(12)]0.1	-	-	-	-
			Provision of IT infrastructure and cybersecurity solutions by Infoline Solutions	927.0	[(13)]4.9	1,066.7	[(13)]3.4	1,482.1	[(13)]3.4	-	-	-	-
(ix)	Infoline Solutions and Infoline Technologies Pte Ltd	**Interested Director** • CWC [(2)(8)]	Sale of services to Infoline Technologies Pte Ltd	-	-	9.0	[(13)]0.1	-	-	-	-	-	-
(x)	Our Company and Infoline Solutions Vendors	**Interested Directors** • CWC [(2e)] • LWH [(15)] • TYM [(16)]	Acquisition by our Company of the entire equity interest in Infoline Solutions from the Infoline Solutions Vendors. See Section 6.3(a) of this Prospectus for further details on the Infoline Solutions Acquisition.	-	-	-	-	-	-	-	-	9,553.5	[(14)]60.1

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2018		FYE 2019		FYE 2020		FYE 2021		From 1 January 2022 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(xi)	Our Company and Infoline Shenzhen Vendor	**Interested Director** • CWC (2e)	Acquisition by our Company of the entire equity interest in Infoline Shenzhen from the Infoline Shenzhen Vendor. See Section 6.3(b) of this Prospectus for further details on the Infoline Shenzhen Acquisition.	-	-	-	-	-	-	-	-	4,907.9	(14)30.9

Notes:

* Negligible.

(1) I-Frasis Technology Sdn bhd ("**I-Frasis**")

(a) CWC is our Director and substantial shareholder. He was also a director and shareholder of I-Frasis. On 5 July 2018, he resigned as a director of I-Frasis and disposed his shares in the company.

(b) I-Frasis was the owner of a land known as Lot PT 10536, Mukim of Pekan Baru Sungai Buloh, District of Petaling, State of Selangor held under HS(D) 251881 ("**Lot 10536**"). On 12 September 2018, the ownership of Lot 10536 was transferred by I-Frasis to CWC and Lee Su Guat ("**Land Transfer**").

(2) CWC

(a) CWC is our Director and substantial shareholder.

(b) CWC is a director of Infoline Solutions and Infoline Shenzhen, being our wholly-owned subsidiaries. CWC was appointed a director of Infoline Solutions on 20 June 2016 and Infoline Shenzhen on 9 March 2018.

(c) CWC held 100% of the share capital of Infoline Solutions before the registration of LWH and TYM as holders of 28.5% and 7.5% of the share capital of Infoline Solutions respectively on 6 October 2021. Prior to the Acquisitions, CWC held 64.0% of the share capital of Infoline Solutions and 100.0% of the share capital in Infoline Shenzhen.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(d) CWC is one of the Infoline Solutions Vendors and the Infoline Shenzhen Vendor.

(e) Prior to the completion of the Acquisitions, CWC held 60.0% equity interest in our Company.

(3) I-Ducations Sdn Bhd ("**I-Ducations**")

(a) CWC is our Director and major shareholder. He is also a director and shareholder of I-Ducations.

(4) The property rented to Infoline Solutions for use as office at Lot 10536.

(a) Infoline Solutions and CWC entered into a tenancy agreement dated 1 July 2019 pursuant to which Infoline Solutions rented from CWC part of the land held under Lot 10536 together with the office building erected thereon known as Unit 51-2 ("**Unit 51-2**"), commencing from 1 July 2019 to 30 June 2021 for a monthly rental rate of RM2,200.

(b) Infoline Solutions and I-Frasis entered into a tenancy agreement dated 1 January 2017 pursuant to which Infoline Solutions rented from I-Frasis part of the land held under Lot 10536 together with the office building erected thereon known as Unit 51-3 ("**Unit 51-3**"), commencing from 1 January 2017 to 31 December 2018 for a monthly rental rate of RM1,000. Following the Land Transfer, Infoline Solutions and CWC entered into a tenancy agreement dated 1 January 2019 in respect of Unit 51-3. On 1 September 2019, the parties entered into a new tenancy agreement where the monthly rental of Unit 51-3 was revised to RM2,000, commencing from 1 September 2019 to 31 August 2021.

(c) Subsequently, Infoline Solutions and CWC entered into a tenancy agreement dated 1 September 2021 pursuant to which the tenancies in respect of Unit 51-2 and Unit 51-3 are renewed from 1 September 2021 to 31 August 2023 for a monthly rental rate of RM4,200, subject to an option to renew for another term of one year.

(5) The property rented to Infoline Solutions for use as warehouse at Lot 10536.

(a) Infoline Solutions and I-Frasis entered into a tenancy agreement dated 1 October 2016 pursuant to which Infoline Solutions rented from I-Frasis part of the land held under Lot 10536 together with the office building erected thereon known as Unit 51-G ("**Unit 51-G**"), commencing from 1 October 2016 to 30 September 2018 for a monthly rental rate of RM4,000. Following the Land Transfer, Infoline Solutions and CWC entered into a tenancy agreement dated 1 October 2018 pursuant to which the tenancy in respect of Unit 51-G was renewed from 1 October 2018 to 30 September 2020 at a monthly rental of RM4,000. Upon the expiration of the tenancy agreement, Infoline Solutions no longer rents the Unit 51-G.

(6) The property rented to Infoline Solutions for use as office is identified as Lot PT 10535, Mukim of Pekan Baru Sungai Buloh, District of Petaling, State of Selangor held under HS(D) 251880 ("**Lot 10535**")

(a) Infoline Solutions and I-Ducations entered into a tenancy agreement dated 1 November 2020 pursuant to which Infoline Solutions rented from I-Ducations part of the land held under Lot 10535 together with the office building erected thereon known as Unit 53-1, commencing from 1 November 2020 to 31 October 2022 for a monthly rental rate of RM2,200, subject to an option to renew for another term of one year.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Infoline Solutions and I-Ducations entered into a tenancy agreement dated 1 August 2016 pursuant to which Infoline Solutions rented from I-Ducations part of the land held under Lot 10535 together with the office building erected thereon known as Unit 53-3, commencing from 1 August 2016 to 31 July 2018, which was subsequently renewed by the tenancy agreements dated 1 August 2018 and 1 August 2020 respectively. The current tenure of the tenancy is for the period commencing 1 August 2020 to 31 July 2022 with an option to renew for another one year. The monthly rental rate is RM2,000.

(7) Infoline Technology Limited, Hong Kong (now known as Akima ICT Limited)

(a) Infoline Shenzhen was incorporated by Infoline Technology Limited on 5 January 2013 and was its wholly-owned subsidiary. CWC was appointed as director of Infoline Technology Limited on May 2014. In August 2015, CWC acquired the entire shareholdings in Infoline Technology Limited. In December 2019, CWC acquired the entire shareholdings in Infoline Shenzhen from Infoline Technology Limited (wholly-owned by CWC at that point in time). In August 2020, CWC resigned as director of Infoline Technology Limited and disposed his shares in the company. Subsequently, Infoline Technology Limited was renamed to Akima ICT Limited in June 2021 under the new owner.

(8) Infoline Technologies Pte Ltd, Singapore (now known as Inline Technologies Pte Ltd)

(a) CWC is our Director and substantial shareholder. He was also the director and shareholder of Infoline Technologies Pte Ltd. In August 2020, he resigned as the director of Infoline Technologies Pte Ltd and disposed his shares in the company to a third party not connected to CWC.

(9) Based on the average conversion rate of 0.5998 from RMB to RM for the year 2019.

(10) Based on the average conversion rate of 0.6091 from RMB to RM for the year 2020.

(11) Based on our Group's administrative expenses for each of the respective financial years/periods under review.

(12) Based on our Group's cost of sales for each of the respective financial years.

(13) Based on our Group's revenue for each of the respective financial years.

(14) Based on our Group's pro forma combined NA after the adjustment for the dividend declaration for the FYE 2021 and Acquisitions as at 31 December 2021.

(15) LWH

(a) LWH is our Director and substantial shareholder.

(b) LWH is a director of Infoline Solutions, being our wholly-owned subsidiary. He was appointed a director of Infoline Solutions on 8 May 2013.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(16) TYM

(a) TYM is our Director.

(b) TYM is a director of Infoline Solutions, being our wholly-owned subsidiary. He was appointed a director of Infoline Solutions on 22 September 2021.

Save for the related party transactions in (vii), (viii) and (ix) which occurred while CWC had an interest in Infoline Technology Limited (now known as Akima ICT Limited) and Infoline Technologies Pte Ltd (now known as Inline Technologies Pte Ltd), the related party transactions entered into by our Group were carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our Group i.e. the terms and rental rates of the rented offices are comparable to the rental rates of office units located in the vicinity of the relevant properties.

Further, we will be required to seek our shareholders' approval each time we enter, into material related party transactions in accordance with the Listing Requirements. Our Audit and Risk Management Committee will review the terms of all related party transactions.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.2 Summary of related party transactions entered by our Group

Below is a summary of the related party transactions listed in Section 10.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

Related Party	Nature of transaction	FYE 2018		FYE 2019		FYE 2020		FYE 2021		From 1 January 2022 up to the LPD	
		RM'000	%	RM'00	%	RM'000	%	RM'000	%	RM'000	%
I-Frasis	Payment of rental by Infoline Solutions	30.0	[(1)]1.2	-	-	-	-	-	-	-	-
CWC	Payment of rental by Infoline Solutions	12.0	[(1)]0.5	77.2	[(1)]1.8	86.4	[(1)]1.9	50.4	[(1)]0.8	21.0	[(1)]1.1
I-Ducations	Payment of rental by Infoline Solutions	24.0	[(1)]0.9	24.0	[(1)]0.6	28.4	[(1)]0.6	50.4	[(1)]0.8	21.0	[(1)]1.1
Infoline Technology Limited	Provision of IT infrastructure and cybersecurity solutions by Infoline Solutions	927.0	[(2)]4.9	1,066.7	[(2)]3.4	1,482.1	[(2)]3.4	-	-	-	-
	Purchase of hardware and service maintenance by Infoline Technology Limited and Infoline Solutions	-	-	209.1	[(3)]0.9	494.8	[(3)]1.7	-	-	-	-
Infoline Technologies Pte Ltd	Sale of services by Infoline Solutions	-	-	9.0	[(2)]0.1	-	-	-	-	-	-
Total		**993.0**	**N/A**	**1,386.0**	**N/A**	**2,091.7**	**N/A**	**100.8**	**N/A**	**42.0**	**N/A**

Notes:

(1) Based on our Group's administrative expenses for each of the respective financial years/periods under review.

(2) Based on our Group's revenue for each of the respective financial years.

(3) Based on our Group's cost of sales for each of the respective financial years.

10.1.3 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in the FYE Under Review and up to the LPD.

10.1.4 Outstanding loans and/or financial assistance to or for the benefit of related parties

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Group to or for the benefit of the related parties for the FYE Under Review and up to the LPD.

10.1.5 Outstanding loans and/or financial assistance from related parties for the benefit of our Group

Save as disclosed below, our Directors confirm that there are no outstanding loans (including guarantees of any kind) and/or financial assistance from related parties to our Group for the FYE Under Review and up to the LPD.

(i) CWC and LWH, being our Promoters, and Lee Su Guat, being spouse of CWC, had extended joint and several guarantees ("**Guarantees**") for the banking facilities granted to Infoline Solutions. As at the LPD, the banking facilities have been cancelled and the Guarantees have accordingly been discharged;

(ii) CWC had also extended a personal guarantee for hire purchase facility procured by Infoline Solutions. As at the LPD, the outstanding amount of the hire purchase facility has been fully settled and the personal guarantee has accordingly been discharged; and

(iii) CWC had also extended several cash advances to our subsidiaries during the period of FYE 2018 and FYE 2019 for the purpose of working capital. All the advances were fully repaid to CWC by the end of FYE 2020.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Our Audit and Risk Management Committee will review the terms of all related party transactions (including recurrent related party transactions), and our Directors will report such transactions, if any, annually in our Company's annual report. In the event that there are any proposed related party transactions that involve the direct or indirect interest of our Directors, our interested Directors shall disclose to our Board the nature and extent of their interest including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which is not in our best interest. Our interested Directors shall also abstain from any of our Board's deliberation and voting on the relevant resolutions in respect of such proposed related party transactions.

Further, we will be required to seek our shareholders' approval each time we enter, into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions. The interested persons shall abstain from voting on the relevant resolutions in respect of such proposed related party transactions at our general meetings. Under the Listing Requirements, related party transactions may be aggregated to determine their materiality if the related party transactions occurred within a 12-month period, are entered with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/ asset or of various parcels of land contiguous to each other.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESSES OF OUR GROUP, OUR CUSTOMERS AND/ OR OUR SUPPLIERS

As at the LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and/or corporations which are:

(i) carrying on a similar trade as our Group; or

(ii) customers and/or suppliers of our Group.

Details of the interests, shareholdings and directorships in other businesses of our Directors are disclosed in Section 5.2.3 of this Prospectus.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nominating Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nominating Committee will:

(i) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit and Risk Management Committee;

(ii) Make recommendations to our Board to direct the conflicted Director to:

  (a) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

  (b) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

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11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

(i) Principal Adviser, Sponsor, Underwriter and Placement Agent

Malaysia Industrial Development Finance Berhad ("**MIDF**") is the holding company of MIDF Investment. MIDF, MIDF Investment and other subsidiaries of MIDF (collectively referred to as "**MIDF Group**") and its related and associated companies are involved in diversified financial activities. MIDF Group has been engaged, and may in the future be engage, in transactions with and/or perform services for our Group and our affiliates, in addition to MIDF Investment's role as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO. Further, in the ordinary course of business, any member of the MIDF Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of Infoline Group and its affiliates or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MIDF Group generally acting independent of each other and accordingly, there may be situations where parts of the MIDF Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, MIDF Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

MIDF Investment has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO. The Underwriting Agreement, which certain details are set out in Section 4.9 of this Prospectus, was entered into on arm's length basis and on market terms.

(ii) Solicitors

Wong Beh & Toh has given its confirmation that there is no existing or potential conflict of interests in its capacity as Solicitors for our IPO.

(iii) Auditors and Reporting Accountants

Crowe Malaysia PLT has given its confirmation that there is no existing or potential conflict of interests in its capacity as the Auditors and the Reporting Accountants for our IPO.

(iv) Independent Market Researcher

Providence Strategic Partners Sdn Bhd has given its confirmation that there is no existing or potential conflict of interests in its capacity as the Independent Market Researcher for our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL COMBINED AND PRO FORMA FINANCIAL INFORMATION

Our audited combined financial statements for the FYE Under Review have been prepared in accordance with MFRS and IFRS and were not subject to any audit qualification.

12.1.1 Historical financial information

The following sets out a summary of our historical financial information for FYE Under Review which have been extracted from the Accountants' Report set out in Section 14 of this Prospectus. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 14 respectively.

(i) Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical audited combined statements of profit or loss and other comprehensive income for the FYE Under Review:

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
Revenue	18,838	31,058	43,815	44,586
Less: Cost of sales	(11,838)	(22,162)	(29,753)	(27,549)
GP	**7,000**	**8,896**	**14,062**	**17,037**
Other income	16	56	135	256
Administrative expenses	(2,550)	(4,270)	(4,456)	(6,269)
Other expenses	(159)	(220)	(335)	(440)
Finance costs	(3)	(46)	(43)	(23)
Net impairment losses on financial assets	-	(5)	(61)	(34)
PBT	**4,304**	**4,411**	**9,302**	**10,527**
Income tax expense	(762)	(853)	(2,256)	(2,731)
PAT from continuing operations	3,542	3,558	7,046	7,796
Discontinued operations				
(LAT)/PAT from discontinued operations	(509)	243	-	-
PAT	**3,033**	**3,801**	**7,046**	**7,796**
Other comprehensive income				
Foreign currency translation differences	-	(37)	93	260
Total comprehensive income for the financial year/period	**3,033**	**3,764**	**7,139**	**8,056**
PAT/(LAT) attributable to owners of the Company				
- Continuing operations	3,542	3,558	7,046	7,796
- Discontinued operations	(509)	243	-	-
	3,033	**3,801**	**7,046**	**7,796**

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(expenses) for the financial year/period attributable to the owners of the Company				
- Continuing operations	3,542	3,521	7,139	8,056
- Discontinued operations	(509)	243	-	-
	3,033	**3,764**	**7,139**	**8,056**
EBIT(1)	3,795	4,666	9,306	10,524
EBITDA(1)	3,811	4,814	9,476	10,724
GP margin (%)(2)	37.2	28.6	32.1	38.2
PBT margin (%)(3)	22.8	14.2	21.2	23.6
PAT margin (%)(3)	16.1	12.2	16.1	17.5
Basic EPS (sen)(4)	1.05	1.31	2.44	2.70
Diluted EPS (sen)(5)	0.84	1.05	1.94	2.15

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
PAT	3,033	3,801	7,046	7,796
Less:				
Interest income	(3)	(34)	(39)	(26)
Add:				
Finance costs	3	46	43	23
Income tax expense	762	853	2,256	2,731
EBIT	**3,795**	**4,666**	**9,306**	**10,524**
Add:				
Depreciation	16	148	170	200
EBITDA	**3,811**	**4,814**	**9,476**	**10,724**

(2) GP margin is computed based on GP over revenue for the financial years/periods.

(3) PBT margin and PAT margin are computed based on the respective PBT and PAT for the financial years/periods over revenue.

(4) Basic EPS is computed based on PAT of our Company divided by our enlarged number of Shares in issue before IPO.

(5) Diluted EPS is computed based on PAT of our Company divided by our enlarged number of Shares in issue after IPO.

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12. FINANCIAL INFORMATION *(Cont'd)*

(ii) Historical combined statements of financial position

The following table sets out a summary of our historical audited combined statements of financial position as at 31 December 2018, 2019, 2020 and 2021:

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Equipment	43	95	75	372
Right-of-use assets	-	263	200	233
Deferred tax assets	48	48	644	803
Total non-current assets	**91**	**406**	**919**	**1,408**
Current assets				
Inventories	1,060	1,018	661	2,022
Contract cost assets	200	902	2,489	2,746
Trade receivables	5,093	8,370	8,408	9,519
Other receivables, deposits and prepayments	355	338	433	1,723
Amount owing by a related party	70	535	-	-
Current tax assets	39	74	57	8
Deposit with a licensed bank	900	900	930	959
Cash and bank balances	872	1,841	7,172	11,432
	8,589	13,978	20,150	28,409
Assets of disposal group classified as held for sale	693	-	-	-
Total current assets	**9,282**	**13,978**	**20,150**	**28,409**
Total assets	**9,373**	**14,384**	**21,069**	**29,817**
Equity				
Share capital	-	-	-	*
Invested equity	1,310	2,490	2,490	2,490
Retained profits	2,896	2,073	7,166	14,962
Reserves	(11)	(48)	198	458
Total equity	**4,195**	**4,515**	**9,854**	**17,910**
Non-current liabilities				
Contract liabilities	50	369	378	602
Lease liabilities	-	125	111	132
Total non-current liabilities	**50**	**494**	**489**	**734**
Current liabilities				
Trade payables	1,432	6,745	6,270	6,561
Other payables and accruals	427	652	1,002	1,456
Contract liabilities	250	899	2,199	3,049
Lease liabilities	-	143	92	107
Amount owing to a related party	151	-	-	-
Amount owing to a director	2,199	244	-	-
Bankers' acceptance	-	568	-	-
Current tax liabilities	142	124	1,163	-
	4,601	9,375	10,726	11,173
Liabilities of disposal group classified as held for sale	527	-	-	-
Total current liabilities	**5,128**	**9,375**	**10,726**	**11,173**

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total liabilities	**5,178**	**9,869**	**11,215**	**11,907**
Total equity and liabilities	**9,373**	**14,384**	**21,069**	**29,817**
Net asset	**4,195**	**4,515**	**9,854**	**17,910**

Note:

* Denotes RM25.

(iii) Historical combined statements of cash flows

The following table sets out our historical audited combined statements of cash flows for the FYE Under Review:

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES				
PBT/(LBT)				
- Continuing operations	4,304	4,411	9,302	10,527
- Discontinued operations	(460)	249	-	-
	3,844	**4,660**	**9,302**	**10,527**
Adjustments for:				
Bad debts written off	-	5	1	-
Depreciation of equipment	16	31	34	78
Depreciation of right-of-use assets	-	117	136	122
Equipment written off	-	-	3	-
Impairment losses on trade receivables	-	-	60	47
Interest expense on financial liabilities that are not at fair value through profit or loss	-	31	28	3
Interest expense on lease liabilities	-	14	11	13
Inventories written down	-	-	129	62
Loss on disposal of a subsidiary	-	446	-	-
COVID-19 related rent concessions	-	-	(3)	-
Gain on modification of leases	-	-	(3)	(2)
Gain on disposal of equipment	-	-	(4)	(1)
Interest income	(3)	(34)	(39)	(44)
Reversal of impairment loss on trade receivables	-	-	-	(13)
Operating profit before working capital changes	**3,857**	**5,270**	**9,655**	**10,792**
Decrease/(Increase) in inventories	101	42	228	(1,423)
(Increase)/Decrease in contract cost assets	(66)	(702)	(1,588)	(257)
(Decrease)/Increase in contract liabilities	(304)	781	1,309	1,074
Increase in trade and other receivables	(3,296)	(3,234)	(193)	(2,418)
(Decrease)/Increase in trade and other payables	(343)	5,293	(125)	745

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Decrease/(Increase) in amount owing by related parties	203	(616)	535	-
Cash flows from operations	**152**	**6,834**	**9,821**	**8,513**
Income tax paid	(578)	(903)	(1,796)	(4,004)
Interest paid	-	(46)	(39)	16
Interest received	3	34	39	26
NET CASH (FOR)/FROM OPERATING ACTIVITIES	**(423)**	**5,919**	**8,025**	**4,519**
CASH FLOWS FOR INVESTING ACTIVITIES				
Placement of deposit with tenure more than 3 months	(900)	-	(30)	(29)
Proceeds from disposal of equipment	-	-	9	3
Purchase of equipment	(20)	(83)	(22)	(377)
Addition to right-of-use assets	-	-	-	-
Acquisition of a subsidiary	(70)	-	-	-
Disposal of a subsidiary, net of cash and cash equivalents disposed of	-	(18)	-	-
NET CASH FOR INVESTING ACTIVITIES	**(990)**	**(101)**	**(43)**	**(403)**
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES				
Dividends paid	-	(4,624)	(1,800)	-
Repayment to directors	(168)	(775)	(244)	-
Advances from directors	1,854	-	-	-
Drawdown/(Repayment) of bankers' acceptance	-	568	(568)	-
Repayment of lease liabilities	-	(111)	(132)	(117)
Proceeds from issuance of share	-	-	-	*
NET CASH FROM/(FOR) FINANCING ACTIVITIES	**1,686**	**(4,942)**	**(2,744)**	**(117)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**273**	**876**	**5,238**	**3,999**
EFFECTS ON FOREIGN EXCHANGE TRANSLATION	(12)	(37)	93	261
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	741	1,002	1,841	7,172
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR/ PERIOD	**1,002**	**1,841**	**7,172**	**11,432**

Note:

* Denotes RM25.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report as sets out in Section 14 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The future results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the Risk Factors as set out in Section 9 of this Prospectus.

12.2.1 Overview of our operations

(i) Principal activities

Our Company is an investment holding company. Through our subsidiaries, our Group is principally involved in the provision of IT infrastructure solutions, cybersecurity solutions as well as managed IT services and other IT services. Additionally, we are also involved in the trading of ancillary IT hardware and software as and when required by our customers.

We conduct our operation from Malaysia and PRC and our customers include both local and multinational companies based in Asia Pacific region that operate in a diverse range of industries, including but not limited to, financial services, telecommunications, retail, healthcare, education, manufacturing, and food and beverage.

Please refer to Section 7 of this Prospectus for a detailed overview on our Group's business.

(ii) Revenue

Our revenue segments are based on our principal activities, as follows:

(a) IT infrastructure solutions - IT infrastructure solutions facilitate and support the management and usage of digital data. It comprises physical hardware and facilities that can house, cool and power a data centre to enable data storage, data retrieval and internet connectivity, as well as software such as web applications and content management systems that are programmed or installed in these physical hardware and facilities to enable their functionality.

We charge a one-off project-based fee for the design, implementation and configuration of our IT infrastructure solutions. We recognise such revenue based on the project billing milestones as agreed between us and our customers (if any) or the stage of completion of the project.

We also charge a software licensing fee for continuous usage of the required software. We charge the licensing fees upfront on an annual basis and recognise the revenue monthly throughout the licensing period.

(b) Cybersecurity solutions - Cybersecurity solutions prevent cyber threats and attacks, and services to install and implement these solutions.

We charge a one-off project-based fee for the implementation of these solutions. We recognise such revenue based on the project billing milestones as agreed between us and our customers.

We also charge a software licensing fee for continuous usage of cybersecurity software. We charge the licensing fees upfront on an annual basis and recognise the revenue monthly throughout the licensing period.

(c) Managed IT services and other IT services - Our managed IT services and other IT services include managed network and cybersecurity services, as well as professional services such as project delivery and management services, assessment, troubleshooting and repair services, and consultation services, as well as maintenance and technical support services.

We charge a contract fee for a specified period for the services offered. We charge the contract fees upfront and recognise the revenue on a monthly basis throughout the contract period. We also charge professional service fees for the professional services rendered.

(d) Trading of ancillary hardware and software - When required, we also provide ancillary hardware and software products to complement our Group's business. These hardware and software products are sold on an outright sale basis. We recognise the revenue from such sales upon delivery of goods and acceptance by customer.

Our sales transactions are mainly settled in RM, RMB, USD and SGD. Sales transactions between our Group and customers based in Malaysia and PRC are settled in RM and RMB respectively while other sales transactions between our Group with customers based in countries other than Malaysia or PRC are mainly settled in USD and SGD.

(iii) Cost of sales

Our cost of sales comprises mainly of the following:

(a) Hardware and software – being the cost of purchasing hardware and software that we require in order for us to perform our services/ execute our projects as well as the cost of purchasing our supplies under our trading business of ancillary hardware and software;

(b) Staff cost – being the direct labour cost (i.e. salaries of technical and software departments) associated with the services offered by our Group; and

(c) Subcontractor cost – being cost of installation, maintenance and technical support services for our solutions, customisation and integration for software and systems that are not deployed by our internal technical team, as well as non-IT related works associated with our services and projects (i.e. electrical wiring, building structural works and complex cabling installation works). In such cases, we outsource these works to subcontractors.

(iv) Other income

Our other income mainly comprises interest income, realised gain on foreign exchange as well as the gain from disposal of equipment.

(v) Other expenses

Our other expenses mainly comprise depreciation charges, realised loss on foreign exchange, inventories written down and loss on disposal of subsidiary.

(vi) Administrative expenses

Our administrative expenses mainly comprise staff costs, directors' remuneration, professional fees, accommodation and travelling expenses and office expenses.

(vii) Finance costs

Finance costs comprise mainly interest expense on our banking facilities and lease liabilities.

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12.2.2 Revenue

The following tables illustrate the breakdown of our revenue by business segments and geographical locations for the FYE Under Review:

(i) Analysis of revenue by business segments

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
IT infrastructure solutions	8,355	44.3	17,647	56.8	18,674	42.6	33,023	74.1
Cybersecurity solutions	805	4.3	2,610	8.4	11,219	25.6	1,509	3.4
Managed IT services and other IT services	8,564	45.5	8,620	27.8	10,587	24.2	7,959	17.8
Trading of ancillary hardware and software	1,114	5.9	2,181	7.0	3,335	7.6	2,095	4.7
	18,838	**100.0**	**31,058**	**100.0**	**43,815**	**100.0**	**44,586**	**100.0**

(ii) Analysis of revenue by geographical locations

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	12,444	66.1	21,819	70.2	28,385	64.8	28,602	64.2
PRC	5,370	28.5	8,160	26.3	13,636	31.1	8,243	18.5
Others	(1)1,024	5.4	(2)1,079	3.5	(3)1,794	4.1	(4)7,741	17.3
	18,838	**100.0**	**31,058**	**100.0**	**43,815**	**100.0**	**44,586**	**100.0**

Notes:

(1) FYE 2018 - comprises Hong Kong, Singapore, India and Myanmar.

(2) FYE 2019 - comprises Hong Kong and Singapore.

(3) FYE 2020 - comprises Hong Kong, Australia, Thailand, Singapore, Taiwan, South Korea and India.

(4) FYE 2021 - comprises Hong Kong, Australia, Thailand, Singapore, Taiwan, South Korea, Indonesia and the Philippines, Japan and India.

(iii) Analysis of revenue by subsidiaries

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
Revenue by subsidiaries	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Infoline Solutions	13,497		22,898		30,404		36,665	
Less: Elimination(1)	-		-		(39)		(128)	
Total	**13,497**	**71.6**	**22,898**	**73.7**	**30,365**	**69.3**	**36,537**	**82.0**
Infoline Shenzhen	5,347		8,160		13,450		8,073	
Less: Elimination(1)	(6)		-		-		(24)	
Total	**5,341**	**28.4**	**8,160**	**26.3**	**13,450**	**30.7**	**8,049**	**18.0**
Grand total	**18,838**	**100.0**	**31,058**	**100.0**	**43,815**	**100.0**	**44,586**	**100.0**

Note:

(1) Elimination of inter-company transactions arising from revenue between Infoline Solutions and Infoline Shenzhen.

(iv) Breakdown of customers which transacted with our Group during the FYE Under Review

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
New customers	55	56	53	35
Existing customers	68	76	89	105
	123	**132**	**142**	**140**

Type of customers	FYE 2018	FYE 2019	FYE 2020	FYE 2021
IT services provider	41	37	32	29
Multinational corporation	17	18	26	23
Professional firm	11	12	15	12
Financial institution	10	12	15	14
Small and medium enterprise	8	15	15	12
Principals	4	4	10	18
Local corporation	5	3	6	7
Construction firm	4	3	4	3
Education institution	3	6	4	7
Telecommunication	3	3	3	3
Manufacturing	3	4	2	3
Individual	1	4	3	1
Others(1)	13	11	7	8
	123	**132**	**142**	**140**

Note:

(1) Mainly comprises logistics, hospitality, food and beverages, airlines, healthcare and pharmaceutical.

(v) Financial commentaries

Summary of commentaries

For the FYE Under Review, we recorded an overall improvement in our revenue from RM18.84 million in FYE 2018 to RM31.06 million in FYE 2019 to RM43.82 million in FYE 2020 and to RM44.60 million in FYE 2021, which translates to a CAGR of 33.3%. The upward trend in our revenue was largely due to our growing presence in Malaysia and PRC as we began to expand our range of IT infrastructure and cybersecurity solutions which also resulted in the increase in revenue from our managed IT services and other IT services. This can be seen by the growth in our customer base from 123 customers in FYE 2018 to 140 customers in FYE 2021 which largely comprises multinational companies and Principals.

IT infrastructure solutions and managed IT services and other IT services segments have been the largest revenue contributing business segments for the FYE Under Review. In the FYE 2021, our IT infrastructure solution segment accounted for 74.1% of our total revenue while the managed IT services and other IT services segment contributed 17.8% of our total revenue. In FYE 2020, our cybersecurity solutions segment saw a significant growth of RM8.61 million or 329.9% to a revenue of RM11.22 million recorded in FYE 2020 from a revenue of RM2.61 million recorded in FYE 2019 mainly due to a major cybersecurity project secured during the year.

Our principal market is Malaysia. For the FYE Under Review, our revenue derived from local market contributed 64.2% to 70.2% to our total revenue. Our second largest market is PRC which contributed 18.5% to 31.1% of our total revenue for the FYE Under Review.

As our Group serves multinational companies, we also design and implement solutions for their offices located in countries in the Asia Pacific region such as Hong Kong, Australia, Thailand, Singapore, Taiwan, South Korea, India, Myanmar, Indonesia, Japan and the Philippines. The revenue contribution from these Asia Pacific countries contributed 3.5% to 17.3% of our total revenue for the FYE Under Review.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group revenue increased by RM12.22 million or 64.9% to RM31.06 million from RM18.84 million in FYE 2018. The increase in the overall revenue of our Group was a result of the overall growth of our Group's businesses as we managed to secure more projects from our existing and new customers. The increase in our overall revenue was mainly contributed by the revenue growth of our IT infrastructure solutions and cybersecurity solutions segments.

IT Infrastructure solutions segment

Our revenue derived from the IT infrastructure solutions segment increased by RM9.30 million or 111.4% to RM17.65 million in FYE 2019 from RM8.35 million in FYE 2018. The increase was mainly due to the completion of the following projects and the recognition of its full project value during the FYE 2019:

(a) completion of a data centre upgrade project with a project value of approximately RM2.40 million for the manufacturing plant of a multinational semiconductor company located in Melaka, Malaysia;

(b) completion of an ultra-high-speed network infrastructure upgrade project with a project value of approximately RM1.79 million for one of our Principals' manufacturing plant located in Penang, Malaysia;

(c) completion of an IT infrastructure supply and installation project with a project value of approximately RM1.22 million for the new smart office of a global enterprise management and consulting firm located in Shanghai, PRC

(d) completion of a network infrastructure upgrade project with a project value of approximately RM0.38 million for the offices of a multinational insurance company located in Kuala Lumpur, Malaysia and Singapore;

(e) completion of a network upgrade and migration project with a project value of approximately RM1.04 million for the headquarters of a Malaysia based apparel retailer; and

(f) completion of a network upgrade and migration project with a project value of approximately RM0.60 million for the Malaysian headquarters and branch offices of an Asia Pacific based healthcare service provider.

Cybersecurity solutions segment

Our revenue derived from cybersecurity solutions segment increased by RM1.80 million or 222.2% to RM2.61 million in FYE 2019 from RM0.81 million in FYE 2018. The increase was mainly attributable to the following:

(a) new project with a project value of approximately RM0.89 million to provide security enhancement services for the WAN of a Malaysia based financial institution, which was fully recognised during the year; and

(b) new project with a project value of approximately RM1.36 million to provide overall network security upgrade services for the R&D and services facilities of a multinational computer storage solutions provider located in Chengdu, PRC, which was fully recognised during the year.

Managed IT services and other IT services segment

Our revenue derived from managed IT services and other IT services increased marginally by approximately RM0.06 million or approximately 0.7% to RM8.62 million recorded in FYE 2019 from RM8.56 million recorded in FYE 2018. The increase was mainly due to increase in orders from one of our Principals for other IT services.

Trading of ancillary hardware and software segment

Our revenue derived from the trading of ancillary hardware and software segment increased by RM1.07 million or 96.4% to RM2.18 million in FYE 2019 from RM1.11 million in FYE 2018. The increase was mainly attributable to the following:

(a) increase in orders from a multinational multi-level marketing company for the purchase of computers and related equipment for its branch office expansion;

(b) increase in orders from a PRC based financial institution for the purchase of computers for its branch expansion in Malaysia; and

(c) increase in orders from a local private tertiary institution for the purchase of computers and related equipment for the upgrade of its information technology laboratory.

Geographical Markets

In terms of geographical markets, the revenue contribution from local market to our total revenue improved marginally from 66.1% in FYE 2018 to 70.2% in FYE 2019 mainly due to increase in revenue derived from the IT infrastructure solutions segment and cybersecurity solutions segment of our operations in Malaysia.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our Group revenue increased by RM12.76 million or 41.1% to RM43.82 million from RM31.06 million in FYE 2019. The increase in the overall revenue of our Group was mainly due to the increase in our revenue derived from cybersecurity solutions and managed IT services and other IT services segments.

IT infrastructure solutions segment

Our revenue derived from the IT infrastructure solutions segment increased by RM1.02 million or 5.8% to RM18.67 million recorded in FYE 2020 from RM17.65 million recorded in FYE 2019. The increase was mainly attributable to the following:

(a) completion of network server and main database storage project with a project value of approximately RM2.15 million upgrade for a Malaysia based agriculture industry focused financial institution, of which RM1.69 million was recognised as revenue during the year;

(b) new orders secured from one of our Principals for the network infrastructure upgrade project with a project value of approximately RM0.41 million in relation to the expansion of its offices located in Cyberjaya and Penang, Malaysia, which was fully recognised during the year; and

(c) new orders secured from one of our Principals for the data centre infrastructure upgrade project with a project value of approximately RM1.05 million in its Asian region core production plant located in Xiamen, PRC, which was fully recognised during the year.

Cybersecurity solutions segment

Our revenue derived from the cybersecurity solutions segment increased by RM8.61 million or 329.9% to RM11.22 million in FYE 2020 from RM2.61 million in FYE 2019. The increase was mainly attributable to a new project secured from a Malaysia based financial institution with a project value of approximately RM8.91 million to upgrade the network security of its online banking platform at its main data centre, of which RM7.63 million was recognised as revenue during the year.

Managed IT services and other IT services segment

Our revenue derived from the managed IT services and other IT services segment increased by RM1.97 million or 22.9% to RM10.59 million in FYE 2020 from RM8.62 million in FYE 2019. The increase was mainly attributable to the increase in orders from one of our Principals for network equipment maintenance services of their operation sites throughout Asia Pacific region. The higher revenue was also due to an increase in the scope of work of our services rendered to one of our Principals (e.g. including installation and maintenance of telecommunication equipment). Further, we also secured new orders from one of our Principals to provide consultation services for its IT infrastructure enhancement projects which are still in the planning stage.

Trading of ancillary hardware and software segment

Our revenue derived from the trading of ancillary hardware and software segment increased by approximately RM1.16 million or approximately 53.2% to RM3.34 million in FYE 2020 from RM2.18 million in FYE 2019. The increase was due to the increase in orders from a Malaysia based agriculture industry focused financial institution for the purchase of laptops.

Geographical Markets

In terms of geographical markets, the revenue contribution of PRC market to our total revenue increased from 26.3% in FYE 2019 to 31.1% in FYE 2020 mainly due to increase in revenue derived from the IT infrastructure solutions segment of our PRC operation.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our Group's revenue increased by RM0.77 million or 1.8% to RM44.59 million from RM43.82 million in FYE 2020. The increase in the overall revenue of our Group was due to the increase in revenue derived from our IT Infrastructure solutions segment which saw an increase of RM14.35 million or 76.9% in FYE 2021.

The increase in our revenue derived from the IT infrastructure solutions segment was partly offset by the decrease in our revenue derived from the rest of our business segments, namely cybersecurity solutions segment, managed IT services and other IT services segment as well as trading of ancillary hardware and software segment.

IT infrastructure solutions segment

Our revenue derived from IT infrastructure solutions segment increased by RM14.35 million or 76.9% to RM33.02 million in FYE 2021 from RM18.67 million in FYE 2020. The increase was mainly attributable to the following:

(a) completion of a data centre solution project with a project value of approximately RM7.83 million for one of our Principal's data centre located in Cyberjaya and Penang, Malaysia, which was fully recognised during the year;

(b) completion of IT infrastructure solutions project with a project value of approximately RM4.75 million at the support centre of an Indonesian IT services provider located in Jakarta, Indonesia, which was fully recognised during the year;

(c) completion of a data centre solution project with a project value of approximately RM1.90 million for one of our Principals' data centre located in Penang, Malaysia, which was fully recognised during the year; and

(d) new project secured from a Malaysia based insurance company with a project value of approximately RM0.68 million for the upgrade of centralised storage and servers of its head office located in Kuala Lumpur, Malaysia, which was fully recognised during the year.

Cybersecurity solutions segment

Our revenue derived from cybersecurity solutions segment decreased by RM9.71 million or 86.5% to RM1.51 million in FYE 2021 from RM11.22 million in FYE 2020. The decrease was mainly due to higher revenue recognition in FYE 2020 attributable to the completion of non-recurring projects in FYE 2020 and lesser cybersecurity projects secured in FYE 2021.

Managed IT services and other IT services segment

Our revenue derived from managed IT services and other IT services segment decreased by RM2.63 million or 24.8% to RM7.96 million in FYE 2021 from RM10.59 million in FYE 2020. The decrease was due to lower contribution of RM3.80 million from the existing customers in FYE 2020, which was particularly due to the completion of one-off project delivery and management service contracts in FYE 2020. However, the lower contribution was partially offset by contribution of RM1.20 million from new customers secured in FYE 2021.

Trading of ancillary hardware and software segment

Our revenue derived from trading of ancillary hardware and software segment decreased by RM1.24 million or 37.2% to RM2.10 million in FYE 2021 from RM3.34 million in FYE 2020. The decrease was mainly attributable to an overall lower request to supply ancillary hardware and software.

Geographical Markets

In terms of geographical markets, the revenue contribution from PRC market to our total revenue decreased from 31.1% in FYE 2020 to 18.5% in FYE 2021 mainly due to lesser new projects secured from the IT infrastructure solutions and cybersecurity solution segments of our PRC operation.

Nevertheless, our revenue from other markets increased by RM5.95 million or 332.4% to RM7.74 million in FYE 2021 from RM1.79 million in FYE 2020 which was mainly contributed by:

(i) a new IT infrastructure solutions project from Indonesia with a project value of approximately RM4.75 million, which was fully recognised during the year; and

(ii) projects secured from new geographical market i.e. the Philippines and Japan.

12.2.3 Cost of sales, GP and GP margin

(i) Analysis of cost of sales by cost items

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Hardware and software	10,565	89.2	18,540	83.7	26,070	87.6	23,013	83.5
Staff costs	1,010	8.6	2,350	10.6	2,783	9.4	2,706	9.8
Subcontractor costs	263	2.2	1,272	5.7	900	3.0	1,830	6.7
	11,838	**100.0**	**22,162**	**100.0**	**29,753**	**100.0**	**27,549**	**100.0**

Our cost of sales comprises 3 major components, namely hardware and software, staff costs and subcontractor costs.

(a) Hardware and software

Hardware and software costs is the largest cost component, contributing between 83.5% to 89.2% of our total costs of sales for the FYE Under Review.

In line with growth in our revenue from all our business segments, an increased number of hardware and software are required to facilitate the execution of our new projects secured under the IT infrastructure solutions and cybersecurity solutions segments. Our hardware and software cost increased from RM10.57 million in FYE 2018 to RM23.01 million in FYE 2021.

In FYE 2021, our hardware and software cost decreased by RM3.06 million or 11.7% to RM23.01 million in FYE 2021 from RM26.07 million in FYE 2020 mainly due to the decrease in hardware and software purchased for cybersecurity solutions, which is in line with the decrease in revenue for cybersecurity solutions segment in FYE 2021. Further, the decrease was also attributable to the hardware cost saving from our IT infrastructure solutions segment in FYE 2021 due to discount extended on hardware (i.e. smart power distribution unit) used in our data centre solution projects by one of our Principals.

(b) Staff costs

Staff costs comprise the salaries of our technical and software departments which are directly involved in the design and implementation of our solutions and services. For the FYE Under Review, staff costs comprised between 8.6% and 10.6% of our total costs of sales.

Our staff costs increased from RM1.01 million in FYE 2018 to RM2.78 million in FYE 2020. The increase was due to the recruitment of additional full-time engineers to support the growth in our business activities. The number of technical and software personnel (i.e. engineers) increased from 13 full-time engineers in FYE 2018 to 17 full-time engineers in FYE 2020. Further, the increase in the total staff cost was also attributed to the salary increment and performance bonus given to our technical and software personnel during the FYE Under Review as a recognition of their services.

In FYE 2021, our staff costs decreased marginally by RM0.07 million to RM2.71 million in FYE 2021 from RM2.78 million in FYE 2020. The decrease was mainly due to the reduction in total number of technical and software personnel whereby the headcount reduced from 17 full-time personnel in FYE 2020 to 16 full-time personnel in FYE 2021.

(c) Subcontractor costs

Subcontractor costs comprise costs of services provided by third-party subcontractors for installation, maintenance and technical support our solutions, customisation and integration works for software and systems that are not deployed by our internal technical team, as well as non-IT related works such as electrical wiring, building structural works and complex cabling installation works.

Subcontractor costs constituted between 2.2% and 6.7% of our total cost of sales for the FYE Under Review.

Our total subcontractor cost increased by approximately RM1.01 million or approximately 388.5% to RM1.27 million in FYE 2019 from RM0.26 million in FYE 2018 as more customisation and integration works for software and systems that were not deployed by our internal technical team were required in FYE 2019. Further, the IT infrastructure solutions projects that we undertook during the year entailed more non-IT related works (i.e. electrical wiring and building structural works).

Our subcontractor costs decreased by RM0.37 million to RM0.90 million in FYE 2020 from RM1.27 million in FYE 2019 as lesser non-IT related works (i.e. electrical wiring and building structural works) were required in the implementation of our IT infrastructure solutions projects in Malaysia. Nevertheless, the decrease in total subcontractor costs incurred for our projects in Malaysia- was partly offset by the increase in subcontractor costs for our overseas projects, which is in line with the increase in revenue from our overseas operations.

In FYE 2021, our subcontractor costs increased by RM0.93 million to RM1.83 million in FYE 2021 from RM0.90 million in FYE 2020 as the new IT infrastructure solutions projects that we undertook during the year entailed more non-IT related works (i.e. electrical wiring and building structural works). Further, the increase in subcontractor costs was also due to more engagement of overseas subcontractors for installation and non-IT related works as we secured more overseas projects in FYE 2021.

(ii) Analysis of cost of sales by business segments

	Audited							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
IT infrastructure solutions	5,875	49.6	13,304	60.0	13,344	44.8	20,710	75.2
Cybersecurity solutions	653	5.5	2,210	10.0	9,733	32.7	1,186	4.3
Managed IT services and other IT services	4,382	37.0	4,743	21.4	3,675	12.4	3,757	13.6
Trading of ancillary hardware and software	928	7.9	1,905	8.6	3,001	10.1	1,896	6.9
	11,838	**100.0**	**22,162**	**100.0**	**29,753**	**100.0**	**27,549**	**100.0**

(iii) Analysis of GP and GP margin by business segments

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	GP (RM'000)	GP Margin (%)	GP (RM'000)	GP Margin (%)	GP (RM'000)	GP Margin (%)	GP (RM'000)	GP Margin (%)
IT infrastructure solutions	2,480	29.7	4,343	24.6	5,330	28.5	12,313	37.3
Cybersecurity solutions	152	18.9	400	15.3	1,486	13.2	323	21.4
Managed IT services and other IT services	4,182	48.8	3,877	45.0	6,912	65.3	4,202	52.8
Trading of ancillary hardware and software	186	16.7	276	12.7	334	10.0	199	9.5
	7,000	**37.2**	**8,896**	**28.6**	**14,062**	**32.1**	**17,037**	**38.2**

(iv) Financial commentaries on cost of sales and GP

Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group incurred a higher total cost of sales, which corresponds with the increase in our total revenue. Our total cost of sales was predominantly contributed by the IT infrastructure solutions segment and managed IT services and other IT services segment as they contributed for more than 80.0% of our total cost of sales in FYE 2019.

Our overall GP in FYE 2019 increased by RM1.90 million or 27.1% to RM8.90 million in FYE 2019 from RM7.00 million in FYE 2018 which was attributable to the higher total revenue achieved by our Group in FYE 2019.

Despite the increase in our overall GP, our overall GP margin decreased to 28.6% in FYE 2019 from 37.2% in FYE 2018. The decrease was mainly due to the following:

(a) average GP margin for cybersecurity solutions segment decreased to 15.3% in FYE 2019 from 18.9% in FYE 2018 as we offered a more competitive pricing to our new customer from the banking sector, to establish a business relationship with the customer;

(b) average GP margin for IT infrastructure solutions segment decreased to 24.6% in FYE 2019 from 29.7% in FYE 2018 due to higher subcontractor cost incurred for the projects that were undertaken during the year due to higher requirement for customisation and integration works for software and systems for our projects implemented in international markets that were not deployed by our internal technical team and more non-IT related works (i.e. electrical wiring and building structural works). The lower average GP margin was also attributed to the incremental cost of average hardware and software purchased due to a general increase in market price of hardware and software cost globally; and

(c) average GP margin for managed IT services and other IT services segment decreased to 45.0% in FYE 2019 from 48.8% in FYE 2018. The lower average GP margin for managed IT services and other IT services segment in FYE 2019 as compared to FYE 2018 was due to the completion of a project which commanded a higher profit margin in FYE 2018 and was not recurring for FYE 2019. In addition, we incurred more hardware purchase cost in FYE 2019 when we commenced new maintenance services projects under this segment in FYE 2019. We typically incur more hardware purchase cost at the commencement of new maintenance services project due to the replacement of obsolete or damaged hardware.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our Group incurred a higher total cost of sales, which corresponds with the increase in our total revenue. Our total cost of sales was predominantly contributed by the IT infrastructure solutions segment and cybersecurity solutions segment as they contributed for more than 70.0% of our total cost of sales in FYE 2020.

Our overall GP in FYE 2020 increased by RM5.16 million or 58.0% to RM14.06 million in FYE 2020 from RM8.90 million in FYE 2019 which was attributable to the higher total revenue achieved by our Group in FYE 2020.

Our overall GP margin also improved to 32.1% in FYE 2020 from 28.6% in FYE 2019 which was mainly due to the following:

(a) improvement of the average GP margin for managed IT services and other IT services segment to 65.3% in FYE 2020 from 45.0% in FYE 2019. This was mainly due to the improvement in the skillset and efficiency of our technical department, which reduced our services lead time and enabled us to take on more projects with the same number of employees in the team. In addition, in FYE 2020 we have also completed a professional IT services and cabling structure project for one of our Principals that had commanded a higher GP margin;

(b) lower hardware purchase cost associated with the commencement of new maintenance services projects for managed IT services and other IT services segment as majority of our maintenance services projects in FYE 2020 are recurring projects from FYE 2019. We typically incur more hardware purchase cost for new maintenance services project at its commencement as a result of the replacement of obsolete or damaged hardware; and

(c) average GP margin for IT infrastructure solutions segment increased to 28.5% in FYE 2020 from 24.6% in FYE 2019. The increase in the average GP margin was mainly attributable to more discounts being extended by our one of our Principals for cabling products, which is in line with the continued growth of our annual purchase volume.

Notwithstanding the above, the improvement in average GP margin for both managed IT services and other IT services segment and IT infrastructure solutions segment was partly offset by the decrease in average GP margin for cybersecurity solutions segment to 13.2% in FYE 2020 from 15.3% in FYE 2019. Having built our track record with a new customer from the banking sector in FYE 2019, we were able to secure a cybersecurity solution project that was larger in project value size from the said customer in the FYE 2020. We continue to offer a competitive pricing to the said customer to further strengthen our business relationship with them.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, despite the increase in revenue, our Group incurred a lower cost of sales which was mainly attributable to lower cost of hardware as we managed to source our hardware at a more competitive pricing.

Our overall GP in FYE 2021 increased by RM2.98 million or 21.2% to RM17.04 million in FYE 2021 from RM14.06 million in FYE 2020 and our overall GP margin also improved to 38.2% in FYE 2021 from 32.1% in FYE 2020.

The improvement was mainly due to the improvement of the average GP margin for IT infrastructure solutions segment which improved from 28.5% in FYE 2020 to 37.3% in FYE 2021, which was mainly attributable to the following:

(a) lower hardware purchasing cost as we managed to source for hardware used in our data centre solution projects (i.e. smart power distribution unit) at a more competitive price (i.e. lower selling price per unit) from one of our Principals; and

(b) improvement in the skillset and efficiency of our technical department, which allows us to shorten our project delivery lead time and take on more projects with the same number of employees in the team.

Apart from the increase in average GP margin for IT infrastructure solutions segment, the improvement in our overall GP margin was also marginally contributed by the increase in average GP margin for cybersecurity solutions segment, which saw an improvement from 13.2% in FYE 2020 to 21.4% in FYE 2021. The improvement was mainly due projects secured with higher margin in FYE 2021.

Notwithstanding the above, the improvement in average GP margin for IT infrastructure solutions segment and cybersecurity segment was partly offset by the following:

(a) average GP margin for managed IT services and other IT services segment decreased to 52.8% in FYE 2021 from 65.3% in FYE 2020 due to the following:

- higher hardware purchase cost associated with the commencement of new maintenance services projects as we secured more new maintenance service projects in FYE 2021; and

- completion of a professional IT services and cabling structure project that commands a higher margin for one of our Principals which was completed in FYE 2020 and is not recurring in FYE 2021.

(b) average GP margin for trading of ancillary hardware and software segment decreased to 9.5% in FYE 2021 from 10.0% in FYE 2020 due to the general increase in market price of computers and its related equipment because of the global computer chip supply shortage. We sold ancillary hardware and software to our existing customers from other business segments as a complementary product offering.

12.2.4 Other income

Our other income amounted to RM0.02 million, RM0.06 million, RM0.14 million and RM0.26 million, representing 0.1%, 0.2%, 0.3% and 0.6% of our total revenue for FYE 2018, 2019, 2020 and 2021 respectively.

The breakdown of our other income are as follows:

	Audited							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	3	18.7	34	60.7	39	28.9	44	17.2
Realised gain on foreign exchange	13	81.3	20	35.7	83	61.5	135	52.7
Gain on disposal of equipment	-	-	-	-	4	2.9	1	0.4
Others(1)	-	-	2	3.6	9	6.7	76	29.7
	16	**100.0**	**56**	**100.0**	**135**	**100.0**	**256**	**100.0**

Note:

(1) Mainly comprise of one-off gains associated with the implementation of MFRS 16 – Leases and insurance compensation.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, our other income increased by RM0.04 million or 200.0% to RM0.06 million recorded in FYE 2019 from RM0.02 million recorded in FYE 2018. The increase was main due to the following:

(a) interest earned from our placement of fixed deposit amounting to RM0.90 million with a licensed financial institution during FYE 2018. The said fixed deposit was placed as collateral for banking facilities that were granted to us by the same licensed financial institution back in October 2018; and

(b) realised gain on foreign exchange for our sales transaction denominated in USD due to the strengthening of USD against RM (FYE 2018: RM4.04/USD; FYE 2019: RM4.14/USD) during FYE 2019.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our other income increased by RM0.08 million or 133.3% to RM0.14 million recorded in FYE 2020 from RM0.06 million recorded in FYE 2019. The increase was mainly due to the realised gain on foreign exchange for our sales transaction denominated in both RMB (FYE 2019: RM0.60/RMB; FYE 2020: RM0.61/RMB) and USD (FYE 2019: RM4.14/USD; FYE 2020: RM4.20/USD) due to the depreciation of RM against RMB and USD during FYE 2020. Further, the increase in gain on foreign exchange in FYE 2020 was also due to higher sales from international markets as revenue contribution from international market increased from 29.8% in FYE 2019 to 35.2% in FYE 2020.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our other income increased by RM0.12 million or 85.7% to RM0.26 million from RM0.14 million recorded in FYE 2020. The increase was mainly due to the following:

(a) Realised gain on foreign exchange for our sales transaction and cash and bank balances denominated in RMB due to the strengthening of RMB against RM (FYE 2020: RM0.61/RMB; FYE 2021: RM0.64/RMB) during FYE 2021; and

(b) compensation received from insurance provider for our Group health and life insurance that we purchased for all of our employees, which amounted to RM0.08 million following the passing of our employee due to a non-work related incident.

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12.2.5 Other expenses

The breakdown of our other expenses are as follows:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Inventories written down	-	-	-	-	129	38.5	62	14.1
Depreciation	16	10.1	148	67.3	170	50.7	200	45.4
Loss on a disposal of a subsidiary	-	-	62	28.2	-	-	-	-
Realised loss on foreign exchange	143	89.9	10	4.5	33	9.9	178	40.5
Others(1)	-	-	-	-	3	0.9	-	-
	159	**100.0**	**220**	**100.0**	**335**	**100.0**	**440**	**100.0**

Note:

(1) Relates to write-off of equipment and loss on disposal of equipment.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, our other expenses increased by RM0.06 million or 37.5% to RM0.22 million in FYE 2019 from RM0.16 million in FYE 2018. The increase in our other expenses was mainly due to the following:

(a) depreciation charge over our rented head office located at Kota Damansara, Selangor amounting to RM0.12 million pursuant to the initial application of MFRS 16 – Leases; and

(b) loss on disposal of the entire equity interest in ICS Network Provider Sdn Bhd amounting to RM0.06 million. The disposal of the entire equity interest of ICS Network Provider Sdn Bhd by our Group was completed on 25 October 2019.

Notwithstanding the above, the overall increase in our other expenses was partly offset by the decrease in realised loss on foreign exchange by RM0.13 million to RM0.01 million in FYE 2019 from RM0.14 million in FYE 2018, which was mainly due to the strengthening of USD against RM in FYE 2019 (FYE 2018: RM4.04/USD; FYE 2019: RM4.14/USD) for our sales transactions denominated in USD.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our other expenses increased by RM0.12 million or 54.5% to RM0.34 million in FYE 2020 from RM0.22 million in FYE 2019. The increase in our other expenses was mainly due to the write down of slow moving and obsolete inventories, such as data centre switches, cables and wireless network equipment.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our other expenses increased by RM0.10 million or 29.4% to RM0.44 million in FYE 2021 from RM0.34 million in FYE 2020. The increase was mainly due to the increase in realised loss on foreign exchange due to the timing difference between receipt of invoices from supplier and actual payment for our purchases denominated in USD.

Notwithstanding the above, the increase in realised loss on foreign exchange was partly offset by the decrease in the write down of inventories as majority of the slow moving and obsolete inventories have been written down in FYE 2020.

12.2.6 Administrative expenses

The breakdown of our administrative expenses are as follows:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost	1,266	49.7	2,460	57.6	2,899	65.0	2,932	46.8
Realisation of disposal of subsidiary	-	-	466	10.9	-	-	-	-
Directors' remuneration	240	9.4	497	11.6	664	14.9	758	12.1
Accommodation and travelling expenses	437	17.1	363	8.5	163	3.7	184	2.9
Professional fees	83	3.3	62	1.5	244	5.5	1,755	27.9
Service charges	194	7.6	4	^	2	^	-	-
Entertainment	41	1.6	77	1.8	56	1.3	49	0.8
Office expenses	182	7.1	155	3.6	171	3.8	224	3.6
Taxes and surcharge	40	1.6	45	1.1	81	1.8	148	2.4
Training fee	16	0.6	8	0.2	21	0.5	14	0.2
Recruitment fee	16	0.6	32	0.7	-	-	15	0.2
Insurance	17	0.7	14	0.3	28	0.6	5	0.1
Subscription fee	13	0.5	28	0.7	43	1.0	73	1.2
License fee	-	-	3	0.1	19	0.4	15	0.2
Others(1)	5	0.2	56	1.4	65	1.5	97	1.6
	2,550	**100.0**	**4,270**	**100.0**	**4,456**	**100.0**	**6,269**	**100.0**

Notes:

^ Less than RM1,000 or 0.1%

(1) Comprises sponsorship fees, medical fees, advertisement, tender fees and other miscellaneous expenses.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, our administrative expenses increased by RM1.72 million or 67.5% to RM4.27 million in FYE 2019 from RM2.55 million in FYE 2018. The increase in our administrative expenses was mainly due to the following:

(a) Increase in staff cost by RM1.19 million mainly due to the following:

(i) increase in sales commission to our sales personnel of RM0.30 million, which is in line with the growth of our revenue in FYE 2019;

(ii) salaries amounting to RM0.24 million for the recruitment of 4 new employees by Infoline Solutions (including 1 financial controller, 1 project coordinator and 2 account and administrative personnel); and

(iii) performance bonus and salary increment (including statutory contribution) amounting to RM0.65 million, which is in line with the improvement in our financial performance.

(b) Realisation of disposal of subsidiary amounting to RM0.47 million, which was pertaining to the reversal of retained profits and PAT of ICS Network Provider Sdn Bhd. The disposal of the entire equity interest of ICS Network Provider Sdn Bhd by our Group was completed on 25 October 2019.

(c) Increase in directors' remuneration by RM0.26 million due to the increase in directors' fee and annual increment of directors' salaries, which is in line with the improvement in our financial performance.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our administrative expenses increased by RM0.19 million or approximately 4.4% to RM4.46 million in FYE 2020 from RM4.27 million in FYE 2019. The increase in our administrative expenses was mainly due an increase in staff cost by RM0.44 million mainly due to the salary increment for our employees as well as the higher sales commission to our sales personnel, which is in line with the growth of our revenue in FYE 2020.

The increase in our administrative expenses was also attributable to:

- increase in professional fees of RM0.18 million which was mainly attributable to audit fees, advisory fees incurred for transfer pricing and internal audit; and

- increase in directors' remuneration of RM0.16 million due to the increase in directors' fee and annual increment of directors' salaries, which is in line with the improvement in our financial performance.

Despite the global outbreak of COVID-19 which severely impacted many businesses, our business operations and financial performance have not been materially impacted and as such, our Group had not undertaken any austerity measure (i.e., reduction in employees' salaries) during the year. Kindly refer to Section 7.11 for further details on the impact of COVID-19 on our business operation.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our administrative expenses increased by RM1.81 million or 40.6% to RM6.27 million in FYE 2021 from RM4.46 million in FYE 2020 which was mainly due to the increase in professional fees associated with the Listing amounting to RM1.53 million which is non-recurring.

12.2.7 Finance costs

Our finance costs mainly relate to the utilisation of our banking facilities namely bank overdraft, trust receipt/ letter of credit, bankers' acceptance and hire purchase. For the FYE Under Review, our finance cost was marginal and amounted to less than 0.2% of our total revenue for the respective financial years. The breakdown of our finance cost are as follows:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank overdraft	-	-	18	39.1	14	32.5	1	4.4
Hire purchase interest	-	-	-	-	-	-	2	8.7
Trust receipt/ letter of credit	-	-	9	19.6	3	7.0	-	-
Bankers' acceptance	-	-	4	8.7	11	25.6	-	-
Lease interest	-	-	14	30.4	11	25.6	13	56.5
Bank charges	3	100.0	1	2.2	4	9.3	7	30.4
	3	**100.0**	**46**	**100.0**	**43**	**100.0**	**23**	**100.0**

12.2.8 PBT and PBT margin

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
PBT (RM'000)	4,304	4,411	9,302	10,527
PBT margin (%)	22.8	14.2	21.2	23.6

Comparison between FYE 2018 and FYE 2019

In FYE 2019, we recorded a higher PBT of RM4.41 million as compared with RM4.30 million recorded in FYE 2018. The increase in PBT in FYE 2019 was mainly due to the overall growth of our Group's businesses as we obtained a higher revenue and GP from our IT infrastructure solutions segment, cybersecurity solutions segment and trading of ancillary hardware and software segment in FYE 2019.

Despite the increase in our PBT, our PBT margin decreased to 14.2% in FYE 2019 from 22.8% in FYE 2018 which was mainly due to the decrease in our GP margin to 28.6% in FYE 2019 from 37.2% in FYE 2018. The decrease in our GP margin was mainly due to the decrease in the GP margin for our cybersecurity solutions segment, IT infrastructure solutions segment and managed IT services and other IT services segment.

Additionally, our PBT margin also decreased more than our GP margin in FYE 2019. This was mainly due to the increase in our staff cost as we expanded our staff force to support the growth in our business.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, we recorded a higher PBT of RM9.30 million as compared with RM4.41 million recorded in FYE 2019. The increase in PBT in FYE 2020 was mainly due to the increase in GP recorded by our IT infrastructure solutions segment and managed IT services and other IT services segment.

Further, our PBT margin also increased to 21.2% in FYE 2020 from 14.2% in FYE 2019 mainly due to the improvement of our average GP margin to 32.1% in FYE 2020 from 28.6% in FYE 2019. The improvement in our GP margin was mainly due to the improvement in the GP margin for our managed IT services and other IT services segment and IT infrastructure solutions segment.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, we recorded a higher PBT of RM10.53 million as compared with RM9.30 million recorded in FYE 2020. The increase in PBT in FYE 2021 was mainly due to the increase in GP recorded by our IT infrastructure solutions segment.

Further, our PBT margin also increased to 23.6% in FYE 2021 from 21.2% in FYE 2020 mainly due to the improvement in our GP margin to 38.2% in FYE 2021 from 32.1% in FYE 2020. This was mainly contributed by the increase in GP margin for our IT infrastructure solutions segment to 37.3% from 28.5%, which was partially offset by the decrease in GP margin for our managed IT services and other IT services segment from 65.3% in FYE 2020 to 52.8% in FYE 2021.

12.2.9 Taxation

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
Tax expense (RM'000)				
- Malaysia	715	755	1,660	2,661
- PRC	47	98	596	70
	762	**853**	**2,256**	**2,731**
Statutory tax rate (%)				
- Malaysia	24.0	24.0	24.0	24.0
- PRC	25.0	25.0	25.0	25.0
Effective tax rate (%)[(1)]	**17.7**	**19.3**	**24.3**	**25.9**
- Infoline Solutions	18.8	24.0	24.0	28.4
- Infoline Shenzhen	9.4	7.7	25.0	5.9

Note:

(1) Effective tax rate is computed by dividing the total tax expense over the PBT of our Group for the relevant financial year.

FYE 2018

Our overall effective tax rate for FYE 2018 of 17.7% was lower than the statutory tax rate of 24.0% and 25.0% in Malaysia and PRC respectively. The lower effective tax rate was mainly attributed to the income tax rebate introduced by PRC government for companies with a taxable income of less than RMB1.00 million.

FYE 2019

Our overall effective tax rate for FYE 2019 of 19.3% was lower than the statutory tax rate of 24.0% and 25.0% in Malaysia and PRC respectively. The lower effective tax rate was mainly attributed to the new income tax rebate for companies with a taxable income of between RMB1.00 million and RMB3.00 million, which was introduced by the PRC government in 2019.

FYE 2020

Our overall effective tax rate for FYE 2020 is 24.3% which was mainly due to a higher effective tax rate for Infoline Shenzhen in FYE 2020. The effective tax rate for Infoline Shenzhen increased from 7.7% in FYE 2019 to 25.0% in FYE 2020 as the company achieved a taxable income of more than RMB3.00 million, which exceeded the income tax rebate bracket introduced by PRC government.

FYE 2021

Our overall effective tax rate for FYE 2021 is 25.9% which was mainly attributable to a higher effective tax rate for Infoline Solutions. The effective tax rate for Infoline Solutions increased from 24.0% in FYE 2020 to 28.4% in FYE 2021 due to higher non-deductible expenses recorded during financial year (i.e. depreciation charges and professional fees incurred in relation to our Listing).

The effective tax rate for Infoline Shenzhen decreased from 25.0% in FYE 2020 to 5.9% in FYE 2021 which was attributable to the income tax rebate for companies with a taxable income of between RMB1.00 million and RMB3.00 million.

12.2.10 PAT and PAT margin

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
PAT (RM'000)	3,033	3,801	7,046	7,796
PAT margin (%)	16.1	12.2	16.1	17.5

For the FYE Under Review, we recorded a PAT margin of 12.2% to 17.5%. The fluctuation of our PAT margin for the FYE Under Review was due to the reasons described in Sections 12.2.8 and 12.2.9 of this Prospectus.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade creditors, and trade facilities (e.g. bank overdraft, banker's acceptance, letter of credit and trust receipts) extended to us by a licensed financial institution. We also utilise lease liabilities for our capital expenditure (i.e. purchase of fixed asset).

Our Board is of the opinion that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of approximately RM10.33 million as at the LPD. For clarity, our cash and cash equivalent excludes fixed deposit pledged as security with maturity period of more than 3 months in accordance with MFRS 107;

(b) Our expected future cash flows from operations; and

(c) Our pro forma gearing level of approximately 0.01 times, based on our Group's pro forma combined statements of financial position as at 31 December 2021 after the material subsequent event (dividend declaration for FYE 2021), Acquisitions, Public Issue and utilisation of proceeds.

12.3.2 Review of cash flows

The table sets out the summary of our Group's historical audited combined statements of cash flows for the FYE Under Review.

	Audited			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash (for)/from operating activities	(423)	5,919	8,025	4,519
Net cash for investing activities	(990)	(101)	(43)	(403)
Net cash from/(for) financing activities	1,686	(4,942)	(2,744)	(117)
Net increase in cash and cash equivalents	**273**	**876**	**5,238**	**3,999**
Effects of foreign exchange translation	(12)	(37)	93	261
Cash and cash equivalents at the beginning of the financial year/ period	741	1,002	1,841	7,172
Cash and cash equivalents at the end of the financial year/ period	**1,002**	**1,841**	**7,172**	**11,432**

Most of our cash and cash equivalents are held in RM and RMB. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Group in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants save as otherwise set out in Section 15.7 of this Prospectus.

FYE 2018

Net cash for operating activities

For FYE 2018, our operating profit before working capital changes is approximately RM3.86 million. After adjusting for the following key items, the net cash for operating activities is approximately RM0.42 million:

(a) the increase in our trade and other receivables by approximately RM3.30 million which was in tandem with the growth of our business;

(b) the decrease in trade and other payables by approximately RM0.34 million was mainly due to a decrease in accrued purchases and a decrease in amount due to a shareholder in FYE 2018 as compared to FYE 2017; and

(c) the decrease in our contract liabilities by approximately RM0.30 million due to the recognition of revenue pertaining to the initial application of MFRS 15 – Revenue from contracts with customers.

The net cash flows for operating activities of RM0.42 million in FYE 2018 was mainly attributable to the increase in our trade receivables in FYE 2018 as a result of higher overdue trade receivables amount as at 31 December 2018 (i.e. RM4.36 million overdue out of total trade receivables of RM5.09 million). Subsequent to FYE 2018, we have enhanced our effort for trade receivables collection by proactively following up via calls and emails with our customers to ensure prompt payment.

For FYE 2018, we also paid income tax of approximately RM0.58 million.

Net cash for investing activities

For FYE 2018, we recorded a net cash for investing activities of approximately RM0.99 million mainly due to the placement of fixed deposit of RM0.90 million with a licensed financial institution. The said fixed deposit was pledged as security for banking facilities extended to our Group such as bank overdraft, bankers' acceptance, letter of credit and trust receipt.

Net cash from financing activities

For FYE 2018, we recorded a net cash from financing activities of approximately RM1.69 million mainly due to the advances from a director of RM1.85 million which was used for the following:

(i) placement of fixed deposit which was pledged as security for banking facilities of our Group of RM0.90 million; and

(ii) payment on behalf for purchase of goods and services from third parties amounting to RM0.68 million and repayment of trade payables by our Group amounting to RM0.27 million.

RM1.18 million of the said advances were capitalised while the remaining was settled in cash during FYE 2019.

FYE 2019

Net cash from operating activities

For FYE 2019, our operating profit before working capital changes is approximately RM5.27 million. After adjusting for the following key items, the net cash from operating activities is approximately RM5.92 million:

(a) the increase in trade and other payables by approximately RM5.29 million and the increase in trade and other receivables by approximately RM3.23 million which was in line with the growth of our business. In FYE 2019, our revenue increased to RM31.06 million from RM18.84 million recorded in FYE 2018;

(b) the increase in contract cost assets by approximately RM0.70 million due to timing difference between the actual issuance of invoices by suppliers and recognition of cost based on billing milestones for our projects under IT infrastructure solutions segment and cybersecurity solutions segment;

(c) increase in contract liabilities by approximately RM0.78 million due to contract fees and licensing fees charged under our IT infrastructure solutions segment, managed IT services and other IT services segment as well as cybersecurity solutions segment; and

(d) increase in amount owing by related companies by RM0.62 million which relates to the amount owing by Akima ICT Limited (formerly known as Infoline Technology Limited) for the sales and services rendered by our Group. Our Promoter, CWC was the substantial shareholder of the company until the disposal of his equity interest to a third party on 31 August 2020.

For FYE 2019, we also paid income tax of approximately RM0.90 million.

Net cash for investing activities

For FYE 2019, we recorded a net cash for investing activities of approximately RM0.10 million mainly due to the purchases of equipment amounting to RM0.08 million during the year.

Net cash for financing activities

For FYE 2019, we recorded a net cash for financing activities of approximately RM4.94 million mainly due to the following:

(a) payment of dividends to the shareholder amounting to RM4.62 million

(b) repayment of amount owing to directors of RM0.78 million which was pertaining to the advances extended by directors for the following:

   (i) placement of fixed deposit pledged as security for our banking facilities during FYE 2018; and

   (ii) payment on behalf for repayment of trade payables by our Group and working capital for Infoline Shenzhen during FYE 2019

(c) drawdown of bankers' acceptance amounting to RM0.57 million.

FYE 2020

Net cash from operating activities

For FYE 2020, our operating profit before working capital changes is approximately RM9.66 million. After adjusting for the following key items, the net cash from operating activities is approximately RM8.03 million:

(a) increase in our contract cost assets by approximately RM1.59 million due to timing difference between the actual issuance of invoices by suppliers and the recognition of cost based on our billing milestones for our projects under IT infrastructure solutions segment and cybersecurity solutions segment;

(b) increase in our contract liabilities by approximately RM1.31 million due to contract fees and licensing fees charged under our managed IT services and other IT services segment as well as cybersecurity solutions segment; and

(c) decrease in the amount owing by related parties by approximately RM0.53 million as a result of the repayment of advances extended to Akima ICT Limited (formerly known as Infoline Technology Limited) for the purpose of working capital. Our Promoter, CWC was the substantial shareholder of the company until the disposal of his equity interest to a third party on 31 August 2020.

For FYE 2020, we also paid income tax of approximately RM1.80 million.

Net cash for investing activities

For FYE 2020, we recorded a net cash for investing activities of approximately RM0.04 million which was mainly due to the additional placement of fixed deposit of RM0.03 million with licensed financial institution which was pledged as security for banking facilities extended to our Group and purchases of computers amounting to RM0.02 million.

Net cash for financing activities

For FYE 2020, we recorded a net cash for financing activities of approximately RM2.74 million comprising the following:

(a) payment of dividend to shareholders amounting to RM1.80 million;

(b) repayment of bankers' acceptance amounting to RM0.57 million;

(c) repayment of lease liabilities amounting to RM0.13 million; and

(d) repayment of the outstanding balance of RM0.24 million advances from our directors in FYE 2018 for the payment of trade payables on behalf of our Group.

FYE 2021

Net cash from operating activities

For FYE 2021, our operating profit before working capital changes is approximately RM10.79 million. After adjusting for the following key items, the net cash from operating activities is approximately RM4.52 million:

(a) the increase in our trade receivables by approximately RM2.42 million due to more billings to our customers towards the end of FYE 2021, which have yet to reach the payment deadline;

(b) the increase in our inventories by approximately RM1.42 million which mainly comprises the supplies that we purchased for our ongoing projects that have yet to be utilised as at 31 December 2021;

(c) the increase in contract liabilities by approximately RM1.07 million due to contract fees and licensing fees charged under our managed IT services and other IT services segment as well as cybersecurity solutions segment; and

(d) the decrease in trade and other payables by approximately RM0.75 million mainly due to higher purchases which is in line with the growth of our revenue and increase in our inventories; and

(e) the increase in contract cost asset by approximately RM0.26 million due to timing difference between the actual issuance of invoices by suppliers and recognition of cost based on billing milestones for our projects under IT infrastructure solutions segment and cybersecurity solutions segment.

For FYE 2021, we also paid income tax of approximately RM4.00 million.

Net cash for investing activities

For FYE 2021, we recorded a net cash for investing activities of RM0.40 million mainly due to RM0.22 million for the renovation of our office (which involved the upgrading of our office's functions and security by expansion of office space and reception, implementation of automatic door system and increasing the number of closed-circuit television (CCTV)), RM0.02 million for the purchase of office equipment, RM0.09 million for the purchase of motor vehicle and RM0.01 million for the purchase of computers.

Net cash for financing activities

For FYE 2021, we recorded a net cash for financing activities of approximately RM0.12 million due to the repayment of our lease liabilities.

12.3.3 Impact of inflation

Inflation has not had a material impact on our business, financial condition or results of operations for the FYE Under Review. Nevertheless, there can be no assurance that future inflation would not have a material impact on our business and performance insofar as we are unable to pass on the higher costs to our customers through increase in prices of our solutions.

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12.4 BORROWINGS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 31 December 2021 stood at RM0.24 million, details of which are set out below:

	Purpose	Fixed rate/ Floating rate	Tenure	Effective interest rate	Audited As at 31 December 2021
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Lease liabilities	Rental of office	Fixed rate	1 to 2 years	5.45 to 5.70	107
				Sub-total	**107**
Interest bearing long-term borrowings, payable after 1 year:					
Lease liabilities	Rental of office	Fixed rate	1 to 2 years	5.45 to 5.70	132
			Sub-total		**132**
			Total borrowings		**239**

As at LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Group. We do not encounter seasonality in our borrowings trend and there are no restrictions on our committed banking facilities.

The lease liabilities for the purchase of motor vehicle were secured by legal charge over the motor vehicle and personal guarantee by our Promoter, CWC. As at the LPD, the outstanding amount of the hire purchase facility has been fully settled and the personal guarantee has accordingly been discharged. Further, our Promoters, CWC and LWH, together with Lee Su Guat (spouse of CWC) have extended joint and several guarantees for the abovementioned trade facilities. As at the LPD, the banking facilities have been cancelled and the guarantees have accordingly been discharged.

As at the LPD, we do not have any borrowings which are non-interest bearing and/ or in foreign currency. We have not defaulted on payments of principal sums and/ or interests in respect of any borrowings throughout FYE 2018, FYE 2019, FYE2020 as well as FYE 2021.

As at the LPD, we do not have any borrowings which are non-interest bearing and/ or in foreign currency. We have not defaulted on payments of principal sums and/ or interests in respect of any borrowings throughout FYE 2018, FYE 2019, FYE 2020 and FYE 2021.

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12. FINANCIAL INFORMATION *(Cont'd)*

12.5 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(i) Based on the latest unaudited financial information as at 30 April 2022; and

(ii) After adjusting for the effects of the material subsequent event (dividend declaration for FYE 2021), Acquisitions, Public Issue and utilisation of proceeds.

		I	II	III	IV
	Unaudited as at 30 April 2022	**After material subsequent event**	**After I and Acquisitions**	**After II and Public Issue**	**After III and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Indebtedness					
CURRENT					
Secured					
Lease liabilities	-	-	-	-	-
Unsecured					
Lease liabilities	94	94	94	94	94
	94	94	94	94	94
NON-CURRENT					
Secured					
Lease liabilities	-	-	-	-	-
Unsecured					
Lease liabilities	84	84	84	84	84
	84	84	84	84	84
Total indebtedness	**178**	**178**	**178**	**178**	**178**
Capitalisation					
Shareholders' equity	19,482	17,466	17,466	41,146	38,886
Total capitalisation	**19,482**	**17,466**	**17,466**	**41,146**	**38,886**
Total capitalisation and indebtedness	19,660	17,644	17,644	41,324	39,064
Gearing ratio (times) [(1)]	0.01	0.01	0.01	0.01	0.01

Note:

(1) Calculated based on total indebtedness divided by total capitalisation.

12.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments. All our financial instruments are used for working capital and purchase of fixed asset.

Our main treasury policy is to maintain sufficient working capital to finance our operations. The principal sources of our working capital are cash generated from our operations, cash and bank balances and trade facilities extended by a licensed financial institution. We carefully consider our cash and solvency position and ability to obtain further financing before making significant capital commitments.

12.7 MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

12.7.1 Material capital commitments

As at LPD, there are no material capital commitments incurred or to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

Notwithstanding the above, we expect to incur capital expenditure to support the growth of our business, details of which are set out in Section 4.7 of this Prospectus. We expect to finance these capital expenditures through the proceeds from the IPO and/or internally generated funds.

12.7.2 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Trade receivables turnover (days)(1)	69	79	70	73
Trade payables turnover (days)(2)	53	67	80	85
Current ratio (times)(3)	1.81	1.49	1.88	2.54
Gearing ratio (times)(4)	-	0.19	0.02	0.01
Inventory turnover (days)(5)	34	17	10	18

Notes:

(1) Computed based on average trade receivables over revenue for the financial year/period multiplied by 365 days for each financial year.

(2) Computed based on average trade payables over costs of sales for the financial year/period multiplied by 365 days for each financial year.

(3) Computed based on current assets over current liabilities as at each financial year.

(4) Computed based on total borrowings over total equity as at each financial year.

(5) Computed based on average inventory over cost of sales for the financial year/period multiplied by 365 days for each financial year.

12.8.1 Trade receivables turnover

The normal credit periods granted by our Group to our customers range from 30 to 90 days from the date of invoice. We also practice cash term transactions with certain customers (mostly new customers). In deciding the trade terms with our customers, we will request for our customers to submit a credit application form detailing the background information of the company (i.e. paid-up capital, number of employees, details of directors, details of banking facilities, details on credit terms given to the company by its suppliers and details on company's internal payment practice). We also request for supporting documents such as business registration documents, latest bank statements and audited financial statements from our customer as part of the credit application for our consideration.

There were no changes to our credit policies and procedures during the FYE Under Review.

Our trade receivable turnover period for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 are 69 days, 79 days, 70 days and 73 days respectively, which is within our normal credit period granted to our customers.

Our trade receivable turnover days increased from 69 days in FYE 2018 to 79 days in FYE 2019 as a higher proportion of our trade receivables as at 31 December 2019 relates to the receivable amount from one of our Principals, which has yet to reach the payment deadline as at 31 December 2019.

For FYE 2020, our trade receivable turnover days decreased from 79 days in FYE 2019 to 70 days mainly due to the enhancement of our trade receivables collection effort since FYE 2018. We enhanced our effort for trade receivables collection by proactively following up via calls and emails with our customers to ensure prompt payment. Our overdue trade receivables as at 31 December 2020 amounted to RM2.78 million (representing approximately 33.1% of our total trade receivables as at 31 December 2020 of RM8.41 million) as compared with RM4.13 million (representing approximately 49.3% of our total trade receivables as at 31 December 2019 of RM8.37 million).

For FYE 2021, our trade receivables turnover days increased marginally from 70 days in FYE 2020 to 73 days in FYE 2021 due to more billings to our customers towards the end of FYE 2021. This gave rise to the increase in our total trade receivables of RM9.52 million as at 31 December 2021, of which RM7.66 million or 80.4% of our total trade receivables as at 31 December 2021 has yet to reach the payment deadline.

The ageing analysis of our trade receivables as at 31 December 2021 is as follows:

	Within normal credit period	**Exceeding credit period (days past due)**				
	0 – 90 days	**1 – 30 days**	**31 – 60 days**	**61 – 90 days**	**> 90 days**	**Total**
Trade receivables (RM'000)	7,657	1,744	31	35	52	**9,519**
Percentage of total trade receivables (%)	80.4	18.3	0.3	0.4	0.6	**100.0**
Subsequent collections up to the LPD (RM'000)	4,997	1,744	31	35	52	**6,859**
Trade receivables net of subsequent collections (RM'000)	2,660	-	-	-	-	**2,660**
Percentage of total trade receivables net of subsequent collections (%)	100.0	-	-	-	-	**100.0**

As at the LPD, we have collected a total of RM6.86 million of our trade receivables from our customers, representing 72.1% of our total trade receivables as at 31 December 2021.

We use ageing analysis to monitor the credit quality of our trade receivables. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of these trade receivables.

Our impairment losses on trade receivables and bad debts written off for the FYE Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
Impairment losses on trade receivables	-	-	60	47
Bad debts written off	-	5	1	-
	-	**5**	**61**	**47**

Save as disclosed above, we have not encountered any difficulty in collection of our trade receivables during the FYE Under Review.

12.8.2 Trade payables turnover

The normal credit terms granted by our trade creditors to our Group range from 30 to 60 days from the date of tax invoice. We also make purchases with certain suppliers via cash term basis.

Our trade payable turnover period for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 are 53 days, 67 days, 80 days and 85 days respectively.

The longer trade payable turnover period for FYE 2019 and FYE 2020 was due to a higher proportion of our trade payables as at 31 December 2019 and 31 December 2020 that has yet to reach its payment deadline. The longer trade payable turnover period was also attributable to increase in our purchases which is in line with the growth of our revenue.

For FYE 2021, our trade payables turnover days increased from 80 days in FYE 2020 to 85 days in FYE 2021 due to a higher proportion of our trade payables as at 31 December 2021 that has yet to reach its payment deadline. The longer trade payables turnover period was also attributable to the increase in our inventories.

The ageing analysis of our trade payables as at 31 December 2021 is as follows:

	Within normal credit period	Exceeding credit period (days past due)				
	0 – 60 days	1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	Total
Trade payables (RM'000)	4,557	1,842	10	93	57	**6,559**
Percentage of total trade payables (%)	69.5	28.1	0.2	1.4	0.8	**100.0**
Subsequent payments up to the LPD (RM'000)	4,255	1,842	10	93	57	**6,257**
Trade payables net of subsequent payments (RM'000)	302	-	-	-	-	**302**
Percentage of total trade payables net of subsequent payments (%)	100.0	-	-	-	-	**100.0**

As part of our internal cash flow management, we closely monitor the payment deadline of our trade payable and maximise the usage of the credit terms granted by our trade creditors.

As at LPD, there are no disputes in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment.

12.8.3 Current ratio

Our current ratio for the FYE Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
Current assets[(1)]	9,282	13,978	20,150	28,409
Current liabilities[(2)]	5,128	9,375	10,726	11,173
Current ratio (times)	1.81	1.49	1.88	2.54

Notes:

(1) Includes asset of disposal group classified as held for sale.

(2) Includes liabilities of disposal group classified as held for sale.

As at 31 December 2019, our current ratio was 1.49 times as compared with 1.81 times as at 31 December 2018. The lower current ratio was a result of higher current liabilities as at 31 December 2019 which was attributable to the increase of our trade payables as we made more purchases in FYE 2019, in line with the increase in our revenue and business activities as compared to FYE 2018.

As at 31 December 2020, our current ratio was 1.88 times as compared with 1.49 times as at 31 December 2019. The higher current ratio was mainly due to the increase in our current assets which was attributable to the increase in our cash and bank balances and contract cost assets.

As at 31 December 2021, our current ratio was 2.54 times as compared to 1.88 times as at 31 December 2020. The higher current ratio was mainly due to the increase in our current assets which was mainly attributable to the increase in our cash and bank balances, inventories, trade receivables and other receivables, deposit and prepayments.

12.8.4 Gearing ratio

Our gearing ratio for FYE Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000	RM'000
Total borrowings	-	836	203	239
Total equity	4,195	4,515	9,854	17,910
Gearing ratio (times)	-	0.19	0.02	0.01

In FYE 2019, our gearing ratio was 0.19 times as compared to nil in FYE 2018. Our total borrowings for FYE 2019 mainly relates to bankers' acceptance which was utilised for our purchases from new supplier.

In FYE 2020, our gearing ratio decrease from 0.19 times in FYE 2019 to 0.02 times. The decrease was mainly due to decrease in our total borrowings in the absence of any usage of bankers' acceptance.

In FYE 2021, our gearing ratio decreased from 0.02 times in FYE 2020 to 0.01 times. The decrease was mainly due to the increase in our total equity with the PAT of RM7.80 million recorded in FYE 2021.

12.8.5 Inventory turnover

Our inventory mainly comprises hardware such as data centre switches, cables, wireless network equipment and other IT equipment.

For the FYE Under Review, we recorded an inventory turnover period of between 10 days and 34 days.

In FYE 2019, our inventory turnover period decreased from 34 days in FYE 2018 to 17 days. The longer inventory turnover days in FYE 2018 was mainly due to higher inventory level maintained as at 31 December 2018, which mainly comprise supplies that we purchased for our ongoing projects that has yet to be utilised as at 31 December 2018.

In FYE 2020, our inventory turnover days decreased from 17 days in FYE 2019 to 10 days in FYE 2020 mainly due to the write down of slow moving and obsolete inventories which amounted to RM0.13 million.

During FYE 2020, our Group has also put in place a policy to minimise the inventory level and the inventory turnover period in order to mitigate any potential write down of slow moving and obsolete inventories. In order to achieve such objectives, our Group will take into consideration the supplies required for our ongoing and upcoming projects, timing of delivery from our suppliers and availability of supplies before making purchases of such supplies.

In FYE 2021, our inventory turnover period increased from 10 days in FYE 2020 to 18 days. The longer inventory turnover days in FYE 2021 was mainly due to higher inventory level maintained as at 31 December 2021, which comprises of supplies purchased for our ongoing projects that have yet to be utilised as at 31 December 2021.

Further, following the implementation of policy to mitigate any potential write down of slow moving and obsolete inventories (i.e. taking into consideration the supplies required for our ongoing and upcoming projects, timing of delivery from our suppliers and availability of supplies before making purchases of such supplies) in FYE 2020, we recorded a lower write down of slow moving and obsolete inventories of RM0.06 million in FYE 2021 as compared with RM0.13 million recorded in FYE 2020.

12.9 SIGNIFICANT FACTORS AFFECTING OUR OPERATIONS AND FINANCIAL PERFORMANCE

Section 9 of this Prospectus detailed the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) We are dependent on our major customers, particularly Dell group of companies

The revenue generated from Dell group of companies comprised 37.6%, 45.2%, 52.6% and 54.7% of our total revenue in FYE 2018, FYE 2019, FYE 2020 and FYE 2021.

Our business operations and financial performance may be materially impacted in the event of any cancellation or failure to secure subsequent orders from Dell group of companies and our inability to secure new customer to replace the loss of business. Further, even if we are able to secure new customers, there can be no assurance that we will be able to achieve the same level of sales value and profitability of our business transactions with Dell group of companies.

(ii) We are dependent on our Executive Directors for the continued success of our Group

Our success and performance are heavily dependent upon the continued service of our Executive Directors who are vital in formulating and spearheading the strategic directions, leadership, business planning and development, and management of our Group's operations. As such, the loss of any of our Executive Directors without their suitable and timely replacements may result in an adverse effect on our Group's business operation, financial conditions and performance.

(iii) We depend on our ability to secure new projects and customers

Our future profitability and financial performance are dependent on our ability to secure new projects and customers as we do not enter into any long-term contracts with our customers. If we are unable to secure sales from new customer or additional sales from existing customers in a timely manner, our business and financial performance may be adversely affected.

(iv) We are exposed to fluctuations in foreign exchange rates

Approximately 29.8% to 35.8% of our Group's revenue in the FYE Under Review and are generated from markets outside of Malaysia.

Our revenue was mainly denominated in RM (for transactions between Infoline Solutions and customers based in Malaysia), RMB (for transactions between Infoline Shenzhen and customers based in PRC), USD and SGD (for transactions between our Group with customers based in Asia Pacific region, excluding Malaysia and PRC). Further, the financial statement of our subsidiary, Infoline Shenzhen are denominated in RMB.

As such, any fluctuations denominated in USD and RMB would have an impact on our Group's reported operating profits based in Malaysia. In circumstances where the USD and RMB significantly appreciates or depreciates, we will record higher or lower revenue, respectively, as our sales are recorded in RM.

(v) Changes in economic, social, political and regulatory risks in the countries in which we operate in

Risks relating to economic, social, political and regulatory risks in countries in which we operate in are set out in Section 9.2.3 of this Prospectus.

Although our Company will continue to adopt prudent management and efficient operating procedures, there can be no assurance that future changes in economic, social, political, and regulatory risks in the countries in which we operate in will not have adverse effect on our business operations and financial performance.

(vi) Our business operations and financial performance may be affected by the COVID-19 pandemic

Our business operations and financial performance may be affected by the ongoing COVID-19 pandemic. Although our business operations and financial performance was not adversely impacted by the COVID-19 thus far, there can be no assurance that the COVID-19 pandemic will not impact us in the future. There can be no assurance that the outbreak of COVID-19 in Malaysia and PRC can be effectively controlled, or that another outbreak of COVID-19 or other pandemics will not happen in the future.

The failure to effectively control the current outbreak or future outbreaks or pandemic may materially impact our business operations and financial performance as we may not be able to effectively deliver our services to our customers, which may then lead to cancellation of orders or loss of potential orders.

12.10 ORDER BOOK

We enter into maintenance and technical support contracts with our customers which span between a contractual period of 1 to 3 years under our managed IT services and other IT services segment.

Additionally, we also issue sales orders to our customer for the continuous usage of software sold by us under the IT infrastructure solutions segment and cybersecurity solutions segment. We charge a licensing fee upfront to our customer for the continuous usage of such software during the licensing period.

As at the LPD, our total secured orders for the abovementioned services (i.e. maintenance and technical support contracts and licensing fees) amounted to RM13.10 million of which approximately 40.4% are for managed IT services and other IT services segment. Of the total secured orders of RM13.10 million, RM9.46 million has been recognised as revenue up to the LPD. The balance of RM2.26 million, RM1.05 million, RM0.23 million and RM0.10 million would be recognised in post LPD to December 2022, FYE 2023, FYE 2024 and FYE 2025 to FYE 2027 respectively, as summarised below:

Total secured orders by business segments	Total secured orders up to the LPD	Revenue recognition				
		Up to the LPD	Post LPD to December 2022	FYE 2023	FYE 2024	FYE 2025 to FYE 2027
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
IT Infrastructure Solutions	5.87	3.48	1.38	0.73	0.20	0.08
Cybersecurity Solutions	1.94	1.72	0.11	0.11	-	-
Managed IT Services and Other IT Services(1)	5.29	4.26	0.77	0.21	0.03	0.02
Total	**13.10**	**9.46**	**2.26**	**1.05**	**0.23**	**0.10**

Note:

(1) Comprising maintenance and technical support contracts.

For clarity, majority of our revenue is generated by way of purchase orders from our customers on an ongoing basis. The above table does not include the purchase orders secured for projects in relation to the provision of IT infrastructure solutions and cybersecurity solutions which generally last for a period of 2 to 3 months (depending on the complexity of the project) and purchase orders for trading of the ancillary hardware and software.

The purchase orders in hand, which are yet to be fulfilled/completed as at the LPD, amounted to RM31.01 million, of which RM21.75 million has yet to be recognised as revenue.

12.11 TREND INFORMATION

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) Material commitments for capital expenditure save as disclosed in Section 12.7.1 of this Prospectus;

(ii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Section 9 of this Prospectus;

(iii) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profit, save for the following:

(a) those that have been disclosed in this section;

(b) interruption to business and operations due to COVID-19 as set out in Section 7.11 of this Prospectus; and

(c) business strategies and prospects as set out in Section 7.19 of this Prospectus.

(iv) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position, other than those discussed in Section 8 of this Prospectus.

Our Board is optimistic about the prospects of our Group given the positive outlook of the IT infrastructure and cybersecurity industries in Malaysia and PRC as set out in the IMR Report in Section 8 of this Prospectus, our Group's competitive strengths set out in Section 7.2 of this Prospectus and our Group's intention to implement the business strategies as set out in Section 7.19.2 of this Prospectus.

12.12 SIGNIFICANT CHANGES

There are no significant changes have occurred since FYE 2021, being our most recent interim financial statements, which may have a material effect on the financial position and results of our Group.

12.13 MATERIAL INVESTMENT AND DIVESTITURES

Save as disclosed below, there are no material investments, divestitures and write-offs made by us for the FYE Under Review and up to the LPD:

	At carrying value				
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	1 Jan 2022 up to the LPD
Material divestitures	RM'000	RM'000	RM'000	RM'000	RM'000
Disposal of a subsidiary[(1)]	-	484	-	-	-

Note:

(1) Pertaining to the disposal of entire equity interest of Infoline Solutions in ICS Network Provider Sdn Bhd.

12.14 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries may require its financiers' consent to pay dividends to our Company in our future facility agreements.

The dividends paid by our Group for FYE Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	1 January 2022 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends paid	-	4,624	1,800	-	(1)2,016

Note:

(1) On 27 April 2022, Infoline Solutions declared a final dividend of RM0.9247 per ordinary share amounting to RM2,015,779 in respect of the FYE 2021, which was paid on 6 May 2022. This dividend was not reflected in Infoline Solutions' financial statements for the FYE 2021.

Moving forward, we target a pay-out ratio of up to 30.0% of our PAT of each financial year on a consolidated basis after considering our capital requirements including working capital and capital expenditure. The actual dividend pay-out will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Group's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

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Date: 23 May 2022

The Board of Directors
Infoline Tec Group Berhad
No.53-3, Jalan PJU 5/20E,
Pusat Perdagangan Kota Damansara,
47810, Petaling Jaya,
Selangor Darul Ehsan.

Dear Sirs/Madam

INFOLINE TEC GROUP BERHAD ("INFOLINE TEC" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of Infoline Tec and its subsidiaries (collectively known as "the Group") as at 31 December 2021 together with the accompanying notes thereon (as set out in Appendix A, for which we have stamped for the purpose of identification), prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of Infoline Tec on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position are prepared in accordance with paragraph 9.18 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the effects of the transactions as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position as if the transactions have been implemented and completed on 31 December 2021.

As part of this process, information about the Group's financial position as at 31 December 2021 have been extracted by the Board of Directors of the Company from the Accountants' Report of Infoline Tec.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the By-Laws (*on Professional Ethics, Conduct and Practice*) issued by the Malaysian Institute of Accountants and the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

Crowe

REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of Pro Forma Combined Statements of Financial Position.

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

OPINION

In our opinion, the Pro Forma Combined Statements of Financial Position of the Group as at 31 December 2021 have been compiled, in all material respects, on the basis as described in notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

Our report on the Pro Forma Combined Statements of Financial Position has been prepared for inclusion in the Prospectus of Infoline Tec in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

Crowe

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kaw Hoong Siang
03379/06/2022 J
Chartered Accountant

Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(CONT'D)*

For Identification Only
Crowe
Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Appendix A

INFOLINE TEC GROUP BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Audited as at 31 December 2021 RM'000	Adjustment for Material Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Event RM'000	Adjustment for Acquisitions RM'000	Pro Forma II After Pro Forma I and Acquisitions RM'000	Adjustment for Public Issue RM'000	Pro Forma III After Pro Forma I, II and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma I, II, III and Utilisation of Proceeds RM'000
ASSETS										
NON-CURRENT ASSETS										
Equipment		372	-	372	-	372	-	372	-	372
Right-of-use assets		233	-	233	-	233	-	233	-	233
Deferred tax assets		803	-	803	-	803	-	803	-	803
		1,408	-	1,408	-	1,408	-	1,408	-	1,408
CURRENT ASSETS										
Inventories		2,022	-	2,022	-	2,022	-	2,022	-	2,022
Contract cost assets		2,746	-	2,746	-	2,746	-	2,746	-	2,746
Trade receivables		9,519	-	9,519	-	9,519	-	9,519	-	9,519
Other receivables, deposits				-						
and prepayments		1,723	-	1,723	-	1,723	-	1,723	-	1,723
Current tax assets		8	-	8	-	8	-	8	-	8
Deposit with a licensed bank		959	-	959	-	959	-	959	-	959
Cash and bank balances	7.1	11,432	(2,016)	9,416	-	9,416	23,680	33,096	(2,470)	30,626
		28,409	(2,016)	26,393	-	26,393	23,680	50,073	(2,470)	47,603
TOTAL ASSETS		29,817	(2,016)	27,801	-	27,801	23,680	51,481	(2,470)	49,011

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Appendix A

INFOLINE TEC GROUP BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

	Note	Audited as at 31 December 2021 RM'000	Adjustment for Material Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Event RM'000	Adjustment for Acquisitions RM'000	Pro Forma II After Pro Forma I and Acquisitions RM'000	Adjustment for Public Issue RM'000	Pro Forma III After Pro Forma I, II and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma I, II, III and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	7.2	*	-	*	14,462	14,462	23,680	38,142	(1,249)	36,893
Invested equity	7.3	2,490	-	2,490	(2,490)	-	-	-	-	-
Merger reserve	7.4	-	-	-	(11,972)	(11,972)	-	(11,972)	-	(11,972)
Other reserves		458	-	458	-	458	-	458	-	458
Retained profits	7.5	14,962	(2,016)	12,946	-	12,946	-	12,946	(1,221)	11,725
TOTAL EQUITY		17,910	(2,016)	15,894	-	15,894	23,680	39,574	(2,470)	37,104
NON-CURRENT LIABILITIES										
Contract liabilities		602	-	602	-	602	-	602	-	602
Lease liabilities		132	-	132	-	132	-	132	-	132
		734	-	734	-	734	-	734	-	734

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(CONT'D)*

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INFOLINE TEC GROUP BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

	Audited as at 31 December 2021	Adjustment for Material Subsequent Event	Pro Forma I After Adjustment for Material Subsequent Event	Adjustment for Acquisitions	Pro Forma II After Pro Forma I and Acquisitions	Adjustment for Public Issue	Pro Forma III After Pro Forma I, II and Public Issue	Adjustment for Utilisation of Proceeds	Pro Forma IV After Pro Forma I, II, III and Utilisation of Proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES									
Trade payables	6,561	-	6,561	-	6,561	-	6,561	-	6,561
Other payables and accruals	1,456	-	1,456	-	1,456	-	1,456	-	1,456
Contract liabilities	3,049	-	3,049	-	3,049	-	3,049	-	3,049
Lease liabilities	107	-	107	-	107	-	107	-	107
	11,173	-	11,173	-	11,173	-	11,173	-	11,173
TOTAL LIABILITIES	11,907	-	11,907	-	11,907	-	11,907	-	11,907
TOTAL EQUITY AND LIABILITIES	29,817	(2,016)	27,801	-	27,801	23,680	51,481	(2,470)	49,011
Number of ordinary shares in Infoline Tec ('000)	#	-	#	289,229	289,229	74,000	363,229	-	363,229
NA attribute to owners of Infoline Tec (RM'000)	17,910		15,894		15,894		39,574		37,104
NA per share attribute to Infoline Tec (RM	5.99 ^		5.32 ^		0.05		0.11		0.10

Notes:-

* *Denote RM25*
\# *Denote 500 shares*
^ *Computed based on aggregate number of ordinary shares in Infoline Tec, Infoline Solutions and Infoline Shenzhen*

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

1. ABBREVIATIONS

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

ACE Market	:	ACE Market of Bursa Securities
Acquisitions	:	Collectively, Infoline Solutions Acquisition and Infoline Shenzhen Acquisition
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Directors	:	Directors of the Company and within the meaning given in Section 2 of the Capital Markets and Services Act, 2007
EPS	:	Earnings per Share
FYE	:	Financial year ended 31 December, as the case may be
IFRS	:	International Financial Reporting Standards
Infoline Solutions	:	Infoline IT Solutions Sdn. Bhd. (Registration No. 201301015421 (1045254-P))
Infoline Solutions Acquisition	:	The acquisition of the entire issued share capital of Infoline Solutions from the Infoline Solutions Vendors for a total consideration of RM9,553,502 which was fully satisfied by the issuance of 191,070,040 new Shares at an issue price of RM0.05 each
Infoline Solutions Vendors	:	Choo Wei Chuen, Loo Wai Hong and Too Yit Meng, collectively
Infoline Shenzhen	:	Infoline Technology (Shenzhen) Limited (Registration No. 440301503446228)
Infoline Shenzhen Acquisition	:	The acquisition of the entire registered capital of Infoline Shenzhen from the Infoline Shenzhen Vendor for a total consideration of RM4,907,929 (equivalent to RMB7,635,236 based on the closing exchange rate on 30 June 2021 of RMB1:RM0.6428) which was fully satisfied by the issuance of 98,158,580 new Shares at an issue price of RM0.05 each
Infoline Shenzhen Vendor	:	Choo Wei Chuen
Infoline Tec or the Company	:	Infoline Tec Group Berhad (Registration No. 202101032489 (1432789-M))
Infoline Tec Shares or Shares	:	Ordinary shares in Infoline Tec

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

1. ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

Infoline Tec Group or the Group	:	Infoline Tec and Subsidiaries, collectively
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	IPO price of RM0.32 per IPO Share
IPO Shares	:	The Issue Shares and Offer Shares, collectively
Issue Shares	:	New Shares to be issued by the Company pursuant to the Public Issue
Listing	:	Admission to the Official List and the listing and quotation for the Company's entire enlarged Shares on the ACE Market
MITI	:	Ministry of International Trade and Industry, Malaysia
MFRSs	:	Malaysian Financial Reporting Standards
NA	:	Net assets
Offer for Sale	:	Offer for sale by the Selling Shareholder of 22,250,000 Offer Shares at the IPO Price, representing 6.12% of the entire enlarged Shares by way of private placement to selected investors
Offer Shares	:	The existing Shares to be offered by the Offeror pursuant to the Offer for Sale
Offeror	:	Choo Wei Chuen
Official List	:	A list specifying all securities listed on Bursa Securities
Promoters	:	Choo Wei Chuen and Loo Wai Hong, collectively

Appendix A

INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

1. ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

Public Issue	:	Public issue of 74,000,000 Issue Shares at the IPO Price, representing 20.38% of the entire enlarged Shares in the following manner:- (i) 18,162,000 Issue Shares made available for application by the Malaysian Public; (ii) 8,269,000 Issue Shares made available for application by the Eligible Persons; (iii) 2,165,300 Issue Shares made available by way of private placement to selected investors; and (iv) 45,403,700 Issue Shares made available by way of private placement to identified Bumiputra investors approved by MITI
RM and sen	:	Ringgit Malaysia and sen, respectively
Subsidiaries	:	Infoline Solutions and Infoline Shenzhen, collectively

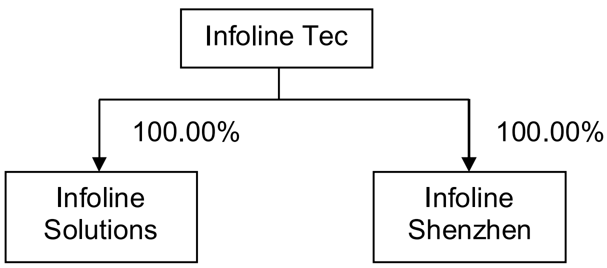
2. INTRODUCTION

The Pro Forma Combined Statements of Financial Position of Infoline Tec Group as at 31 December 2021 together with the accompanying notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

3.1 Group Structure

The pro forma corporate structure of Infoline Tec Group is presented as follows:-



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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

3. BASIS OF PREPARATION (CONT'D)

3.2 Accountants' Report And Audited Financial Statements

The Pro Forma Combined Statements of Financial Position are prepared based on the Accountants' Report of Infoline Tec for the FYE 31 December 2021 in accordance with MFRSs and IFRS, and in a manner consistent with the format of the audited financial statements and accounting policies of the Group.

The Accountants' Report used in the preparation of these Pro Forma Combined Statements of Financial Position was not subject to any audit qualification, modification or disclaimer of opinion.

3.3 Business Combinations

The business combinations of Infoline Tec Group involving the formation of a new holding company, namely Infoline Tec, to undertake a restructuring exercise via the acquisitions of Infoline Solutions and Infoline Shenzhen. These acquisitions are accounted using merger method as these companies are under common control by the same parties, both before and after the Acquisitions, and control is not transitory. Using merger method, the assets and liabilities of the acquired entities are stated at their existing carrying amounts. The difference between the consideration paid and share capital of the acquired entity is accounted for as merger reserve in the Pro Forma Combined Statements of Financial Position.

3.4 Applicable Criteria

(a) The Pro Forma Combined Statements of Financial Position of Infoline Tec Group as at 31 December 2021, together with the accompanying notes thereon, have been prepared solely to illustrate the effect on the financial positions of the Infoline Tec Group as at 31 December 2021 had the events and transactions as set out in Note 4 herein been implemented on 31 December 2021.

(b) The Pro Forma Combined Statements of Financial Position of Infoline Tec Group have been prepared for illustration purposes using the Accountants' Report as set out in Note 3.2 above which are prepared in accordance with MFRS and IFRS and are not subject to any qualification, modification or disclaimer.

(c) The Pro Forma Combined Statements of Financial Position of Infoline Tec Group have also been compiled in a manner consistent with the format of the audited financial statements and accounting policies of Infoline Tec.

(d) Material and appropriate adjustments have been made in the preparation of Pro Forma Combined Statements of Financial Position of Infoline Tec Group.

INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

3. BASIS OF PREPARATION (CONT'D)

3.4 Applicable Criteria (Cont'd)

The Pro Forma Combined Statements of Financial Position as at 31 December 2021 are not necessarily indicative of the financial position that would have been attained had the Acquisitions, material subsequent event and the IPO actually occurred at the respective dates. The Pro Forma Combined Statements of Financial Position have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual financial position of the Group.

4. MATERIAL SUBSEQUENT EVENT OCCURRING AFTER 31 DECEMBER 2021

On 27 April 2022, the Board of Directors declared a final dividend of RM2,015,778.60 for the financial year ended 31 December 2021 ("Pre-IPO Dividend") which was paid on 6 May 2022.

The Pre-IPO Dividend is illustrated in the Pro Forma in accordance with paragraph 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

5. LISTING SCHEME

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:-

5.1 Acquisitions

(a) Infoline Solutions Acquisition

On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendors of Infoline Solutions to acquire the entire issued share capital of Infoline Solutions for a total purchase consideration of RM9,553,502 which was fully satisfied by the issuance of 191,070,040 new Shares at an issue price of RM0.05 per Share. The total purchase consideration of RM9,553,502 was arrived at after taking into consideration the audited NA position of Infoline Solutions as at 30 June 2021 of RM9,553,502. The acquisition is conditional upon, amongst others, the approval of Bursa Securities being obtained for the Listing.

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

5. LISTING SCHEME (CONT'D)

5.1 Acquisitions (Cont'd)

(b) Infoline Shenzhen Acquisition

On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendor of Infoline Shenzhen to acquire the entire registered capital of Infoline Shenzhen for a total purchase consideration of RM4,907,929 (equivalent to RMB7,635,236 based on closing exchange rate on 30 June 2021 of RMB1:RM0.6428) which was fully satisfied by the issuance of 98,158,580 new Shares at an issue price of RM0.05 per Share. The total purchase consideration of RM4,907,929 was arrived at after taking into consideration the audited NA position of Infoline Shenzhen as at 30 June 2021 of RMB7,635,236 (equivalent to RM4,907,929 based on the closing exchange rate on 30 June 2021 of RMB1:RM0.6428). The acquisition is conditional upon, amongst others, the approval of Bursa Securities being obtained for the Listing.

The Acquisitions were completed on 9 May 2022.

5.2 IPO

(a) Public Issue

Public issue of 74,000,000 Issue Shares at the IPO Price, representing 20.38% of the entire enlarged Shares in the following manner:-

(i) 18,162,000 Issue Shares will be made available for application by the Malaysian Public;

(ii) 8,269,000 Issue Shares will be made available for application by the Eligible Persons;

(iii) 2,165,300 Issue Shares made available by way of private placement to selected investors; and

(iv) 45,403,700 Issue Shares will be made available by way of private placement to identified Bumiputera investors approved by the MITI.

(b) Offer for Sale

22,250,000 Offer Shares, representing 6.12% of the entire enlarged Shares, will be made available at the IPO Price by way of private placement to selected investors.

5.3 Listing

The admission to the Official List and the listing of and quotation for the entire enlarged issued Shares of Infoline Tec, comprising 363,229,120 Shares on the ACE Market of Bursa Securities will be sought.

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

6.1 Pro Forma I

Pro Forma I incorporates the effects of the Material Subsequent Event as set out in Section 4 above.

6.2 Pro Forma II

Pro Forma II incorporates the effects of the Pro Forma I and the effects of the Acquisitions as set out in Section 5.1 above.

6.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, II and the effects of the Public Issue as set out in Section 5.2 above.

6.4 Pro Forma IV

Pro Forma IV incorporates the effects of Pro Forma I, II, III and the utilisation of the proceeds from the Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Purposes	Amount of proceeds RM'000	Amount of proceeds %	Estimated timeframe for utilisation from the date of Listing
Setting up of technology centre and disaster recovery centre #	8,460	35.73	Within 9 months
Enhancement of NOC #	4,300	18.16	Within 8 months
Setting up of a SOC #	4,700	19.85	Within 18 months
Business expansion #	2,220	9.38	Within 12 months
Estimated listing expenses *^	4,000	16.89	Within 3 months
Total	23,680	100.00	

Notes:-

\# - *As at the latest practicable date, the Company has yet to enter into any contractual binding arrangements or issue any purchase orders in relation to the above purposes. Accordingly, the use of proceeds earmarked for these purposes are not reflected in the Pro Forma Combined Statements of Financial Position.*

* - *If the actual listing expenses are higher than budgeted, the deficit will be funded by the Group's internally generated funds.*

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.4 Pro Forma IV (Cont'd)

Notes (Cont'd):-

^ - *The estimated listing expenses of RM1,249,000 directly attributable to the Public Issue will be offset against share capital. The Group has recognised listing expenses of RM1,530,000 to the profit or loss during the FYE 2021. The remaining estimated listing expenses of RM1,221,000 attributable to the Listing will be expensed off to profit or loss.*

7. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

7.1 Cash and Bank Balances

	RM'000
As at 31 December 2021	11,432
Less: Pre-IPO Dividend	(2,016)
As per Pro Forma I and II	9,416
Add: Proceeds from public issue	23,680
As per Pro Forma III	33,096
Less: Utilisation of proceeds	(2,470)
As per Pro Forma IV	30,626

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

7. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

7.2 Share Capital

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 31 December 2021/Pro Forma I	#	*
Add: Shares issued pursuant to the Acquisitions	289,229	14,462
As per Pro Forma II	289,229	14,462
Add: Public Issue	74,000	23,680
As per Pro Forma III	363,229	38,142
Less: Estimated listing expenses	-	(1,249)
As per Pro Forma IV	363,229	36,893

Notes:

* – *Denote RM25*
\# – *Denote 500 shares*

7.3 Invested Equity

	RM'000
As at 31 December 2021/Pro Forma I	2,490
Less: Pursuant to the Acquisitions	(2,490)
As per Pro Forma II, III and IV	-

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INFOLINE TEC GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

7. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

7.4 Merger Reserve

	RM'000
As at 31 December 2021/Pro Forma I	-
Less: Pursuant to the Acquisitions	(11,972)
As per Pro Forma II, III and IV	(11,972)

7.5 Retained Profits

	RM'000
As at 31 December 2021	14,962
Less: Pre-IPO Dividend	(2,016)
As per Pro Forma II and III	12,946
Less: Estimated listing expenses	(1,221)
As per Pro Forma IV	11,725

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INFOLINE TEC GROUP BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Infoline Tec in accordance with a resolution dated 20 May 2022.

On behalf of the Board of Directors,

Loo Wai Hong **Choo Wei Chuen**

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
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50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowe.my

Date: 23 May 2022

The Board of Directors
Infoline Tec Group Berhad
No.53-3, Jalan PJU 5/20E,
Pusat Perdagangan Kota Damansara,
47810, Petaling Jaya,
Selangor Darul Ehsan.

Dear Sirs/Madam

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF INFOLINE TEC GROUP BERHAD ("INFOLINE TEC" OR "COMPANY")

OPINION

We have audited the financial information contained in the Accountants' Report of Infoline Tec Group Berhad, which is the combined financial statements of Infoline Tec and its combining entities, namely Infoline IT Solutions Sdn. Bhd. and Infoline Technology (Shenzhen) Limited (collectively known as "the Group"), which comprise the combined statements of financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 of the Group and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended ("FYE") 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 109.

The historical financial information has been prepared for inclusion in the prospectus of Infoline Tec in connection with the listing of and quotation for the entire enlarged issued share capital of Infoline Tec on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information contained in the Accountants' Report gives a true and fair view of the combined financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, and of its combined financial performance and combined cash flows for each of the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BASIS FOR OPINION (CONT'D)

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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.

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

- Identify and assess the risks of material misstatement of the financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION (CONT'D)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information 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.

RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the prospectus of Infoline Tec in connection with the listing of and quotation for the entire enlarged issued share capital of Infoline Tec on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Crowe	
Crowe Malaysia PLT	**Kaw Hoong Siang**
201906000005 (LLP0018817-LCA) & AF 1018	03379/06/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION

		Audited FYE 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Equipment	5	43	95	75	372
Right-of-use assets	6	-	263	200	233
Deferred tax assets	7	48	48	644	803
		91	406	919	1,408
CURRENT ASSETS					
Inventories	8	1,060	1,018	661	2,022
Contract cost assets	9	200	902	2,489	2,746
Trade receivables	10	5,093	8,370	8,408	9,519
Other receivables, deposits and prepayments	11	355	338	433	1,723
Amount owing by a related party	12	70	535	-	-
Current tax assets		39	74	57	8
Deposit with a licensed bank	13	900	900	930	959
Cash and bank balances		872	1,841	7,172	11,432
		8,589	13,978	20,150	28,409
Assets of disposal group classified as held for sale	14	693	-	-	-
		9,282	13,978	20,150	28,409
TOTAL ASSETS		9,373	14,384	21,069	29,817

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Audited			
		FYE 31 December			
		2018	**2019**	**2020**	**2021**
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15(a)	-	-	-	*
Invested equity	15(b)	1,310	2,490	2,490	2,490
Retained profits		2,896	2,073	7,166	14,962
Reserves	16	(11)	(48)	198	458
TOTAL EQUITY		4,195	4,515	9,854	17,910
NON-CURRENT LIABILITIES					
Contract liabilities	17	50	369	378	602
Lease liabilities	18	-	125	111	132
		50	494	489	734

Note : (*) - Denote RM25

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited FYE 31 December			
		2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
CURRENT LIABILITIES					
Trade payables	19	1,432	6,745	6,270	6,561
Other payables and accruals	20	427	652	1,002	1,456
Contract liabilities	17	250	899	2,199	3,049
Lease liabilities	18	-	143	92	107
Amount owing to a related party	12	151	-	-	-
Amount owing to a director	21	2,199	244	-	-
Bankers' acceptance	22	-	568	-	-
Current tax liabilities		142	124	1,163	-
		4,601	9,375	10,726	11,173
Liabilities of disposal group classified as held for sale	14	527	-	-	-
TOTAL LIABILITIES		5,178	9,869	11,215	11,907
TOTAL EQUITY AND LIABILITIES		9,373	14,384	21,069	29,817

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited			
		FYE 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
CONTINUING OPERATIONS					
REVENUE	23	18,838	31,058	43,815	44,586
COST OF SALES		(11,838)	(22,162)	(29,753)	(27,549)
GROSS PROFIT		7,000	8,896	14,062	17,037
OTHER INCOME		16	56	135	256
ADMINISTRATIVE EXPENSES		(2,550)	(4,270)	(4,456)	(6,269)
OTHER EXPENSES		(159)	(220)	(335)	(440)
FINANCE COSTS		(3)	(46)	(43)	(23)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	24	-	(5)	(61)	(34)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	25	4,304	4,411	9,302	10,527
INCOME TAX EXPENSE	26	(762)	(853)	(2,256)	(2,731)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		3,542	3,558	7,046	7,796

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		Audited			
		FYE 31 December			
		2018	**2019**	**2020**	**2021**
	Note	RM'000	RM'000	RM'000	RM'000
DISCOUNTINUED OPERATIONS					
(LOSS)/PROFIT AFTER TAXATION FROM DISCONTNUED OPERATIONS	27	(509)	243	-	-
PROFIT AFTER TAXATION		3,033	3,801	7,046	7,796
OTHER COMPREHENSIVE INCOME					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences		-	(37)	93	260
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		3,033	3,764	7,139	8,056

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		Audited			
		FYE 31 December			
		2018	**2019**	**2020**	**2021**
	Note	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company:					
- continuing operations		3,542	3,558	7,046	7,796
- discontinued operations		(509)	243	-	-
		3,033	3,801	7,046	7,796
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:-					
Owners of the Company:					
- continuing operations		3,542	3,521	7,139	8,056
- discontinued operations		(509)	243	-	-
		3,033	3,764	7,139	8,056
EARNINGS/(LOSS) PER SHARE (RM)	28				
Basic and diluted:					
- continuing operations		2.70	1.43	2.83	3.13
- discontinued operations		(0.39)	0.10	-	-

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Audited					
				< --- Non-Distributable --->		Distributable	
	Note	**Share Capital** RM'000	**Invested Equity** RM'000	**Foreign Exchange Translation Reserve** RM'000	**Statutory Reserve** RM'000	**Retained Profits** RM'000	**Total Equity** RM'000
Balance at 1.1.2018		-	1,310	(12)	1	(137)	1,162
Profit after taxation/Total comprehensive income for the financial year		-	-	-	-	3,033	3,033
Balance at 31.12.2018/1.1.2019			1,310	(12)	1	2,896	4,195
Profit after taxation for the financial year		-	-	-	-	3,801	3,801
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	-	(37)	-	-	(37)
Total comprehensive income for the financial year		-	-	(37)	-	3,801	3,764
Contributions by and distribution to owners of the Company:							
- Issuance of shares	15(b)	-	1,180	-	-	-	1,180
- Dividends	29	-	-	-	-	(4,624)	(4,624)
Total transactions with owners		-	1,180	-	-	(4,624)	(3,444)
Balance at 31.12.2019/1.1.2020		-	2,490	(49)	1	2,073	4,515

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Audited					
				< --- Non-Distributable --->		Distributable	
	Note	Share Capital RM'000	Invested Equity RM'000	Foreign Exchange Translation Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance carried forward		-	2,490	(49)	1	2,073	4,515
Profit after taxation for the financial year		-	-	-	-	7,046	7,046
Other comprehensive income for the financial year:							
- Transfer to statutory reserve		-	-	-	153	(153)	-
- Foreign currency translation differences		-	-	93	-	-	93
Total comprehensive income for the financial year		-	-	93	153	6,893	7,139
Distribution to owners of the Company:							
- Dividends	29	-	-	-	-	(1,800)	(1,800)
Balance at 31.12.2020/1.1.2021		-	2,490	44	154	7,166	9,854

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Audited					
				< --- Non-Distributable --->		Distributable	
	Note	Share Capital RM'000	Invested Equity RM'000	Foreign Exchange Translation Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance carried forward		-	2,490	44	154	7,166	9,854
Profit after taxation for the financial year		-	-	-	-	7,796	7,796
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	-	260	-	-	260
Total comprehensive income for the financial year		-	-	260	-	7,796	8,056
Contributions by owners of the Company:							
- Issuance of shares	15(a)	*	-	-	-	-	*
Balance at 31.12.2021		*	2,490	304	154	14,962	17,910

Note : (*) - Denote RM25

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation				
- continuing operations	4,304	4,411	9,302	10,527
- discontinued operations	(460)	249	-	-
	3,844	4,660	9,302	10,527
Adjustments for:-				
Bad debts written off	-	5	1	-
Depreciation of equipment	16	31	34	78
Depreciation of right-of-use assets	-	117	136	122
Equipment written off	-	-	3	-
Impairment losses on trade receivables	-	-	60	47
Interest expense on financial liabilities that are not at fair value through profit or loss	-	31	28	3
Interest expense on lease liabilities	-	14	11	13
Inventories written down	-	-	129	62
Loss of disposal of a subsidiary	-	446	-	-
COVID-19-related rent concessions	-	-	(3)	-
Gain on modification of leases	-	-	(3)	(2)
Gain on disposal of equipment	-	-	(4)	(1)
Interest income	(3)	(34)	(39)	(44)
Reversal of impairment loss on trade receivables	-	-	-	(13)
Operating profit before working capital changes carried forward	3,857	5,270	9,655	10,792

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Audited FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES (CONT'D)				
Operating profit before working capital changes brought forward	3,857	5,270	9,655	10,792
Decrease/(Increase) in inventories	101	42	228	(1,423)
Increase in contract cost assets	(66)	(702)	(1,588)	(257)
(Decrease)/Increase in contract liabilities	(304)	781	1,309	1,074
Increase in trade and other receivables	(3,296)	(3,234)	(193)	(2,418)
(Decrease)/Increase in trade and other payables	(343)	5,293	(125)	745
Decrease/(Increase) in amount owing by related parties	203	(616)	535	-
CASH FROM OPERATIONS	152	6,834	9,821	8,513
Income tax paid	(578)	(903)	(1,796)	(4,004)
Interest paid	-	(46)	(39)	(16)
Interest received	3	34	39	26
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(423)	5,919	8,025	4,519

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited			
		FYE 31 December			
	Note	**2018** RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
CASH FLOWS FOR INVESTING ACTIVITIES					
Placement of deposit pledged to a licensed bank and/or deposit with tenure more than 3 months		(900)	-	(30)	(29)
Proceeds from disposal of equipment		-	-	9	3
Purchase of equipment	31(a)	(20)	(83)	(22)	(377)
Acquisition of a subsidiary		(70)	-	-	-
Disposal of a subsidiary, net of cash and cash equivalents disposed of	30	-	(18)	-	-
NET CASH FOR INVESTING ACTIVITIES		(990)	(101)	(43)	(403)

INFOLINE TEC GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited			
		FYE 31 December			
		2018	**2019**	**2020**	**2021**
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividends paid		-	(4,624)	(1,800)	-
Repayment to directors	31(b)	(168)	(775)	(244)	-
Advances from directors	31(b)	1,854	-	-	-
Drawdown/(Repayment) of bankers' acceptance	31(b)	-	568	(568)	-
Repayment of lease liabilities	31(b)	-	(111)	(132)	(117)
Proceeds from issuance of shares		-	-	-	*
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,686	(4,942)	(2,744)	(117)
NET INCREASE IN CASH AND CASH EQUIVALENTS		273	876	5,238	3,999
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(12)	(37)	93	261
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		741	1,002	1,841	7,172
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31(d)	1,002	1,841	7,172	11,432

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. ABBREVIATIONS

Unless the context otherwise requires, the following information shall apply throughout this report:

Abbreviations

COVID-19	:	Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
Infoline Tec or the Company	:	Infoline Tec Group Berhad (Registration No. 202101032489 (1432789-M))
Infoline Tec Group or the Group	:	Infoline Tec and Subsidiaries, collectively
Infoline Tec Shares or Shares	:	Ordinary shares in the Company
Infoline Shenzhen	:	Infoline Technology (Shenzhen) Limited (Registration No. 440301503446228) （因福来科技（深圳）有限公司）, the Company's proposed wholly-owned subsdiary in PRC
Infoline Solutions	:	Infoline IT Solutions Sdn Bhd (Registration No. 201301015421 (1045254-P)), the Company's proposed wholly-owned subsidiary in Malaysia
FYE	:	Financial year ended/ending 31 December, as the case may be
FYE Under Review	:	FYE 2018, FYE 2019, FYE 2020 and FYE 2021
NA	:	Net assets
PRC	:	The People's Republic of China

1. ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following information shall apply throughout this report (Cont'd):

Abbreviations (Cont'd)

RM and sen	:	Ringgit Malaysia and sen, respectively
The Group	:	Infoline Tec, Infoline Solutions and Infoline Shenzhen collectively

2. GENERAL INFORMATION

Infoline Tec was incorporated in Malaysia under the Companies Act 2016 on 5 October 2021 as a private limited company to facilitate the proposed initial public offering. Subsequently on 29 October 2021, the Company was converted to a public limited company under the name of Infoline Tec Group Berhad. The registered office and principal place of business are as follows:-

Registered office	:	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
Principal place of business	:	No.53-3, Jalan PJU 5/20E, Pusat Perdagangan Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

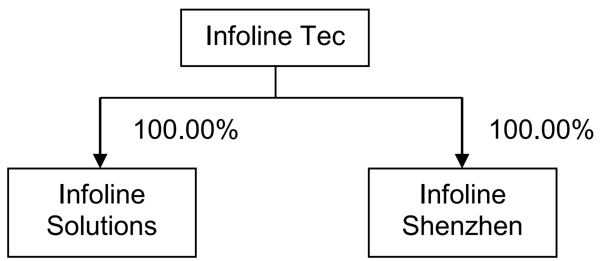
2. GENERAL INFORMATION (CONT'D)

For the purpose of listing the Company on the ACE Market of Bursa Malaysia Securities Berhad, the Company undertook a restructuring exercise via the acquisition of subsidiaries as follows:-

(a) On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendor of Infoline Solutions to acquire the entire issued share capital of Infoline Solutions for a total purchase consideration of RM9,553,502 which was fully satisfied by the issuance of 191,070,040 new Shares, at an issue price of RM0.05 per Share. The total purchase consideration of RM9,553,502 was arrived at after taking into consideration the NA position of Infoline Solutions as at 30 June 2021 of RM9,553,502. The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the Listing.

(b) On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendor of Infoline Shenzhen to acquire the entire registered capital of Infoline Shenzhen for a total purchase consideration of RM4,907,929 (equivalents to RMB7,635,236 based on closing exchange rate on 30 June 2021 of RMB1:RM0.6428) which was fully satisfied by the issuance of 98,158,580 new Shares, at an issue price of RM0.05 per Share. The total purchase consideration of RM4,907,929 was arrived at after taking into consideration the NA position of Infoline Shenzhen as at 30 June 2021 of RMB7,635,236 (equivalents to RM4,907,929 based on closing exchange rate on 30 June 2021 of RMB1:RM0.6428). The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the Listing.

Upon the completion of the acquisitions, the group structure will be as follows:-



INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. GENERAL INFORMATION (CONT'D)

The principal activity of Infoline Tec is investment holding. The details of the subsidiary and combining entities, which are incorporated in Malaysia and China, are disclosed as follows:-

Name of Company	Percentage of Issued Share Capital Held by Parent Audited 31 December				Principal Activities
	2018 %	2019 %	2020 %	2021 %	
Direct Subsidiary					
ICS Network Provider Sdn Bhd #	100	-	-	-	Importing, exporting and customisation of computer software and hardware
Combined Entities					
Infoline IT Solutions Sdn Bhd	100	100	100	100	Provision of information technology infrastructure and cybersecurity solutions, trading of ancillary hardware, and related services
Infoline Technology (Shenzhen) Limited	100	100	100	100	Provision of information technology infrastructure and cybersecurity solutions, trading of ancillary hardware, and related services

Note:-

ICS Network Provider Sdn Bhd was disposed of during FYE 31 December 2019. As at 31 December 2018, the assets and liabilities have been reclassified as held for sale.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION

As the Group has not been in place as at 31 December 2021, there are no consolidated financial statements of the Group for financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

For the purpose of inclusion in the prospectus of Infoline Tec in connection with the listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad, the Group prepared the combined financial statements comprise the combined statements of financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the merger method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the companies, which are under common control throughout the relevant period.

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

The common control of the Group has been established since the set-up of the Group by virtue of Choo Wei Chuen, being the major shareholder and promoter of the Group. Hence, the combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CONT'D)

The combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years as follows:-

Entities Under Common Control	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Infoline Tec Group Berhad	*	*	*	✓
Infoline IT Solutions Sdn Bhd	✓, @	✓, &	✓, &	✓, &
Infoline Technology (Shenzhen) Limited	✓, $	✓, ^	✓, ^	✓, ^

* *No financial statements available for Infoline Tec as the Company was incorporated on 5 October 2021.*

✓ *The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years.*

@ *The financial statements of Infoline Solutions for the financial year were audited by other firms of chartered accountants.*

& *The financial statements of Infoline Solutions for the respective financial years were audited by Crowe Malaysia PLT.*

$ *The financial statements of Infoline Shenzhen for the financial year were audited by other firm of chartered accountants.*

^ *The financial statements of Infoline Shenzhen for the respective financial years were audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.*

3. BASIS OF PREPARATION (CONT'D)

The audited financial statements of all the combining entities were not subject to any modified audit opinions.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Prospectus Guideline.

3.1 The Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

Financial Year Beginning on or after 1 January 2021

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

Financial Year Beginning on or after 1 January 2020

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendment to MFRS 3: Definition of a Business

Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9

Amendments to MFRS 9, MFRS 139 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 MFRS Standards

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

3. BASIS OF PREPARATION (CONT'D)

3.1 The Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any)(Cont'd):-

Financial Year Beginning on or after 1 January 2019

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayments Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements except as follows:-

MFRS 16 sets out the principles for the recognition, measurement presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16 the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognize their lease assets and the related lease obligations in the combined statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the combined financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 39 to the combined financial statements.

Financial Year Beginning on or after 1 January 2018

The Group prepared the first set of combined financial statements in accordance with MFRSs and adopted all the standards and interpretations which were effective for financial year beginning on or after 1 January 2018. All the effects of transition to MFRSs had been reflected at the date of transition, 1 January 2017.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the financial years under review:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon their initial application.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Key Sources of Estimation Uncertainty

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

(a) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amounts of inventories as at the reporting date is disclosed in Note 8 to the combined financial statements.

(b) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales (including changes in the customer payment profile in response to the COVID-19 pandemic) and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amounts of trade receivables and trade amount owing by a related party as at the reporting date are disclosed in Notes 10 and 12 to the combined financial statements.

(c) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amount of other receivables as at the reporting date is disclosed in Note 11 to the combined financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4.2 BASIS OF COMBINATION

(a) Combining Entities

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities ("Controlling Shareholders"), and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated.

The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities' are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity. The accounting policies of combining entities have been changed where necessary to align them with the policies adopted by the Group.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF COMBINATION (CONT'D)

(b) Transactions Eliminated on Combination

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

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) 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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 EQUIPMENT

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

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

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

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

Computers	20%
Office equipment	20%
Renovation	10%
Motor vehicle	20%

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

4.8 CONTRACT COST ASSETS

Costs to Fulfil a Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract cost assets are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost assets exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost assets does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4.9 CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

4.12 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

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

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.14 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for temporary differences other than those that arise 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 profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 BORROWING COSTS

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

4.16 OPERATING SEGMENTS

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

4.17 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

4.18 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- 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.

(a) IT Infrastructure Solutions

Revenue is recognised over time in the period in which the IT infrastructure solutions are rendered. IT infrastructure solutions include overall management of the project and identifies various goods and services to be provided, including project management, procurement of hardware and software, system design, system deployment and testing, system installation and integration are rendered. In such contracts, goods and services are not distinct and generally accounts for them as a single performance obligation.

This performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Certain IT infrastructure solutions contracts included the sale of hardware which is distinct and optional. Revenue for the sale of hardware is recognised at a point in time when the goods is delivered, the legal title has passed and the customer has accepted the goods. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered or the services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the goods delivered or services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the goods delivered or services rendered, a contract liability is recognised.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Cybersecurity Solutions

Revenue is recognised over time in the period in which the cybersecurity solutions are rendered. Cybersecurity solutions provide to customers include supply of software to prevent cyber threats and attacks, and provide services to install and implement these solutions. Such services provided, if distinct will be accounted for as a separate performance obligation.

Customers are invoiced on yearly basis and consideration is payable when invoiced.

If the services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(c) Managed IT Services and Other IT Services

Revenue arising from the managed IT services and other IT services includes managed network and cybersecurity services, project delivery and management services, consultation services and maintenance and technical support services.

The Group enters into fixed price managed IT services and other IT services with its customers for terms between one and three years in length. Revenue for these services is recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as there is no reliable prediction that can be made as to if and when any individual customer will require their service.

Customers are invoiced on monthly or yearly basis and consideration is payable when invoiced.

If the services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(d) Trading of Ancillary Hardware and Software

Revenue from the sale of ancillary hardware and software for a fixed fee shall be recognised when control over the hardware and software are transferred to customer at a point in time. For sales of ancillary hardware and software, transfer of control is usually deemed to occur upon delivery of products and customer acceptances. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Some contracts include multiple deliverables, such as the installation of ancillary hardware and software. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4.20 OTHER OPERATING INCOME

(a) Interest income

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

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. EQUIPMENT

	At 1.1.2018 RM'000	Addition (Note 31(a)) RM'000	Depreciation Charges (Note 25) RM'000	At 31.12.2018 RM'000
FYE 2018				
Carrying Amount				
Computers	35	20	(15)	40
Office equipment	4	-	(1)	3
	39	20	(16)	43

	At 1.1.2019 RM'000	Additions (Note 31(a)) RM'000	Depreciation Charges (Note 25) RM'000	At 31.12.2019 RM'000
FYE 2019				
Carrying Amount				
Computers	40	58	(24)	74
Office equipment	3	25	(7)	21
	43	83	(31)	95

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. EQUIPMENT (CONT'D)

	At 1.1.2020 RM'000	Addition (Note 31(a)) RM'000	Disposal RM'000	Write off (Note 25) RM'000	Depreciation Charges (Note 25) RM'000	At 31.12.2020 RM'000
FYE 2020						
Carrying Amount						
Computers	74	22	(5)	(3)	(28)	60
Office equipment	21	-	-	-	(6)	15
	95	22	(5)	(3)	(34)	75

	At 1.1.2021 RM'000	Additions (Note 31(a)) RM'000	Disposal RM'000	Depreciation Charges (Note 25) RM'000	At 31.12.2021 RM'000
FYE 2021					
Carrying Amount					
Computers	60	9	(2)	(25)	42
Office equipment	15	25	-	(10)	30
Renovation	-	253	-	(25)	228
Motor vehicle	-	90	-	(18)	72
	75	377	(2)	(78)	372

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
At 31.12.2018			
Computers	73	(33)	40
Office equipment	9	(6)	3
	82	(39)	43
At 31.12.2019			
Computers	131	(57)	74
Office equipment	34	(13)	21
	165	(70)	95
At 31.12.2020			
Computers	141	(81)	60
Office equipment	34	(19)	15
	175	(100)	75
At 31.12.2021			
Computers	133	(91)	42
Office equipment	56	(26)	30
Renovation	253	(25)	228
Motor vehicle	90	(18)	72
	532	(160)	372

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. RIGHT-OF-USE ASSETS

	1.1.2019					
	At Previously Reported RM'000	Initial Application of MFRS 16 RM'000	At Restated RM'000	Addition (Note 31(a)) RM'000	Depreciation Charges (Note 25) RM'000	At 31.12.2019 RM'000
FYE 2019						
Carrying Amount						
Office buildings	-	181	181	199	(117)	263

	At 1.1.2020 RM'000	Addition (Note 31(a)) RM'000	Depreciation Charges (Note 25) RM'000	Derecognition Due to Lease Modification RM'000	At 31.12.2020 RM'000
FYE 2020					
Carrying Amount					
Office buildings	263	140	(136)	(67)	200

	At 1.1.2021 RM'000	Depreciation Charges (Note 25) RM'000	Derecognition Due to Lease Modification RM'000	Modification of Lease Liabilities (Note 18) RM'000	At 31.12.2021 RM'000
FYE 2021					
Carrying Amount					
Office buildings	200	(122)	(47)	202	233

The Group has leased 4 office buildings that run for 2 years, with an option to renew the lease for a term of 1 year after that date.

The Group reassesses whether it is reasonably certain to exercise the options if there is a significant change in circumstances within its control. During the FYE 31 December 2021, the financial effect of revising the lease terms to reflect the effect of exercising the termination options was a decrease in recognised lease liabilities and right-of-use assets of RM46,445 (FYE 2020 - RM66,914).

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. DEFERRED TAX ASSETS

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
At 1 January	54	48	48	644
Recognised in profit or loss (Note 26)	(6)	-	596	159
At 31 December	48	48	644	803

The deferred tax assets/(liability) recognised at the end of the reporting periods before appropriate off-setting are as follows:

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Deferred Tax Assets:				
Contract liabilities	54	53	618	772
Provisions	-	-	45	68
	54	53	663	840
Deferred Tax Liability:-				
Equipment	(6)	(5)	(19)	(37)
	48	48	644	803

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. DEFERRED TAX ASSETS (CONT'D)

At the end of the reporting period the amounts of deferred tax asset not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Deferred Tax Asset:-				
Contract liabilities	75	1,048	-	-

8. INVENTORIES

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Finished goods	1,060	1,018	661	2,022
Recognised in profit or loss:-				
Inventories recognised as cost of sales	11,997	21,461	28,938	26,409
Amount written down to net realisable value	-	-	129	62

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. CONTRACT COST ASSETS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Costs to fulfil a contract	200	902	2,489	2,746

The costs to fulfil a contract represent cost incurred that is used to fulfil the contract in future. The costs are to be amortised on a straight-line method over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

10. TRADE RECEIVABLES

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Trade receivables	5,093	8,370	8,468	9,295
Unbilled receivables	-	-	-	318
	5,093	8,370	8,468	9,613
Allowance for impairment losses	-	-	(60)	(94)
	5,093	8,370	8,408	9,519

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES (CONT'D)

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Allowance for impairment losses:-				
At 1 January	-	-	-	(60)
Addition during the financial year (Note 24)	-	-	(60)	(47)
Reversal during the financial year (Note 24)	-	-	-	13
At 31 December	-	-	(60)	(94)

The normal trade credit terms granted by the Group ranging from 30 to 90 days during the financial years under review. Other credit terms are assessed and approved on case-by-case basis.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Other receivables	42	227	276	37
Deposits	26	36	68	349
Prepayments	287	75	89	1,337
	355	338	433	1,723

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

12. AMOUNTS OWING BY/(TO) A RELATED PARTY

The amounts owing were trade in nature and subject to the normal trade credit terms ranging from 30 to 60 days.

13. DEPOSIT WITH A LICENSED BANK

(a) The effective interest rate and maturity period of the deposit with a licensed bank of the Group at the end of the reporting periods are as follows:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Interest rate (%)	3.35	3.35	3.10	1.85
Maturity period (months)	12	12	12	12

(b) The deposit with a licensed bank of the Group has been pledged as security for banking facilities granted to the Group during the FYE 2018, 2019 and 2020.

(c) During the FYE 2021, the deposit with a licensed bank is no longer pledged as security due to cancellation of banking facilities granted to the Group.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 25 October 2019, the Group entered into a Share Sale Agreement to dispose of its entire equity interests in its subsidiary, ICS Network Provider Sdn. Bhd..

At the end of the reporting period, the assets and liabilities of the subsidiary have been presented in the combined statements of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale", and its results have also been presented separately in the combined statements of profit or loss and other comprehensive income as "(Loss)/Profit after taxation from discontinued operations". The disposal was completed on 25 October 2019.

The assets of the disposal of a subsidiary were as follows:-

	The Group FYE 2018 RM'000
Assets	
Deferred tax assets	52
Goodwill	446
Other receivables	32
Amount due from a director	25
Current tax assets	8
Cash and bank balances	130
Assets of disposal group classified as held for sale	693

The carrying amount of the non-current assets were the same as their carrying values before it was reclassified as held for sale.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The liabilities of the disposal of a subsidiary were as follows:-

	The Group FYE 2018 RM'000
Liabilities	
Trade payables	118
Other payables and accruals	121
Contract liabilities	288
Liabilities of disposal group classified as held for sale	527

Details of the subsidiary, which is incorporated in Malaysia, were as follows:-

Name of Subsidiary	Principal Place of Business	Percentage of Ownership Audited FYE 31 December				Principal Activities
		2018 %	2019 %	2020 %	2021 %	
ICS Network Provider Sdn. Bhd.^	Malaysia	100	-	-	-	Importing, exporting and customisation of computer software and hardware.

^ This subsidiary was audited by other firm of chartered accountants.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

15. SHARE CAPITAL AND INVESTED EQUITY

(a) Share Capital

	Audited FYE 31 December							
	2018	2019	2020	2021	2018	2019	2020	2021
	Number of Shares '000				RM'000			
Issued and Fully Paid-Up								
Ordinary Shares								
At 1 January/Date of incorporation	-	-	-	#	-	-	-	*
At 31 December	-	-	-	#	-	-	-	*

Notes :-

* - RM25
# - 500 shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

15. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

(b) Invested Equity

	Audited							
	FYE 31 December							
	2018	2019	2020	2021	2018	2019	2020	2021
	Number of Shares '000				RM'000			
Issued and Fully Paid-Up								
Ordinary Shares								
At 1 January	1,310	1,310	2,490	2,490	1,310	1,310	2,490	2,490
Issuance of new shares	-	1,180	-	-	-	1,180	-	-
At 31 December	1,310	2,490	2,490	2,490	1,310	2,490	2,490	2,490

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

During the FYE 2019, Infoline Solutions increased its issued and paid-up share capital from RM1,000,000 to RM2,180,000 by way of issuance of 1,180,000 new ordinary shares by capitalising the amount owing to a director of RM1,180,000. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of Infoline Solutions.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

16. RESERVES

(a) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the combined financial statements of foreign subsidiary whose functional currencies are different from the Group's presentation currency.

(b) Statutory Reserve

The statutory reserve represents amounts transferred from profit after taxation of the common entity, Infoline Shenzhen under the PRC laws and regulations.

17. CONTRACT LIABILITIES

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Contract Liabilities				
Contract liabilities relating to sales of goods and services	300	1,268	2,577	3,651

(a) The contract liabilities primarily relate to sales of goods and services which are yet to be recognised as revenue due to unsatisfied performance obligation at the end of the period and advance receipts from customers. These contract liabilities will be recognised over the remaining contract term of the specific contract it relates to or upon delivery of goods or rendering of services.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

17. CONTRACT LIABILITIES (CONT'D)

(b) The changes to contract liability balances during the financial years under review are summarised below:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
At 1 January	334	300	1,268	2,577
Revenue recognised in profit or loss during the financial year	(613)	(250)	(4,433)	(7,262)
Billings to customers during the financial year	579	1,218	5,742	8,336
At 31 December	300	1,268	2,577	3,651
Represented by:-				
Current liabilities	250	899	2,199	3,049
Non-current liabilities	50	369	378	602
	300	1,268	2,577	3,651

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

17. CONTRACT LIABILITIES (CONT'D)

(c) As at the end of the reporting period, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations of long-term contracts whereby the remaining performance obligations are expected to be recognised as below:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Within 1 year	250	899	2,199	3,049
Between 1 and 3 years	50	369	378	602
	300	1,268	2,577	3,651

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

18. LEASE LIABILITIES

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
At 1 January				
- As previously reported	-	-	268	203
- Initial application of MFRS 16	-	180	-	-
- As restated	-	180	268	203
Additions (Note 31(b))	-	199	140	-
Interest expense recognised in profit or loss (Note 25)	-	14	11	13
COVID-19-related rent concessions (Note 25)	-	-	(3)	-
Derecognition due to lease modification	-	-	(70)	(49)
Changes due to lease modification (Notes 6 and 31(b))	-	-	-	202
Repayment of principal	-	(111)	(132)	(117)
Repayment of interest expense	-	(14)	(11)	(13)
At 31 December	-	268	203	239
Analysed by:-				
Current liabilities	-	143	92	107
Non-current liabilities	-	125	111	132
	-	268	203	239

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

19. TRADE PAYABLES

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Third parties	1,209	5,869	2,848	5,516
Accrued purchase	223	876	3,422	1,045
	1,432	6,745	6,270	6,561

The normal trade credit terms granted to the Group ranging from 30 to 60 days during the financial years under review.

20. OTHER PAYABLES AND ACCRUALS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Other payables	259	92	334	811
Deposits received	3	40	-	-
Accruals	165	520	668	645
	427	652	1,002	1,456

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

21. AMOUNT OWING TO A DIRECTOR

The amount owing was unsecured, interest-free and repayable on demand. The amount was partially settled by way of capitalising RM1,180,000 as consideration for the issuance of 1,180,000 new ordinary share on 18 June 2019. The balance of amount owing was settled by cash.

22. BANKERS' ACCEPTANCE

(a) During the FYE 2020, the bankers' acceptance was secured by:-

- (i) a joint and several guarantee of the directors of the Group and a former shareholder of the Group; and
- (ii) a pledged of fixed deposit of the Group as disclosed in Note 13 to the combined financial statements.

(b) The bankers' acceptance of the Group at the end of the reporting period bore an effective interest rate of 5.63% per annum.

(c) During the FYE 2021, the bankers' acceptance was no longer available due to cancellation of banking facilities granted to the Group.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. REVENUE

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Revenue recognised at a point in time				
IT Infrastructure solutions	809	2,020	1,055	2,308
Trading of ancillary hardware and software	1,114	2,181	3,335	2,095
	1,923	4,201	4,390	4,403
Revenue recognised over time				
IT Infrastructure solutions	7,546	15,627	17,619	30,715
Cybersecurity solutions	805	2,610	11,219	1,509
Managed IT services and other IT services	8,564	8,620	10,587	7,959
	16,915	26,857	39,425	40,183
	18,838	31,058	43,815	44,586

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. REVENUE (CONT'D)

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
The revenue is derived primarily from:-				
Local sales	17,785	29,979	41,835	36,652
Overseas sales	1,053	1,079	1,980	7,934
	18,838	31,058	43,815	44,586

24. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Impairment losses on trade receivables (Note 10)	-	-	60	47
Reversal of impairment loss on trade receivables (Note 10)	-	-	-	(13)
Bad debts written off	-	5	1	-
	-	5	61	34

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

25. PROFIT BEFORE TAXATION

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- current financial year	67	50	70	122
- overprovision in the previous financial year	-	-	-	(2)
Directors' remuneration (Note 32(a)):				
- short-term employee benefits	283	511	1,342	1,974
- defined contribution benefits	26	53	69	114
- other benefits	1	2	2	2
Material Expenses/(Income)				
Depreciation of equipment (Note 5)	16	31	34	78
Depreciation of right-of-use assets (Note 6)	-	117	136	122
Equipment written off (Note 5)	-	-	3	-
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptance	-	31	28	3
Interest expense on lease liabilities (Note 18)	-	14	11	13

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

25. PROFIT BEFORE TAXATION (CONT'D)

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Material Expenses/(Income) (Cont'd)				
Inventories written down	-	-	129	62
Lease expenses:				
- rental of premises	134	24	3	-
Loss on disposal of a subsidiary	-	446	-	-
Staff costs (including other key management personnel as disclosed in Note 32):				
- short-term employee benefits	1,698	2,809	2,641	2,294
- defined contribution benefits	138	234	259	274
- other benefits	27	73	56	113
Foreign exchange loss/(gain):				
- realised	127	(11)	(51)	44
Gain/(Loss) on disposal of equipment	-	-	(4)	(1)
Gain on modification of leases	-	-	(3)	(2)
COVID-19-related rent concessions (Note 18)	-	-	(3)	-
COVID-19-related subsidies from government	-	-	(53)	-
Interest income	(3)	(35)	(39)	(44)

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. INCOME TAX EXPENSE

The corporate tax rate of the Group on the first RM600,000 (FYE 2020 - RM600,000; FYE 2019 - RM500,000 and FYE 2018 - RM500,000) of chargeable income is 17% (FYE 2020 - 17%; FYE 2019 - 17% and FYE 2018 - 18%). The tax rate applicable to the balance of the chargeable income is 24% for the financial years under review. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Current tax expense:				
- for the financial year	748	940	2,599	2,866
- under/(over)provision in prior years	8	(87)	253	24
	756	853	2,852	2,890
Deferred tax (Note 7):				
- origination and reversal of temporary differences	6	-	(343)	(158)
- overprovision in prior years	-	-	(253)	(1)
	6	-	(596)	(159)
	762	853	2,256	2,731
Represented by:-				
Income tax expense on continuing operations	762	853	2,256	2,731
Income tax expense on discontinued operations	49	6	-	-
	811	859	2,256	2,731

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Profit after taxation	3,033	3,801	7,046	7,796
Total income tax expense	811	859	2,256	2,731
Results from continuing and discontinued operations before income tax expense	3,844	4,660	9,302	10,527

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows (Cont'd):-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Tax at the statutory tax rate of 24%	923	1,118	2,232	2,526
Tax effects of:-				
Non-deductible expenses	5	309	43	438
Non-taxable income	(90)	(219)	(1)	(48)
Others	-	(401)	-	-
Deferred tax assets not recognised during the financial year	-	230	-	-
Differential in tax rates	(35)	(22)	(18)	(208)
Utilisation of deferred tax assets previously not recognised	-	(69)	-	-
Under/(Over)provision in prior years:				
- current tax	8	(87)	253	24
- deferred tax	-	-	(253)	(1)
	811	859	2,256	2,731

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

27. (LOSS)/PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS

The discontinued operations are in relations to the disposal of or discontinued operations of the subsidiary, ICS Network Provider Sdn. Bhd. which has completed on 25 October 2019.

An analysis of the results of the discontinued operations is as follows:-

	Audited	
	FYE 31 December	
	2018 RM'000	**2019** RM'000
Revenue	389	289
Cost of sales	(797)	(2)
Gross (loss)/profit	(408)	287
Other income	3	-
Administrative expenses	(55)	(38)
(Loss)/Profit before taxation	(460)	249
Income tax expense	(49)	(6)
(Loss)/Profit after taxation from discontinued operations	(509)	243

Included in (loss)/profit before taxation from discontinued operations are the following:-

	Audited	
	FYE 31 December	
	2018 RM'000	**2019** RM'000
Audit fee	18	-
Rental of premises	12	8
Staff costs	24	-

The cash flows attributable to the discontinued operations are as follows:-

	Audited	
	FYE 31 December	
	2018 RM'000	**2019** RM'000
Net cash for operation activities	(16)	(99)
Net cash from investing activities	376	-
Net cash from financing activities	-	25
Net cash from/(for) discontinued operations	360	(74)

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. EARNINGS/(LOSS) PER SHARE

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
Continuing Operations				
Profit attributable to owners of the Company (RM'000)	3,542	3,558	7,046	7,796
Weighted average number of ordinary shares in issue ('000):-				
Ordinary shares at 1 January	1,310	1,310	2,490	2,490
Effect of new ordinary shares issued	-	1,180	-	-
Weighted average number of ordinary shares at 31 December ('000)	1,310	2,490	2,490	2,490
Basic earnings per share (RM)	2.70	1.43	2.83	3.13

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. EARNINGS/(LOSS) PER SHARE (CONT'D)

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
Discontinued Operations				
(Loss)/Profit attributable to owners of the Company (RM'000)	(509)	243	-	-
Weighted average number of ordinary shares at 31 December (as above) ('000)	1,310	2,490	2,490	2,490
Basic (loss)/earnings per share (RM)	(0.39)	0.10	-	-

There is no dilution in earnings per share as there is no potential diluted ordinary shares.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. DIVIDENDS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
In respect of the financial year ended 31 December 2019				
- single tier tax exempt interim dividend of RM2.0294 per ordinary share	-	4,424	-	-
- single tier tax exempt interim dividend of RM0.0917 per ordinary share	-	200	-	-
In respect of the financial year ended 31 December 2020				
- single tier tax exempt interim dividend of RM0.2752 per ordinary share	-	-	600	-
- single tier tax exempt interim dividend of RM0.5505 per ordinary share	-	-	1,200	-
	-	4,624	1,800	-

On 27 April 2022, Infoline Solutions declared a final dividend of RM0.9247 per ordinary share amounting to RM2,015,779 in respect of the FYE 2021, which was paid on 6 May 2022. This dividend was not reflected in Infoline Solutions' financial statements for the FYE 2021. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. DISPOSAL OF A SUBSIDIARY

On 25 October 2019, the Group disposed of its entire equity interests in ICS Network Provider Sdn. Bhd for RM38,000 in cash.

The financial effects of the disposal at the date of disposal are summarised below:-

	Audited FYE 2019 RM'000
Goodwill	446
Deferred tax assets	70
Other receivables, deposits and prepayments	1
Current tax assets	12
Cash and bank balances	56
Contract liabilities	(101)
Carrying amount of net assets disposed of	484
Loss on disposal of a subsidiary	(446)
Consideration received, satisfied in cash	38
Less: Cash and bank balances of a subsidiary disposed of	(56)
Net cash outflow from the disposal of a subsidiary	(18)

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of equipment and the additions of right-of-use assets is as follows:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Equipment				
Cost of equipment purchased (Note 5)	20	83	22	377
Right-of-use assets				
Cost of right-of-use assets acquired (Note 6)	-	199	140	-
Less: Additions of new lease liabilities (Note 18)	-	(199)	(140)	-
	-	-	-	-

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Amount Owing To A Director RM'000
FYE 2018	
1.1.2018	513
Changes in Financing Cash Flows	
Advances	1,854
Repayment	(168)
	1,686
31.12.2018	2,199

	Lease Liabilities RM'000	Amount Owing To A Director RM'000	Bankers' Acceptance RM'000	Total RM'000
FYE 2019				
1.1.2019	180	2,199	-	2,379
Changes in Financing Cash Flows				
Proceeds from drawdown	-	-	568	568
Capitalisation of debts	-	(1,180)	-	(1,180)
Repayment	-	(775)	-	(775)
Repayment of principal	(111)	-	-	(111)
Repayment of interest	(14)	-	-	(14)
	(125)	(1,955)	568	(1,512)
Non-cash Changes				
Acquisition of new leases (Notes 18 and 31(a))	199	-	-	199
Interest expense recognised in profit or loss	14	-	-	14
	213	-	-	213
31.12.2019	268	244	568	1,080

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Amount Owing To A Director RM'000	Bankers' Acceptance RM'000	Total RM'000
FYE 2020				
1.1.2020	268	244	568	1,080
Changes in Financing Cash Flows				
Repayment	-	(244)	-	(244)
Repayment of principal	(132)	-	(568)	(700)
Repayment of interest	(11)	-	(11)	(22)
	(143)	(244)	(579)	(966)
Non-cash Changes				
Acquisition of new leases (Notes 18 and 31(a))	140	-	-	140
COVID-19-related rent concessions received	(3)	-	-	(3)
Derecognition due to lease modification	(70)	-	-	(70)
Interest expense recognised in profit or loss	11	-	11	22
	78	-	11	89
31.12.2020	203	-	-	203

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000
FYE 2021	
1.1.2021	203
Changes in Financing Cash Flows	
Repayment of principal	(117)
Repayment of interest	(13)
	(130)
Non-cash Changes	
Modification of lease (Notes 6 and 18)	202
Derecognition due to lease modification	(49)
Interest expense recognised in profit or loss	13
	166
31.12.2021	239

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Interest paid on lease liabilities	-	14	11	13
Payment of lease liabilities	-	111	132	117
	-	125	143	130

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CASH FLOW INFORMATION (CONT'D)

(d) For the purpose of the combined statements of cash flows, the cash and cash equivalents comprise the following:-

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Deposit with a licensed bank	900	900	930	959
Cash and bank balances	1,002	1,841	7,172	11,432
	1,902	2,741	8,102	12,391
Less:				
- Deposit pledged to a licensed bank	(900)	(900)	(930)	-
- Deposit with tenure of more than 3 months	-	-	-	(959)
Cash and cash equivalents from continuing operations	872	1,841	7,172	11,432
Cash and cash equivalents from discontinued operations	130	-	-	-
	1,002	1,841	7,172	11,432

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

32. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The directors and certain members of senior management are the key management personnel of the Group.

The key management personnel compensation during the financial years are as follows:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
(a) Directors:				
Short-term employee benefits				
- fees	-	-	-	32
- salaries, bonuses and commissions	283	511	1,342	1,942
- other benefits	1	2	2	2
	284	513	1,344	1,976
Defined contribution benefits	26	53	69	114
Total directors' remuneration (Note 25)	310	566	1,413	2,090
(b) Other Key Management Personnel				
Short-term employee benefits	323	464	755	462
Defined contribution benefits	33	54	66	56
Total compensation for other key management personnel	356	518	821	518

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

In addition to the information detailed elsewhere in the combined financial statements, the Group has related party relationships with its directors, entities controlled by a director and key management personnel.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following significant transactions with the related parties during the financial years under review:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Former Companies Controlled by A Director				
Sales of goods	927	1,067	1,482	-
Purchase of goods	1,790	1,300	495	-
Lease of premises paid to	30	-	-	-
Company Controlled by A Director				
Lease of premises paid to	24	24	28	50
Directors				
Advances from	1,912	848	-	-
Advances to	-	100	200	-
Payment paid by	272	-	-	-
Lease of premises paid to	12	77	86	50

The significant outstanding balance of the related parties together with their terms and conditions are disclosed in Notes 12 and 21 to the combined financial statements respectively.

34. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a yearly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 4 main reportable segments as follows:

(a) IT infrastructure solutions
(b) Cybersecurity solutions
(c) Managed IT services and other IT services
(d) Trading of ancillary hardware and software

Inter-segment pricing is determined on a negotiated basis.

Segment profit

Segment performance is used to measure performance as the directors believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the directors. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the directors. Hence no disclosure is made on segment liabilities.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.1 BUSINESS SEGMENTS

	IT Infrastructure Solutions RM'000	Cybersecurity Solutions RM'000	Managed IT Services and Other IT Services RM'000	Trading of Ancillary Hardware and Software RM'000	**The Group** RM'000
FYE 2018					
Revenue					
External revenue	8,355	805	8,564	1,114	18,838
Combined revenue					18,838
Results					
Segment profit	2,480	152	4,182	186	7,000
Other income					16
Administrative expenses					(2,550)
Other expenses					(159)
Finance costs					(3)
Combined profit before taxation					4,304
Income tax expense					(762)
Combined profit after taxation					3,542

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.1 BUSINESS SEGMENTS (CONT'D)

	IT Infrastructure Solutions RM'000	Cybersecurity Solutions RM'000	Managed IT Services and Other IT Services RM'000	Trading of Ancillary Hardware and Software RM'000	**The Group** RM'000
FYE 2019					
Revenue					
External revenue	17,647	2,610	8,620	2,181	31,058
Combined revenue					31,058
Results					
Segment profit	4,343	400	3,877	276	8,896
Other income					56
Administrative expenses					(4,270)
Other expenses					(220)
Finance costs					(46)
Net impairment losses on financial assets					(5)
Combined profit before taxation					4,411
Income tax expense					(853)
Combined profit after taxation					3,558

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.1 BUSINESS SEGMENTS (CONT'D)

	IT Infrastructure Solutions RM'000	Cybersecurity Solutions RM'000	Managed IT Services and Other IT Services RM'000	Trading of Ancillary Hardware and Software RM'000	**The Group** RM'000
FYE 2020					
Revenue					
External revenue	18,674	11,219	10,587	3,335	43,815
Combined revenue					43,815
Results					
Segment profit	5,330	1,486	6,912	334	14,062
Other income					135
Administrative expenses					(4,456)
Other expenses					(335)
Finance costs					(43)
Net impairment losses on financial assets					(61)
Combined profit before taxation					9,302
Income tax expense					(2,256)
Combined profit after taxation					7,046

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.1 BUSINESS SEGMENTS (CONT'D)

	IT Infrastructure Solutions RM'000	Cybersecurity Solutions RM'000	Managed IT Services and Other IT Services RM'000	Trading of Ancillary Hardware and Software RM'000	**The Group** RM'000
FYE 2021					
Revenue					
External revenue	33,023	1,509	7,959	2,095	44,586
Combined revenue					44,586
Results					
Segment profit	12,313	323	4,202	199	17,037
Other income					256
Administrative expenses					(6,269)
Other expenses					(440)
Finance costs					(23)
Net impairment losses on financial assets					(34)
Combined profit before taxation					10,527
Income tax expense					(2,731)
Combined profit after taxation					7,796

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.2 GEOGRAPHICAL INFORMATION

Revenue is based on country in which the customers are located.

The information on the disaggregation of revenue based on geographical region is summarised below:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Malaysia	12,444	21,819	28,385	28,602
PRC	5,370	8,160	13,636	8,243
Others	(1)1,024	(2)1,079	(3)1,794	(4)7,741
	18,838	31,058	43,815	44,586

Notes:

(1) FYE 2018 - comprises Hong Kong, Singapore, India and Myanmar.
(2) FYE 2019 - comprises Hong Kong and Singapore.
(3) FYE 2020 - comprises Hong Kong, Australia, Thailand, Singapore, Taiwan, South Korea and India.
(4) FYE 2021 - comprises Hong Kong, Australia, Thailand, Singapore, Taiwan, South Korea, Indonesia, the Philippines, Japan and India.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. OPERATING SEGMENTS (CONT'D)

34.3 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Customer #1	7,088	14,009	23,052	24,121
Customer #2	2,496	-	-	-
Customer #3	-	-	7,627	-
Customer #4	-	-	4,630	-
Customer #5	-	-	-	5,047
	9,584	14,009	35,309	29,168

35. CAPITAL COMMITMENT

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Purchase of right-of-use assets	-	-	90	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

36.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currencies of the Group. The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currency for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency) based on the carrying amounts of the financial instruments at the end of the reporting periods is summarised below:-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure

	USD			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Trade receivables	6	88	162	2,854
Amount owing by a related party	101	535	-	-
Cash and bank balances	-	-	153	1,486
Financial Liability				
Trade payables	(6)	(5)	(265)	(34)
Currency Exposure	101	618	50	4,306

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting periods, with all other variables held constant:-

	Audited			
	FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Effects on Profit After Taxation				
USD/RM				
- strengthened by 5%	4	23	2	164
- weakened by 5%	(4)	(23)	(2)	(164)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

Exposure to Interest Rate Risk

Interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting periods are as follows:-

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Fixed Rate Instruments				
Deposit with a licensed bank	900	900	930	959
Bankers' acceptance	-	(568)	-	-
	900	332	930	959

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis

The interest rate sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk at the end of the reporting periods is as follows:-

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
Number of customer	2	1	2	2
Percentage over total trade receivables (include trade balance owing by a related party)	64%	48%	86%	79%

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite that the fact they are still subject to enforcement activities.

A financial asset is credit impaired when the receivables is in significant financial difficulties.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for its trade receivables (including trade amount owing by a related party). To measure the expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
At 31.12.2018				
Current (not past due)	733	-	-	733
Past due:				
- 1 to 6 months	4,364	-	-	4,364
- 7 to 12 months	61	-	-	61
- more than 1 year	5	-	-	5
	5,163	-	-	5,163
At 31.12.2019				
Current (not past due)	4,772	-	-	4,772
Past due:				
- 1 to 6 months	3,666	-	-	3,666
- 7 to 12 months	221	-	-	221
- more than 1 year	246	-	-	246
	8,905	-	-	8,905

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses (Cont'd)

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
At 31.12.2020				
Current (not past due)	5,632	-	-	5,632
Past due:				
- 1 to 6 months	2,721	-	-	2,721
- 7 to 12 months	110	(60)	-	50
- more than 1 year	5	-	-	5
	8,468	(60)	-	8,408
At 31.12.2021				
Current (not past due)	6,202	-	-	6,202
Past due:				
- 1 to 6 months	3,303	-	-	3,303
- 7 to 12 months	14	-	-	14
- more than 1 year	94	(94)	-	-
	9,613	(94)	-	9,519

The movements in the loss allowance in respect of trade receivables are disclosed in Note 10 to the combined financial statements.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivables would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happen (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factor affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible.

Deposit with a Licensed Bank, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By A Related Party (Non-trade Balance)

The Group applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Group considers loans and advances to related parties has low credit risks. The Group assumes that there is a significant increase in credit risk when the related parties' financial position deteriorates significantly.

The Group measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the related parties does not have sufficient highly liquid resources when the loans and advances are demanded, the Group will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the related parties.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

Allowance for Impairment Losses

At the end of the reporting period, there was no indication that the amount owing is not recoverable.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting periods 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 periods):-

	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Year RM'000	Over 5 Years RM'000
At 31.12.2018						
Non-derivative Financial Liabilities						
Trade payables	-	1,432	1,432	1,432	-	-
Other payables and accruals	-	424	424	424	-	-
Amount owing to a related party	-	151	151	151	-	-
Amount owing to a director	-	2,199	2,199	2,199	-	-
		4,206	4,206	4,206	-	-

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Year RM'000	Over 5 Years RM'000
At 31.12.2019						
Non-derivative Financial Liabilities						
Lease liabilities	5.70	268	285	155	130	-
Trade payables	-	6,745	6,745	6,745	-	-
Other payables and accruals	-	612	612	612	-	-
Amount owing to a director	-	244	244	244	-	-
Bankers' acceptance	5.63	568	600	600	-	-
		8,437	8,486	8,356	130	-
At 31.12.2020						
Non-derivative Financial Liabilities						
Lease liabilities	5.45 - 5.70	203	216	101	115	-
Trade payables	-	6,270	6,270	6,270	-	-
Other payables and accruals	-	1,002	1,002	1,002	-	-
		7,475	7,488	7,373	115	-

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Year RM'000	Over 5 Years RM'000
At 31.12.2021						
Non-derivative Financial Liabilities						
Lease liabilities	4.75 - 5.70	239	253	133	120	-
Trade payables	-	6,561	6,561	6,561	-	-
Other payables and accruals	-	1,456	1,456	1,456	-	-
		8,256	8,270	8,150	120	-

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT’D)

36.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting periods is not presented as its cash and cash equivalents exceeded the total external borrowings.

There was no change in the Group’s approach to capital management during the financial years under review.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	RM'000	RM'000	RM'000	RM'000
Financial Asset				
Amortised Cost				
Trade receivables	5,093	8,370	8,408	9,519
Other receivables	42	227	276	37
Amount owing by a related party	70	535	-	-
Deposit with a licensed bank	900	900	930	959
Cash and bank balances	872	1,841	7,172	11,432
	6,977	11,873	16,786	21,947
Financial Liability				
Amortised Cost				
Lease liabilities	-	268	203	239
Trade payables	1,432	6,745	6,270	6,561
Other payables and accruals	424	612	1,002	1,456
Amount owing to a related party	151	-	-	-
Amount owing to a director	2,199	244	-	-
Bankers' acceptance	-	568	-	-
	4,206	8,437	7,475	8,256

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONT'D)

36.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Audited FYE 31 December			
	2018 RM'000	**2019** RM'000	**2020** RM'000	**2021** RM'000
Financial Asset				
<u>Amortised Cost</u>				
Net gains(loss) recognised in profit or loss	3	30	(23)	10
Financial Liability				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	-	(45)	(39)	(16)

36.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the combined statements of financial position.

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendor of Infoline Solutions to acquire the entire issued share capital of Infoline Solutions for a total purchase consideration of RM9,553,502 which was fully satisfied by the issuance of 191,070,040 new Shares, at an issue price of RM0.05 per Share. The total purchase consideration of RM9,553,502 was arrived at after taking into consideration the NA position of Infoline Solutions as at 30 June 2021 of RM9,553,502. The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the Listing.

(b) On 3 November 2021, Infoline Tec entered into a conditional share sale agreement with the vendor of Infoline Shenzhen to acquire the entire registered capital of Infoline Shenzhen for a total purchase consideration of RM4,907,929 (equivalents to RMB7,635,236 based on closing exchange rate on 30 June 2021 of RMB1:RM0.6428) which was fully satisfied by the issuance of 98,158,580 new Shares, at an issue price of RM0.05 per Share. The total purchase consideration of RM4,907,929 was arrived at after taking into consideration the NA position of Infoline Shenzhen as at 30 June 2021 of RMB7,635,236 (equivalents to RM4,907,929 based on closing exchange rate on 30 June 2021 of RMB1:RM0.6428). The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the Listing.

38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 27 April 2022, the Company obtained approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

(b) The acquisition of Infoline Solutions was completed on 9 May 2022 upon the issuance of 191,070,040 Shares to the vendors of Infoline Solutions. Consequently, Infoline Solutions became the wholly-owned subsidiary of the Group.

(c) The acquisition of Infoline Shenzhen was completed on 9 May 2022 upon the issuance of 98,158,580 Shares to the vendor of Infoline Shenzhen. Consequently, Infoline Shenzhen became the wholly-owned subsidiary of the Group.

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

39. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the borrowing rate. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

The following table explains the difference between the operating lease commitments in the FYE 2018 (determined under MFRS 117) and the lease liabilities recognised at 1 January 2019:-

	The Group RM'000
Operating lease commitments as at 31 December 2018	122
Discounted using the incremental borrowing rate as at 1 January 2019	180
Lease liabilities recognised as at 1 January 2019	180

INFOLINE TEC GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

39. INITIAL APPLICATION OF MFRS 16 (CONT'D)

(b) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	< ---------------	1 January 2019	--------------- >
	As Previously Reported	MFRS 16 Adjustments	As Restated
The Group	RM'000	RM'000	RM'000
Statements of Financial Position			
Right-of-use assets (Note 6)	-	180	180
Lease liabilities (Note 18)	-	180	180

STATEMENT BY DIRECTORS

We, Loo Wai Hong and Choo Wei Chuen, being two of the directors of Infoline Tec Group Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines so as to give a true and fair view of the combined financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, and of its combined financial performance and combined cash flows for each of the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

Signed in accordance with a resolution of the directors dated 20 May 2022.

Loo Wai Hong

Choo Wei Chuen

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.

(iii) None of the share capital of our Company or our subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(iv) Save for our Issue Shares reserved for our Eligible Persons as disclosed in Section 4.3.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Company or our subsidiaries.

(v) None of our Company or our subsidiaries has any outstanding convertible debt security as at the LPD.

15.2 CONSTITUTION

The following provisions are reproduced from our Constitution which comply with the Listing Requirements, the Act and the Rules of Bursa Depository.

The words, terms and expressions appearing in the following provision shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

(i) Transfer of securities

<u>Clause 14 – Transfer of Securities</u>

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

(ii) Remuneration of Directors

<u>Clause 93 – Remunerations of Directors</u>

(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(4) The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.

(5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

(iii) Voting and Borrowing power of Directors

Clause 95 – Powers of Directors

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money;

(2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company

Clause 105 – Directors' Interest in Contracts

(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest

(b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

(iv) Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 8(1) – Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

Clause 12(1) – Allotment of shares or grant of rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company

Clause 46 – Alteration of Capital

(1) The Company may from time to time by an ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) The Company may from time to time by a special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Dealing in Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 15.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or foreign shareholders to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

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15.5 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by any company within our Group during the FYE Under Review, and from 1 January 2022 up to the date of this Prospectus:

(a) Conditional share sale agreement dated 3 November 2021 entered between our Company and the Infoline Solutions Vendors for the Infoline Solutions Acquisition, which was completed on 9 May 2022.

(b) Conditional share sale agreement dated 3 November 2021 entered between our Company and the Infoline Shenzhen Vendor for the Infoline Shenzhen Acquisition, which was completed on 9 May 2022.

(c) Underwriting agreement dated 1 June 2022 entered between our Company and MIDF Investment for the underwriting of up to 26,431,000 Issue Shares under the Public Issue.

15.6 MATERIAL LITIGATION AND ARBITRATION

Our Group is not engaged in any material litigation, claim and/or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial or business position of our Group as at the LPD.

15.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Government of Malaysia does not levy withholding tax on dividend payments. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

As at the LPD, save as disclosed under Annexure A, to the best knowledge of our Directors, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits by or to our Group.

15.8 CONSENTS

The written consent of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretaries, Solicitors, Share Registrar and Issuing House listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position of our Group and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our IMR for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal business hours for a period of six months from the date of this Prospectus:

(i) our Constitution;

(ii) the IMR Report prepared by IMR as included in Section 8 of this Prospectus;

(iii) the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position of our Group as at 31 December 2021 as included to in Section 13 of this Prospectus;

(iv) the Accountants' Report as included in Section 14 of this Prospectus;

(v) the material contracts referred to in Section 15.5 of this Prospectus;

(vi) the letters of consent referred to in Section 15.8 of this Prospectus; and

(vii) audited financial statements of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021.

15.10 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They individually and collectively accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts, the omission of which would make any statement in this Prospectus false or misleading.

MIDF Investment as our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 20 June 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 28 June 2022

Applications for the Issue Shares will open and close at the dates and times stated above.

In the event there is any change to the dates and times stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons of our Group

Types of Application and Category of Investors	Application Method
Applications by the Eligible Persons of our Group	Pink Application Form only
Applications by the Malaysian Public: (a) Individuals (b) Non-Individuals	 White Application Form or Electronic Share Application or Internet Share Application White Application Form only

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16.2.2 Application by Selected Investors and identified Bumiputera investors approved by the MITI via Private Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by identified Bumiputera investors approved by the MITI	The MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions.

Selected investors and identified Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

(i) you must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares with a Malaysian address; or

(b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit Applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, MIDF Investment, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.32 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 725**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, so as to arrive not later than 5.00 p.m. on 28 June 2022 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

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16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House, at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at https://tiih.online within 1 market day after the balloting date

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.3 of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

16.9.1 For Applications by Way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House, as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House, reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For Applications by Way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) our Issue Shares allotted to you will be credited into your CDS account.

(ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and

(iv) in accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

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16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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ANNEXURE A: THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM PRC UNDER PRC LAW

1. Foreign Investment Enterprises (FIEs)

FIEs refers to the enterprises fully or partially invested by foreign investors in the PRC which are governed by the Law of the People's Republic of China on Foreign Investment Enterprises, which was promulgated by the NPC on 15 March 2019 and its Implementation Regulations promulgated on 12th December 2019, both came into effect on 1 January 2020 (together the "**Foreign Investment Law**").

After the Foreign Investment Law came into force, the establishment of a FIEs no longer need the approval of the Ministry of Commerce (the "**MOC**") (or its delegated local authorities). A FIEs may directly be registered with the State Administration for Market Regulation (or its delegated local authorities) and obtain a business licence.

2. Repatriation of Profits and Dividend

After payment of taxes, a FIEs must make contributions to its reserve fund not less than 10 per cent of the after tax profits. If the cumulative total of allocated reserve funds reaches 50% of its registered capital, the FIEs will not be required to make any additional contribution. The reserve fund may be used by a FIEs to make up its losses and can also be used to expand its operations and to increase its capital. The FIEs is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

When foreign investors of a FIEs want to remit profits or dividends of current year abroad, the foreign investors and the FIEs shall present the following documents to the designated foreign exchange banks:

(i) Tax payment certificate and taxation declaration form (for enterprises enjoying tax reduction or exemption, certificate of tax reduction or exemption issued by domiciled taxation administration shall be provided);

(ii) Auditing Report of the current year issued by Certified Public Accountants ("**CPA**");

(iii) Resolution of the board of directors on the distribution of profits or dividends;

If foreign investors want to remit profit or dividends of previous year abroad, in addition to the documents prescribed above, an auditing report issued by CPA on the financial position of the relevant accounting years during which such profits or dividends yielded should also be submitted to the bank.

The bank will review the documents submitted and if no problem is found, should remit the profits or dividends abroad for the FIEs.

Under the PRC laws, FIEs are allowed to provide loan or advance to its foreign investors subject to that the amount is not more than the profits of the FIEs that the foreign investors are entitled to according to their shareholdings in the FIEs.

3. Taxation

The applicable income tax laws, regulations, notices and decisions related to FIEs and their investors include the follows:

(i) The PRC Enterprise Income Tax Law promulgated by the NPC on 16 March 2007 ("Enterprise Income Tax Law") and amended on 24 February 2017 and 29 December 2018;

(ii) Implementing Regulations of the PRC Enterprise Income Tax Law promulgated by the State Council on 6 December 2007 and amended on 23 April 2019 ("**Implementing Regulations of Enterprise Income Tax Law**"); and

(iii) The Income Tax Law Applicable to Individuals of the PRC promulgated by the Standing Committee of NPC on 10 September 1980, which was amended by the Standing Committee of NPC on 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007, 30 June 2011 and 31 August 2018.

The following is a summary of the material tax that applied to FIEs:

(a) Income tax

Pursuant to the Income Tax Law, enterprises (including FIEs) are required to pay income tax at a rate of 25% of their taxable income.

Enterprise tax payers are classified as either resident enterprises or non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that established in accordance with the laws of foreign countries but whose actual or de facto management bodies are located in China. Non-resident enterprise refers to an entity established under foreign law whose de facto management bodies are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

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Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Incomes (《内地和香港特别行政区关于对所得避免双重征税和防止偷漏税的安排》), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% of withholding tax rate shall apply if the Hong Kong resident holds less than 25% of the equity interests in the PRC company. However, pursuant to the Circular on Certain Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (《关于执行税收协定股息条款有关问题的通知》) issued on 20 February 2009 by the State Administration of Taxation, or the SAT, if a PRC tax authority determines, in its discretion, that a company benefits from such reduced income tax rate as a result of an arrangement that is primarily tax-driven, such PRC tax authority may adjust the preferential tax treatment of the company. Based on the Announcement on Certain Issues with Respect to the Beneficial Owner in Tax Treaties (《国家税务总局关于税收协定中受益所有人有关问题的公告》) issued by the SAT on 3 February 2018 and effective on 1 April 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a beneficial owner, and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

(b) Value added tax

The Provisional Regulation of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994, amended on 10 November 2008, 6 February 2016 and 19 November 2017. Under this regulation and the Implementing Rules of the Provisional Regulation of the People's Republic of China Concerning Value Added Tax, value added tax is imposed on sales of goods, services, transportation, construction, property lease, transfer of land use rights etc in the PRC or goods imported into the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 6%, 9% or 13% (depending on the type of goods or services involved) on the full price collected for the goods sold or the taxable services but excluding any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and service in the same financial year.

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4. Foreign Exchange Control

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中华人民共和国外汇管理条例》), as amended on 5 August 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《结汇、售汇及付汇管理规定》), or the Settlement Regulations, promulgated by the People's Bank of China on 20 June 1996 and came into effect on 1 July 1996, foreign exchanges required for profit distributions and dividend payments may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Notice of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《国家外汇管理局关于进一步改进和调整直接投资外汇管理政策的通知》) (the "Circular No. 59"), promulgated on 19 November 2012 and last amended on 30 December 2019 by the State Administration of Exchange Control, or the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legitimate income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that FIEs need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of FIEs is improved.

Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《关于进一步简化和改进直接投资外汇管理政策的通知》) (the "SAFE Circular No. 13"), which was promulgated on 13 February 2015 and became effective on 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under foreign direct investment is directly reviewed and handled by banks in accordance with the Circular No. 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Pursuant to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《国家外汇管理局关于改革外商投资企业外汇资本金结汇管理方式的通知》) promulgated by the SAFE on 30 March 2015 and became effective on 1 June 2015, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《国家外汇管理局关于改革和规范资本项目结汇管理政策的通知》) promulgated by the SAFE on 9 June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises in accordance with the principle of authenticity.

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5. Capital Injection to FIEs

Under the current applicable PRC laws and regulations, the investors of FIEs may invest their capital into China by the following manners:

(i) Contribution to the outstanding registered capital

Investors of FIEs are obliged to paid off the registered capital of the FIEs within the time limit as stipulated in its articles of association.

When the foreign investors have fully paid off the registered capital of the FIEs, the investors may apply to the authorities to increase the registered capital of the FIEs and make contribution to the increased registered capital.

(ii) Shareholder's loan

The investors of FIEs may provide shareholder's loan to the FIEs, the parties should enter into written loan agreement and the loan agreement should be filed with the local SAFE.

(iii) To establish a new FIEs and make contribution to the registered capital of the new FIEs.

6. Conclusion

No laws in PRC would apply to hinder the flow of the capital from the Company or its subsidiaries to Infoline Shenzhen or the payment of profits by Infoline Shenzhen to its foreign shareholder/s.

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