11.3 Management's discussion and analysis of the financial condition and financial performance

The following management's discussion and analysis of our financial condition and financial performances for the past 4 FYEs 2018, 2019, 2020 and 2021 should be read in conjunction with the accompanying notes, assumptions and bases included in the Accountants' Report included in **Section 12** of this Prospectus. There are no accounting policies which are peculiar to our Group in regards to the nature of the business or the industry which our Group is involved in.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under risk factors in **Section 4** of this Prospectus.

11.3.1 Overview of our operations

We are an independent provider of professional cybersecurity services, primarily involved in cybersecurity assessment and penetration testing, cyber risk management and compliance, and the provision of digital forensics and incident response services. Our Group has been providing cybersecurity services since 2005 and we have been recognised by CyberSecurity Malaysia, IDC and other industry bodies (including accreditation and certification bodies) for our services as well as our contribution to the cybersecurity market.

We pride ourselves as an independent provider of professional cybersecurity services and take an impartial approach in all our service offerings as:-

(a) we are not a distributor of any cybersecurity products and solutions; and

(b) we do not proactively sell or recommend any hardware and software products.

We believe that our impartiality contributes to building our customers' trust and confidence in the integrity of our services.

A summary of our business segments and services is set out below:-

Business segment	**Cyber risk prevention services**	**Cyber risk management and compliance services**	**Cyber threat and incident response services**
Business activities	Provision of services in pre-empting cyber attacks through:- **Assessment** (a) vulnerability assessment and penetration testing services; **Training** (b) training for information security on the relevant information security training courses; and **Risk scoring** (c) cybersecurity risk scoring and monitoring services[@].	Provision of cybersecurity advisory and compliance services, which includes:- **Compliance** (a) consultancy services on the identification and auditing on compliance with the relevant regulations and directives, and the implementation of industry best practices for information security management; and **Certification** (b) assessment on compliance with industry standards and certification services in respect of compliances with regulations, directives and/or industry standards.	Provision of professional digital forensics services through:- **Forensics & Incident Response** (a) digital forensics and computer crime investigations; (b) cybersecurity incident response; and (c) compromise assessment.

Business segment	Cyber risk prevention services	Cyber risk management and compliance services	Cyber threat and incident response services
Revenue contribution for the past 4 FYEs	FYE 2018: 50.20% FYE 2019: 58.81% FYE 2020: 59.96% FYE 2021: 58.81%	FYE 2018: 46.39% FYE 2019: 37.89% FYE 2020: 36.30% FYE 2021: 28.83%	FYE 2018: 3.41% FYE 2019: 3.30% FYE 2020: 3.74% FYE 2021: 12.36%
Our customers	Companies and businesses in the private sector as well as governmental and regulatory bodies		
Our industry coverage	Financial services[#], telecommunications and media, technology companies and others (comprising manufacturing, logistics, hospitality, healthcare and retail)		

Notes:-

\# *Includes financial institutions and insurance companies.*

@ *We have introduced this new service i.e. cybersecurity risk scoring and monitoring in the fourth quarter of 2020.*

We provide our professional cybersecurity services predominantly in Malaysia. We also provide our services to overseas-based companies in Asia and other countries. Further details on our business segments are set out in **Section 6.2** of this Prospectus.

Our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis and the duration of the projects undertaken would typically range between 3 months to 12 months, depending on the scope of work and technical complexity of the projects. Typically, purchase orders will be issued by our customers for small-scale projects or ad hoc requests for particular services whilst a formal contract will be prepared and signed by both parties for large-scale projects or requests for multiple services.

Being a cybersecurity services provider, we are dependent on our workforce, in particular, our technical personnel, to undertake the cybersecurity projects. As at LPD, our Group has a total workforce of 90 employees, of which 66 are technical personnel. Due to the nature of our business, our employee benefits expense (i.e. staff costs of workforce) is our primary expense component to our business operations. Given that we do not have any specific material cost, we do not record any direct cost relating to our services as disclosed in the historical audited financial information set out in **Section 11.1** of this Prospectus, and as a result thereof, we do not record any cost of sales/services or gross profit.

We intend to grow our business by leveraging on our competitive strengths set out in **Section 6.3** of this Prospectus and through the following future plans and business strategies:-

(a) purchase of a new office premise to cater to our growing customer base given that our Group secured new number of customers of 94, 85, 85 and 167 in the past 4 FYEs 2018, 2019, 2020 and 2021 respectively and our business expansion;

(b) scaling up our operations by expanding our capability and developing our human capital; and

(c) increasing our geographical footprint through the setting up of a local branch in Singapore, strategic tie-ups or joint ventures with local partners in Vietnam and Cambodia as well as potential strategic acquisitions, if such opportunity arises.

Further details on our future plans and business strategies are set out in **Section 6.25** of this Prospectus.

11.3.2 Components of financial performance

(i) Revenue

We recorded revenue of approximately RM17.39 million, RM20.56 million, RM20.65 million and RM28.26 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Our revenue from our cybersecurity services is recognised at the point in time when our services are rendered to the customers (i.e. the point in time when the performance obligation/milestone in the relevant purchase orders and/or contracts are fulfilled). In this regard, we will invoice our customers based on the pre-agreed fee structure and performance obligation set out in the secured purchase orders and/or contracts. Our cybersecurity fees structure for our projects will vary from project to project, taking into consideration various key factors, including type, scope of services, duration and technical complexity of the projects.

As part of the project requirements from our customers, we may also, from time to time and as and when requested by our customers, recommend and/or assist in procuring the required hardware and software products.

The revenue for such services (which relates to sale of third party products) ("**Sale of Third Party Products**") is recognised when we have transferred control of the said product(s) to our customers with our Group earning a percentage of marked up to the cost of the third party products in accordance to the terms of the purchase orders/contracts.

As we are not a distributor of any cybersecurity products or solutions, we do not hold any products as inventories. We do not represent any product brands and do not carry any quota as distributors to sell products. Further, the said product(s) procured and sold to our customers will differ from project to project, depending on, amongst others, the technical requirements of the projects and product preferences of our customers. For the avoidance of doubt, we wish to highlight that provision of such services is only limited to recommendation and/or assistance in procuring the required hardware and software products. We will not be involved directly in the installation of the third party products and we also do not collaborate with any external parties for the provision of such services.

Our revenue is mainly dependent on the following factors:-

(a) the type, scope of services, duration and technical complexity of the projects;

(b) the demand conditions of the cybersecurity market as set out in **Section 5** of the Industry Overview Report as set out in **Section 7** of this Prospectus, in particular, the proliferation of digital touchpoints and applications, the need to uphold digital privacy and digital transformation economy;

(c) our ability to maintain our established reputation in the cybersecurity market, which will enable us to drive customer retention and maximise recurring income opportunities; and

(d) our ability to attract and retain our technical personnel with certified cybersecurity expertise to service our diversified customer base.

The segmental analysis of our revenue by business segments, geographical location and customer base for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out in the following tables:-

(a) Revenue by business segments

Our revenue by business segments is illustrated in the table below:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Cyber risk prevention								
- Assessment	8,490	48.83	11,560	56.22	12,139	58.79	16,103	56.98
- Training	239	1.37	532	2.59	241	1.17	249	0.88
- Cybersecurity risk scoring and monitoring	-	-	-	-	-	-	268	0.95
Subtotal	**8,729**	**50.20**	**12,092**	**58.81**	**12,380**	**59.96**	**16,620**	**58.81**
Cyber risk management and compliance								
- Certification	2,576	14.82	4,298	20.90	3,788	18.34	4,654	16.47
- Compliance	1,855	10.67	1,726	8.39	2,408	11.66	1,857	6.57
- Sale of Third Party Products*	3,634	20.90	1,768	8.60	1,301	6.30	1,636	5.79
Subtotal	**8,065**	**46.39**	**7,792**	**37.89**	**7,497**	**36.30**	**8,147**	**28.83**
Cyber threat and incident response								
- Forensics & Incident Response	593	3.41	679	3.30	772	3.74	3,495	12.36
Total revenue	**17,387**	**100.00**	**20,563**	**100.00**	**20,649**	**100.00**	**28,262**	**100.00**

Note:-

* *Part of the project requirements, which primarily relates to the sale of third party software licenses.*

Cyber risk prevention segment

Our revenue from the cyber risk prevention segment was mainly derived from the provision of Assessment services and Training.

The growth in our revenue for the cyber risk prevention segment was mainly attributable to the increase in revenue arising from our Assessment services, which was predominantly driven by the increase in 17 new customers in the FYE 2018 and 11 new customers in the FYE 2019 respectively and the subsequent upward revision in our advisory fees (with an average increase of 23.0%) in the FYE 2020 for overall services save for PCI DSS Qualified Security Assessor certification services ("**Fees Revision 2020**"). The Fees Revision 2020 was made in line with the increase in our operating expenses, which rose from approximately RM3.52 million in the FYE 2015 to approximately RM11.80 million in the FYE 2020. Such revision is not common as the previous revision in our advisory fees was only undertaken in the FYE 2015. We experienced a significant growth in revenue arising from our Assessment services in the FYE 2021. This was mainly due to the increase in the demand for our Assessment services from our new customers primarily operating in the technology and financial services industries.

Our business operations and ability to compete with our competitors were not materially affected by the Fees Revision 2020. This was evidenced by the increase of approximately 12.82% and 19.77% in the number of secured orders from the FYE 2019 to the FYE 2020, and the FYE 2020 to the FYE 2021 respectively.

The Assessment services were also the largest revenue contributor to our Group for the past 4 FYEs 2018, 2019, 2020 and 2021, and accounted for 48.83%, 56.22%, 58.79% and 56.98% of our total revenue respectively.

This was mainly due to the increasing demand and market awareness for such services from customers operating in the industry with strict cybersecurity and data protection policies/practices in place (i.e. financial services, telecommunications and media).

During the past 4 FYEs 2018, 2019, 2020 and 2021, our Assessment services were primarily provided to customers operating in the technology, financial services and telecommunications and media industries(1).

Cyber risk management and compliance segment

Our revenue from the cyber risk management and compliance segment was mainly derived from the provision of Compliance and Certification services.

The growth in our revenue for the cyber risk management and compliance segment was mainly attributable to the increase in revenue arising from our Certification services primarily provided to the technology, financial services and telecommunications and media industries(1). Certification services were the second largest revenue contributor to our Group for the past 4 FYEs 2018, 2019, 2020 and 2021 which accounted for 14.82%, 20.90%, 18.34% and 16.47% of our total revenue respectively.

The substantial revenue contribution from the Sale of Third Party Products in the FYE 2018 of approximately RM3.63 million was mainly due to our engagement with our customers from the telecommunication and media industries, who had outlined a high number of third party products to be sourced by us as part of the project requirements.

Cyber threat and incident response segment

Our revenue from the cyber threat and incident response segment was derived solely from provision of Forensics & Incident Response.

The growth in our revenue for the cyber threat and incident response segment was mainly due to our management's response to breaches in cybersecurity infrastructure (which includes, amongst others, our prompt deployment on-site to assist to act as the first responder for cybersecurity incidents as well as prescribing the relevant cybersecurity measures to be implemented following our compromise assessment on the IT infrastructure) and our marketing efforts in developing this segment of the business. The revenue from our Forensics and Incident Response services was the third largest revenue contributor to our Group for the FYE 2021, accounting for 12.36% of our total revenue. This was mainly due to the high number of compromise assessment projects undertaken by our customers operating in the financial services, technology and the other industries (comprising mainly professional service providers) in the FYE 2021.

Note:-

(1) Based on the industry sector classification as set out in revenue segmentation by our customer base set out in (c) below.

(b) Revenue by geographical location

Our revenue by geographical location is illustrated in the table below:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	**16,106**	**92.63**	**17,271**	**83.99**	**16,356**	**79.21**	**22,259**	**78.76**
Overseas markets								
• Singapore	309	1.78	1,872	9.11	2,425	11.74	3,274	11.58
• Other ASEAN countries^	280	1.61	786	3.82	1,128	5.46	954	3.38
• Asia countries and region# (excluding ASEAN)	620	3.57	459	2.23	637	3.09	1,325	4.69
• Others*	72	0.41	175	0.85	103	0.50	450	1.59
Subtotal	**1,281**	**7.37**	**3,292**	**16.01**	**4,293**	**20.79**	**6,003**	**21.24**
Total revenue	**17,387**	**100.00**	**20,563**	**100.00**	**20,649**	**100.00**	**28,262**	**100.00**

Notes:-

^ *Including Cambodia, Indonesia, Thailand, Vietnam and Myanmar.*

Including India, Taiwan, Japan and Hong Kong.

* *Including Canada, Netherlands, Maldives, Australia, Saudi Arabia, France, USA, Turkey and Belgium as well as Vanuatu.*

Our revenue for the past 4 FYEs 2018, 2019, 2020 and 2021 was mainly derived from Malaysia (being the primary market in which our Group operates).

The revenue contribution from our Malaysia markets accounted for approximately 92.63 %, 83.99%, 79.21% and 78.76% of our total revenue in the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Revenue from the Malaysia market for the past 3 FYEs 2018, 2019 and 2020 were mainly derived from our Assessment and Certification services, which amounted to approximately RM10.01 million, RM12.90 million and RM12.17 million respectively. The revenue from the Malaysia market in the FYE 2021 was mainly derived from our Assessment and Forensics & Incident Response services which amounted to approximately RM16.01 million.

The revenue contribution from our overseas markets accounted for approximately 7.37%, 16.01%, 20.79% and 21.24% of our total revenue in the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Revenue from our overseas markets grew from RM1.28 million for the FYE 2018 to RM6.00 million for the FYE 2021, representing a 3 year of CAGR of approximately 67.36%. Singapore was the largest contributor, which accounted for approximately 56.87%, 56.49% and 54.54% of our total overseas revenue for the past 3 FYEs 2019, 2020 and 2021 respectively. Revenue from the Singapore market for the past 4 FYEs 2018, 2019, 2020 and 2021 was mainly derived from our Assessment and Certification services, which amounted to approximately RM0.29 million, RM1.78 million, RM2.39 million and RM3.23 million respectively.

Our overseas revenue (apart from Singapore) was largely contributed by Cambodia, Indonesia and Thailand, all of which collectively accounted for approximately 15.93%, 23.42%, 26.28% and 12.62% of our total overseas revenue for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively, where Assessment and Certification services were the primary revenue contributors.

The Assessment and Certification services from our overseas market (apart from Singapore) amounted to approximately RM0.76 million, RM1.17 million, RM1.36 million and RM2.34 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

(c) Revenue by customer base

Our revenue by customer base is illustrated in the table below:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Financial services	7,099	40.83	7,633	37.12	11,023	53.38	14,435	51.07
Telecommunications and media	5,551	31.93	6,069	29.51	2,873	13.91	1,118	3.96
Technology	2,144	12.33	3,750	18.24	4,182	20.25	6,216	21.99
Industrial, manufacturing and automotive	717	4.12	492	2.39	809	3.92	910	3.22
Consumer and retail	503	2.89	354	1.72	279	1.35	338	1.20
Hospitality and leisure	421	2.42	511	2.49	247	1.20	173	0.61
Aviation and logistics	190	1.10	242	1.18	702	3.40	2,189	7.75
Others*	762	4.38	1,512	7.35	534	2.59	2,883	10.20
Total revenue	**17,387**	**100.00**	**20,563**	**100.00**	**20,649**	**100.00**	**28,262**	**100.00**

Note:-

* *Mainly includes utility service providers, government, healthcare and education which are not the major contributor to our revenue.*

Commentary on past performance

FYE 2018 to FYE 2019

We recorded total revenue of approximately RM20.56 million in the FYE 2019 (FYE 2018: RM17.39 million), representing an increase of approximately RM3.17 million or 18.23%.

The increase in revenue was attributed to the following:-

(i) higher revenue generated from our Assessment services in the FYE 2019 of approximately RM3.07 million or 36.16% was derived from the overall higher revenue generated from both Malaysia and overseas market, which was mainly driven by the following:-

(a) the increase from the telecommunications and media industry of approximately RM1.97 million or 160.16% from RM1.23 million in the FYE 2018 to RM3.20 million in the FYE 2019; and

(b) the increase from the technology industry of approximately RM0.87 million or 85.29% from RM1.02 million in the FYE 2018 to RM1.89 million in the FYE 2019, which were to a certain extent offset by the decrease in the industrial, manufacturing and automotive industries.

(ii) higher revenue generated from Certification services in the FYE 2019 of approximately RM1.72 million or 66.67% which was derived from the overall higher revenue generated from both Malaysia and overseas markets due to the increase in the number of projects secured during the FYE 2019 and mainly driven by the following industries:-

(a) the increase from the technology industry of approximately RM0.72 million or 138.46% from RM0.52 million in the FYE 2018 to RM1.24 million in the FYE 2019;

(b) the increase from the financial services industry of approximately RM0.63 million or 94.03% from RM0.67 million in the FYE 2018 to RM1.30 million in the FYE 2019; and

(c) the increase from the telecommunications and media industry of approximately RM0.45 million or 59.21% from RM0.76 million in the FYE 2018 to RM1.21 million in the FYE 2019,

which were to a certain extent offset by the decrease from other industries, in particular, consumer and retail, industrial and manufacturing as well as logistics.

FYE 2019 to FYE 2020

We recorded total revenue of approximately RM20.65 million in the FYE 2020 which was relatively consistent with the total revenue recorded in the previous financial year (FYE 2019: RM20.56 million).

Our total revenue in the FYE 2020 was mainly contributed by our customers from the financial services, technology and the telecommunications and media industries, which contributed 53.38%, 20.25% and 13.91% to our total revenue in the FYE 2020 respectively.

The revenue generated from the financial services, technology and the telecommunications and media industries in the FYE 2020 was primarily due to the increase in demand for our Assessment services and Compliance services and the subsequent upward revision in our advisory fees (with an average increase of 23.0%) for overall services save for PCI DSS Qualified Security Assessor certification services. The Fees Revision 2020 was made in line with the increase in our operating expenses, which rose from approximately RM3.52 million in the FYE 2015 to approximately RM11.80 million in the FYE 2020. Such revision is not common as the previous revision in our advisory fees was only undertaken in the FYE 2015. Our business operations and ability to compete with our competitors were not materially affected by the Fees Revision 2020. This was evidenced by the increase of approximately 12.82% in the number of secured orders from the FYE 2019 to the FYE 2020.

We recorded a marginal decrease in our revenue from the Malaysian market of approximately RM0.92 million or 5.30% due to the lower number and slowdown of the implementation of cybersecurity projects in the FYE 2020 in view of the COVID-19 pandemic (which led to the decrease in the total customers serviced during the financial year from 192 customers in the FYE 2019 to 165 customers in the FYE 2020), whilst we recorded higher revenue contribution from the following overseas market:-

(i) the higher revenue contributed by Singapore of approximately RM0.55 million or 29.54% mainly due to the increase in demand for our Certification services; and

(ii) the higher revenue contributed by other overseas markets (apart from Singapore) of approximately RM0.45 million or 31.55% is mainly due to the increase in demand for our Assessment services and Compliance services.

FYE 2020 to FYE 2021

We recorded total revenue of approximately RM28.26 million in the FYE 2021 (FYE 2020: RM20.65 million), representing an increase of approximately RM7.61 million or 36.85%.

The increase in revenue was mainly attributed to the following:-

(i) higher revenue generated from our Assessment services in the FYE 2021 of approximately RM3.96 million or 32.62%. This was mainly derived from the overall higher revenue generated from both Malaysia and overseas market resulting from the increase in number of projects undertaken during the financial year, which was mainly driven by the following:-

    (a) the increase from the financial services industry of approximately RM2.31 million or 31.69% from approximately RM7.29 million in the FYE 2020 to RM9.60 million in the FYE 2021;

    (b) the increase from the technology industry of approximately RM0.65 million or 31.86% from RM2.04 million in the FYE 2020 to RM2.69 million in the FYE 2021; and

    (c) the increase from the aviation and logistics industry of approximately RM0.84 million or 233.33% from approximately RM0.36 million in the FYE 2020 to approximately RM1.20 million in the FYE 2021,

    which were to a certain extent offset by the decrease in the telecommunications and media industry. This was mainly due to reduced orders and projects from a major customer (i.e. Customer H as disclosed in **Section 6.12** of this Prospectus) due to its ongoing internal streamlining exercise.

(ii) higher revenue generated from Forensics & Incident Response services in the FYE 2021 of approximately RM2.73 million or 354.55% which was mainly derived from the higher revenue generated from the Malaysian market as a result of a high number of compromise assessment projects undertaken in the FYE 2021. The demand for Forensics & Incident Response services was mainly driven by the following industries:-

    (a) the increase from the financial services industry of approximately RM1.30 million or 224.14% from approximately RM0.58 million in the FYE 2020 to RM1.88 million in the FYE 2021;

    (b) the increase from the technology industry of approximately RM0.42 million or 780.00% from RM53,409 in the FYE 2020 to RM0.47 million in the FYE 2021; and

(c) the increase from the other industries (comprising mainly professional services providers) of approximately RM0.89 million or 7,243.94% from RM12,255 in the FYE 2020 to RM0.90 million in the FYE 2021.

(iii) higher revenue generated from Certification services in the FYE 2021 of approximately RM0.86 million or 22.69% which was derived from the overall higher revenue generated due to the increase in the number of projects secured during the FYE 2021. The demand for Certification services was mainly driven by the following industries:-

(a) the increase from the technology industry of approximately RM1.21 million or 90.98% from RM1.33 million in the FYE 2020 to RM2.54 million in the FYE 2021; and

(b) the increase from the financial services industry of approximately RM0.20 million or 23.81% from approximately RM0.84 million in the FYE 2020 to RM1.04 million in the FYE 2021,

which were to a certain extent offset by the decrease in the telecommunications and media industry.

(ii) Other income

We recorded other income of approximately RM0.52 million, RM0.53 million, RM1.73 million and RM0.36 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

The following table sets out our other income during the past 4 FYEs 2018, 2019, 2020 and 2021:-

	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	(RM'000)	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**
Rental income	243	46.46	224	42.58	148	8.58	74	20.50
Sundry income	279	53.35	245	46.58	91	5.28	285	78.95
Gain on foreign exchange	1	0.19	-	-	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	57	10.84	212	12.29	-	-
Gain on disposal of subsidiary	-	-	-	-	1,069	61.97	-	-
Government grant	-	-	-	-	205	11.88	2	0.55
Total other income	**523**	**100.00**	**526**	**100.00**	**1,725**	**100.00**	**361**	**100.00**

(a) <u>Rental income</u>

Our rental income was derived from the following:-

(i) rental of our investment properties as set out in **Section 6.18.1** of this Prospectus to third parties; and

(ii) rental from our sub-tenancy arrangement in respect of the sublease of a portion of our current floor space to external parties and our associate company, TUV Austria Cybersecurity Lab for its cybersecurity lab operations (in respect of the FYE 2020 and the FYE 2021).

(b) **Sundry income**

Our sundry income was derived mainly from overhead cost-billed in respect of a previous partnership formed in 2018 to, amongst others, set up a cybersecurity hub in Malaysia. The partnership was mutually ended in the FYE 2020. Our sundry income in FYE 2021 was derived mainly from changes in the fair value of other investments of approximately RM0.14 million as well as one-off insurance compensation of approximately RM67,000 received for the loss of a motor vehicle.

(c) **Gain on foreign exchange**

Our gain on foreign exchange was in respect of the translation of monetary assets denominated in foreign currency.

(d) **Gain on disposal of property, plant and equipment**

Our gain on disposal of property, plant and equipment was in respect of the disposal of furniture, fittings and motor vehicles.

(e) **Gain on disposal of subsidiary**

The gain on disposal of 60% equity interest in LGMS Infosec Lab Sdn Bhd arose following the establishment of a strategic partnership with TÜV TRUST IT ("**Disposal to TÜV TRUST IT**"). As a result of the Disposal to TÜV TRUST IT, LGMS Infosec Lab Sdn Bhd became an associate of LE Global and was subsequently renamed TUV Austria Cybersecurity Lab in the FYE 2020.

(f) **Government grant**

The grant pertains to a wage subsidy received from SOCSO under the Wage Subsidy Programme as part of a temporary financial assistance programme introduced and received from the Malaysian Government with the aim of providing financial assistance to small and medium sized enterprises during the COVID-19 pandemic period.

Commentary on other income

FYE 2018 to FYE 2019

We recorded other income of approximately RM0.53 million in the FYE 2019, which was relatively consistent with the other income recorded in the previous financial year (FYE 2018: RM0.52 million).

FYE 2019 to FYE 2020

We recorded other income of approximately RM1.73 million in the FYE 2020 (FYE 2019: RM0.53 million), representing an increase of approximately RM1.20 million or 226.42%. This was attributable to the following:-

(i) one-off gain in respect of the Disposal to TÜV TRUST IT of approximately RM1.07 million in the FYE 2020;

(ii) one-off gain on disposal of property, plant and equipment of approximately RM0.21 million in the FYE 2020 following the disposal of motor vehicles; and

(iii) one-off receipt of a grant from the Malaysian Government of approximately RM0.20 million in the FYE 2020;

which were to a certain extent offset by the decrease in rental income due to the expiry of sub-tenancy arrangement with external parties in FYE 2020 and decrease in sundry income mainly due to lower overhead cost billed in the FYE 2020 as the previous partnership (formed to, amongst others, set up a cybersecurity hub in Malaysia) ended in the FYE 2020.

FYE 2020 to FYE 2021

We recorded a lower other income of approximately RM0.36 million in the FYE 2021 (FYE 2020: RM1.73 million), representing a decrease of approximately RM1.37 million or 79.19%. This was mainly due to the higher other income of approximately RM1.73 million recorded by our Group in the previous financial year, which was mainly due to the one-off gain of approximately RM1.07 million recorded in the FYE 2020 (arising from the Disposal to TÜV TRUST IT).

(iii) Employee benefits expense

We recorded employee benefits expense of approximately RM4.91 million, RM6.14 million, RM6.20 million and RM8.34 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Our employee benefits expense relates to staff costs comprising salaries, allowances and bonuses as well as contribution to EPF. Our employee benefits expense during the past 4 FYEs 2018, 2019, 2020 and 2021 are set out as follows:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Salaries, allowances and bonuses	4,273	86.99	5,126	83.44	5,324	85.94	7,306	87.65
Contribution to EPF	497	10.12	583	9.49	631	10.19	851	10.21
Other staff related expenses	142	2.89	434	7.07	240	3.87	178	2.14
Total employee benefits expense	**4,912**	**100.00**	**6,143**	**100.00**	**6,195**	**100.00**	**8,335**	**100.00**

(a) Salaries, allowances and bonuses

Salaries, allowances and bonuses comprise directors' remuneration, wages and salaries (including bonuses) and allowances of our employees. These are primarily for our Executive Directors, key senior management, technical, commercial, human resources, business development and marketing personnel and finance personnel.

(b) Contribution to EPF

Contributions to EPF are monies credited to the employees' individual accounts in the EPF in accordance with the statutory mandatory contribution rates. The amount is calculated based on the monthly wages of an employee and includes any bonus payable to the employee.

(c) Other staff related expenses

Other staff related expenses mainly comprise staff training expenses, contributions to SOCSO and employment insurance scheme as well as staff related benefits.

Commentary on employee benefits expense

FYE 2018 to FYE 2019

We recorded employee benefits expense of approximately RM6.14 million in the FYE 2019 (FYE 2018: RM4.91 million), representing a significant increase of approximately RM1.23 million or 25.05%. This was mainly attributable to the following:-

(i) increase in wages and salaries (excluding directors) of approximately RM0.82 million or 34.60% to RM3.19 million in the FYE 2019 (FYE 2018: RM2.37 million) mainly arising from the expansion of our workforce, in particular, our technical personnel; and

(ii) increase in staff related expenses of approximately RM0.29 million or 207.14% to RM0.43 million in the FYE 2019 (FYE 2018: RM0.14 million), primarily due to the overseas trip organised for team building purposes as a reward to our staff for their loyalty and contributions to our Group.

FYE 2019 to FYE 2020

We recorded employee benefits expense of approximately RM6.20 million in the FYE 2020, which was relatively consistent with the employee benefits expense recorded in the previous financial year (FYE 2019: RM6.14 million).

Our employee benefits expense did not increase in tandem with the increase in our employees from 60 in the FYE 2019 to 79 in the FYE 2020. This was mainly due to our Group's cash management strategy (which involved the temporary suspension of Company events and trips as well as temporary suspension of staff bonuses in the FYE 2020) in view of the uncertainties due to the COVID-19 pandemic.

FYE 2020 to FYE 2021

We recorded employee benefits expense of approximately RM8.34 million in the FYE 2021 (FYE 2020: RM6.20 million), representing a significant increase of approximately RM2.14 million or 34.52%. This was mainly attributable to the following:-

(i) increase in wages and salaries (excluding directors) of approximately RM0.73 million or 19.06% to RM4.56 million in the FYE 2021 (FYE 2020: RM3.83 million), and increase in contribution to EPF of approximately RM0.22 million or 34.92% to RM0.85 million in the FYE 2021 (FYE 2020: RM0.63 million). This was mainly due to the revision in the overall remuneration package of our employees and expansion of our workforce; and

(ii) payment of bonuses amounting to approximately RM1.01 million in view of our Group's financial performance in the FYE 2021. Our Group had previously suspended the payment of staff bonuses in the FYE 2020 pursuant to our cash management strategy in view of the uncertainties due to the COVID-19 pandemic.

(iv) Information technology expenses

We recorded information technology expenses of approximately RM1.70 million, RM2.05 million, RM1.79 million and RM2.11 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Our information technology expenses for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out below:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Software expenses	1,434	84.30	1,742	84.85	1,233	69.00	1,231	58.23
Certification and assessment related fees	82	4.82	42	2.05	326	18.24	850	40.21
Training related expenses	185	10.88	269	13.10	228	12.76	33	1.56
Total information technology expenses	**1,701**	**100.00**	**2,053**	**100.00**	**1,787**	**100.00**	**2,114**	**100.00**

(a) <u>Software expenses</u>

Our software expenses relate to the fees paid for information technology security related software that assists us in undertaking, amongst others, specific tasks on the IT infrastructures (which includes systematic reviews and authorised testings on targeted information system ("**Cybersecurity related Software**")) and software licenses for our cybersecurity operations as well as the procurement expenses incurred to purchase software for Sale of Third Party Products (which includes the cost of the software and other associated costs incurred to undertake the preliminary feasibilities studies on the usage of such software, if any) ("**Third Party Software Acquisition Costs**"), as requested by our customers from time to time as part of the project requirements.

(b) <u>Certification and assessment related fees</u>

Our certification and assessment related fees mainly comprise costs incurred for the attestation of relevant certifications to our customers as set out in **Section 6.2.2** of this Prospectus and payment of consultation fees to external parties with specialised technical expertise to perform certain works depending on project requirements determined by our customers.

Being an independent external service provider and accredited tester as set out in **Section 6** of this Prospectus, we are required to perform assessment and/or testing on targeted information systems and controls deployed by our customers for the purposes of obtaining and/or maintaining certain certifications. Upon completion of our assessments, we will procure the necessary certification from the relevant accreditation and certification bodies. Our costs incurred for such services are primarily payment for ISO compliance assessment and certification as well as payment to our associate company, TUV Austria Cybersecurity Lab for undertaking formal evaluation on the security products and Common Criteria recommendations to the relevant certification bodies.

(c) <u>Training related expenses</u>

Our training expenses relate to expenses incurred in conducting relevant information security training courses for our customers as set out in **Section 6.2.1(B)** of this Prospectus.

Commentary on information technology expenses

FYE 2018 to FYE 2019

We recorded information technology expenses of approximately RM2.05 million in the FYE 2019 (FYE 2018: RM1.70 million), representing an increase of approximately RM0.35 million or 20.59%. This was mainly attributable to the increase in software expenses of approximately RM0.31 million or 21.68% which was in line with the increase in our business operations in FYE 2019 and payment of fees in relation to the Cybersecurity related Software for our cybersecurity operations.

FYE 2019 to FYE 2020

We recorded information technology expenses of approximately RM1.79 million in the FYE 2020 (FYE 2019: RM2.05 million), representing a decrease of approximately RM0.26 million or 12.68%. This was mainly attributable to the lower software expenses of approximately RM0.51 million or 29.31% which was mainly due to lower Third Party Software Acquisition Costs arising from lower number of Sale of Third Party Products. This was to a certain extent, offset by the increase in certification and assessment related fees.

FYE 2020 to FYE 2021

We recorded information technology expenses of approximately RM2.11 million in the FYE 2021 (FYE 2020: RM1.79 million), representing an increase of approximately RM0.32 million or 17.88%. This was mainly attributable to the higher certification and assessment related fees of approximately RM0.52 million or 157.58% as higher payments for ISO compliance assessment and certification as well as payments to our associate company, TUV Austria Cybersecurity Lab (for Common Criteria projects) were incurred in the FYE 2021 following the higher number of Assessment and Certification projects undertaken.

(v) Depreciation expenses

We recorded depreciation expenses (which mainly relate to our property, plant and equipment as well as right-of-use assets) of approximately RM0.54 million, RM1.11 million, RM1.22 million and RM1.08 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Commentary on depreciation expenses

FYE 2018 to FYE 2019

We recorded depreciation expenses of approximately RM1.11 million in the FYE 2019 (FYE 2018: RM0.54 million), representing an increase of approximately RM0.57 million or 105.56%. This was mainly attributable to the depreciation of right-of-use assets on lease of office buildings for our business operations following the adoption of MFRS 16 and addition of motor vehicles which were acquired under hire-purchase arrangements.

MFRS 16 requires that a lessee applies a "right-of-use assets" accounting approach that would recognise an asset on the lessee's statements of financial position, representing its right to use the leased asset over the lease term, and recognise a corresponding liability to make lease payments. As a result thereof, the finance cost on lease liabilities in respect of the right-of-use assets would typically be higher in the earlier years of the lease tenure and lower in later years.

FYE 2019 to FYE 2020

We recorded depreciation expenses of approximately RM1.22 million in the FYE 2020 (FYE 2019: RM1.11 million), representing an increase of approximately RM0.11 million or 9.91%. This was mainly attributable to the following:-

(i) increase in depreciation of right-of-use assets due to a full year recognition of the leasing of our additional office premise at A-11-02A, Empire Office Tower, Jalan SS 16/1, 47500 Subang Jaya, Selangor following our floor space expansion in June 2019; and

(ii) increase in depreciation of property, plant and equipment following the purchase of additional computer equipment for our operations during the FYE 2020.

FYE 2020 to FYE 2021

We recorded a lower depreciation expense of approximately RM1.08 million in the FYE 2021 (FYE 2020: RM1.22 million). This was mainly attributable to the decrease in depreciation for right-of-use assets as two units of motor vehicles were fully depreciated during the financial year as well as the reduction in depreciation for renovation and office equipment as certain items were written off in the previous financial year.

(vi) Other operating expenses

We recorded other operating expenses of approximately RM2.72 million, RM3.32 million, RM2.60 million and RM2.76 million for the past 4 FYEs 2018, 2019, 2020 and 2021 respectively.

Our other operating expenses for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out below:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Sales and marketing expenses	1,120	41.24	1,674	50.42	414	15.94	191	6.92
Professional fees	67	2.46	43	1.30	699	26.92	838	30.36
Subscription fees	326	12.00	335	10.09	325	12.51	367	13.30
Upkeep expenses	83	3.06	83	2.50	51	1.96	36	1.30
Insurance expenses	64	2.36	127	3.83	298	11.47	304	11.02
Motor vehicles expenses	114	4.20	154	4.64	110	4.24	75	2.72
Realised loss on foreign exchange	119	4.38	38	1.14	20	0.77	21	0.76
Unrealised loss on foreign exchange	-	-	-	-	-	-	2	0.07
Administrative expenses	415	15.28	421	12.68	464	17.87	278	10.07
Others*(1)*	408	15.02	445	13.40	216	8.32	648	23.48
Total other operating expenses	**2,716**	**100.00**	**3,320**	**100.00**	**2,597**	**100.00**	**2,760**	**100.00**

Note:-

(1) Others mainly comprise project management fees, quit rent and assessment, property maintenance fees, utility expenses and rental expenses.

(a) **Sales and marketing expenses**

Our sales and marketing expenses comprise, amongst others, expenses incurred on advertising and sales commissions for project referrals (which will be paid to external parties in respects of referrals that have led us to secure purchase orders and/or contracts).

(b) **Professional fees**

Our professional fees comprise, amongst others, fees paid to advisers in relation to legal (in particular, preparation and execution of shareholder agreement in relation to Disposal to TÜV TRUST IT and shares sales agreements in relation to the Disposal to TÜV TRUST IT and Pre-IPO Restructuring), audit, taxation and secretarial matters as well as expenses relating to our Listing (only in respect of FYE 2020 and 2021).

(c) **Subscription fees**

Our subscription fees comprise, amongst others, payment of membership fees for professional bodies and software subscription fees for applications used for internal use, in particular, administrative and accounting purposes.

(d) **Upkeep expenses**

Our upkeep expenses relate to expenses incurred on upkeeping office equipment and office cleaning expenses.

(e) **Insurance expenses**

Our insurance expenses relate to expenses incurred to maintain and/or obtain, amongst others, key personnel insurance, professional indemnity insurance and comprehensive general liability policy.

(f) **Motor vehicles expenses**

Our motor vehicles expenses comprise expenses on motor vehicle maintenance, petrol, road tax and insurance on motor vehicles.

(g) **Realised and unrealised loss on foreign exchange**

Our realised loss on foreign exchange is in respect of settlement of foreign currency denominated transactions and translation of monetary assets and liabilities denominated in foreign currencies whilst our unrealised loss on foreign exchange relates to translation of monetary assets and liabilities denominated in foreign currencies as at the end of the reporting financial period.

(h) **Administrative expenses**

Our administrative expenses comprise, amongst others, office expenses, postage and courier charges, bank charges, printing and stationery expenses, travelling expenses, staff recruitment expenses and business license fees.

Commentary on other operating expenses

FYE 2018 to FYE 2019

We recorded other operating expenses of approximately RM3.32 million in the FYE 2019 (FYE 2018: RM2.72 million), representing an increase of approximately RM0.60 million or 22.06%. This was mainly attributable to the following:-

(i) increase in sales and marketing expenses of approximately RM0.55 million or 49.11%, mainly due to higher sales commission paid in the FYE 2019; and

(ii) project management fee of approximately RM0.17 million incurred in relation to cybersecurity projects in Cambodia,

which was to a certain extent offset by the decrease in realised loss on foreign exchange of approximately RM80,789 or 68.06% in the FYE 2019.

FYE 2019 to FYE 2020

We recorded other operating expenses of approximately RM2.60 million in the FYE 2020 (FYE 2019: RM3.32 million), representing a decrease of approximately RM0.72 million or 21.69%. This was mainly attributable to the following:-

(i) decrease in sales and marketing expenses of approximately RM1.26 million or 75.27%, mainly due to lower sales commission paid in the FYE 2020; and

(ii) decrease in indirect tax expenses of approximately RM0.17 million or 84.37%, mainly due to higher withholding tax payment made by our Group (arising from the purchases and subscription of software from overseas suppliers and service providers) in the previous financial year,

which was to a certain extent offset by the increase in professional fees, in particular, expenses relating to our Listing of approximately RM0.59 million.

FYE 2020 to FYE 2021

We recorded other operating expenses of approximately RM2.76 million in the FYE 2021 (FYE 2020: RM2.60 million), representing an increase of approximately RM0.16 million or 6.15%.

This was mainly attributable to the following:-

(i) higher other expenses of approximately RM0.65 million incurred in the FYE 2021 (FYE 2020: RM0.22 million), mainly arising from the increase in indirect tax expenses of approximately RM0.26 million due to higher withholding tax payment made by our Group (arising from the purchases and subscription of software from overseas suppliers and service providers) during the financial year; and

(ii) higher professional fees of approximately RM0.84 million incurred in the FYE 2021 (FYE 2020: RM0.70 million), mainly arising from our Listing fees incurred during the financial year of approximately RM0.74 million,

which was to a certain extent offset by the decrease in sales and marketing expenses of approximately RM0.22 million, resulting from lower sales commission paid in the FYE 2021.

(vii) Operating profit

Our operating profit and operating profit margin for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out below:-

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Operating profit (RM'000)	8,042	8,466	10,573	14,337
Adjusted operating profit (RM'000)	8,042	8,409	9,292	14,337
Operating profit margin (%)(1)	46.25	41.17	51.20	50.73
Adjusted operating profit margin (%)(3)	46.25	(2)40.89	(2)45.00	50.73

Notes:-

(1) Computed based on operating profit over our revenue.

(2) After adjusting for one-off gains of approximately RM57,000 and RM1.28 million recorded in the FYEs 2019 and 2020 respectively.

(3) Computed based on adjusted operating profit over our revenue.

<u>FYE 2018 to FYE 2019</u>

We recorded an adjusted operating profit of approximately RM8.41 million for the FYE 2019 (FYE 2018: RM8.04 million), representing an increase of approximately RM0.37 million or 4.60%. The increase in our adjusted operating profit was in line with the growth in our revenue of 18.23% for the FYE 2019.

Our adjusted operating profit margin decreased to 40.89% for the FYE 2019 (FYE 2018: 46.25%). The decrease in our adjusted operating profit margin was mainly due to the following:-

(i) increase in employee benefits expense to approximately RM6.14 million in the FYE 2019 (FYE 2018: RM4.91 million), representing a significant increase of approximately RM1.23 million or 25.05%.

This was mainly attributable to the following:-

- increase in wages and salaries (excluding directors) of approximately RM0.82 million or 34.60% to RM3.19 million in the FYE 2019 (FYE 2018: RM2.37 million) arising from the expansion of our workforce in particular our technical personnel; and

- increase in staff related expenses of approximately RM0.29 million or 207.14% to RM0.43 million in the FYE 2019 (FYE 2018: RM0.14 million) arising mainly from our overseas trip for team building.

(ii) increase in depreciation expenses to approximately RM1.11 million in the FYE 2019 (FYE 2018: RM0.54 million), representing an increase of approximately RM0.57 million or 105.56%. This was mainly attributable to the depreciation of right-of-use assets on leased buildings for our operations as a result of the adoption of MFRS 16.

(iii) increase in information technology expenses to approximately RM2.05 million in the FYE 2019 (FYE 2018: RM1.70 million), representing an increase of approximately RM0.35 million or 20.59%. This was mainly attributable to the increase in software expenses of approximately RM0.31 million or 21.68% which was in line with the increase in our business operations in the FYE 2019 and higher purchases in relation to Cybersecurity related Software.

(iv) increase in other operating expenses to approximately RM3.32 million in the FYE 2019 (FYE 2018: RM2.72 million), representing an increase of approximately RM0.60 million or 22.06%. This was mainly attributable to the increase in sales and marketing expenses of approximately RM0.55 million or 49.11%, mainly due to higher sales commission paid in the FYE 2019.

FYE 2019 to FYE 2020

We recorded an adjusted operating profit of approximately RM9.29 million for the FYE 2020 (FYE 2019: RM8.41 million), representing an increase of approximately RM0.88 million or 10.46%. The increase in our adjusted operating profit was mainly due to the following:-

(i) decrease in information technology expenses to approximately RM1.79 million in the FYE 2020 (FYE 2019: RM2.05 million), representing a decrease of approximately RM0.26 million or 12.68%. This was mainly attributable to the lower software expenses of approximately RM0.51 million or 29.31% which was mainly due to lower Third Party Software Acquisition Costs arising from lower number of Sale of Third Party Products. This was to a certain extent, offset by the increase in certification and assessment related fees.

(ii) decrease in other operating expenses to approximately RM2.60 million in the FYE 2020 (FYE 2019: RM3.32 million), representing a decrease of approximately RM0.72 million or 21.69%. This was mainly attributable to the following:-

    (a) decrease in sales and marketing expenses of approximately RM1.26 million or 75.27%, mainly due to lower sales commission paid in the FYE 2020; and

    (b) decrease in indirect tax expenses of approximately RM0.17 million or 84.37% due to higher withholding tax payment made by our Group (arising from the purchases and subscription of software from overseas suppliers and service providers) in the previous financial year,

    which was to a certain extent offset by the increase in professional fees, in particular, expenses relating to our Listing of approximately RM0.59 million.

Our adjusted operating profit margin increased to 45.00% for the FYE 2020 (FYE 2019: 40.89%). The increase in our adjusted operating profit margin was mainly due to the decrease in information technology expenses and other operating expenses as stipulated above.

FYE 2020 to FYE 2021

We recorded an adjusted operating profit of approximately RM14.34 million for the FYE 2021 (FYE 2020: RM9.29 million), representing an increase of approximately RM5.05 million or 54.36% which is in line with the increase in our revenue in the FYE 2021.

Our adjusted operating profit margin increased to 50.73% for the FYE 2021 (FYE 2020: 45.00%). The increase in our adjusted operating profit margin was mainly due to the full year impact of the recognition of the Fees Revision 2020 in the FYE 2021 and the increase in the number of compromise assessment projects (which typically command higher contracts/purchase orders value depending on the size and technical complexity of the projects whilst the number of technical personnel required to be deployed for the projects are generally lower compared to other types of cybersecurity projects) undertaken during the financial year.

(viii) Finance income

The following table sets out our finance income during the past 4 FYEs 2018, 2019, 2020 and 2021:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Income from other investments	20	55.56	83	55.70	79	81.44	107	93.04
Interest income	16	44.44	66	44.30	18	18.56	8	6.96
Total finance income	**36**	**100.00**	**149**	**100.00**	**97**	**100.00**	**115**	**100.00**

Our finance income primarily comprises return from other investments and interest income from financial assets, which mainly consists of cash and bank balances as well as deposits placed with licensed banks and are pledged for credit facilities granted to us.

<u>Commentary on finance income</u>

<u>FYE 2018 to FYE 2019</u>

We recorded a finance income of approximately RM0.15 million in the FYE 2019 (FYE 2018: RM36,334), representing an increase of approximately RM0.11 million. This was attributable to the following:-

(i) increase in income from other investments of approximately RM63,323 or 314.15% in line with our higher funds invested in other investments; and

(ii) increase in interest income from licensed banks of approximately RM49,533 or 306.19%, in line with our higher fixed deposits and money market deposits placed with the licensed banks.

<u>FYE 2019 to FYE 2020</u>

We recorded a finance income of approximately RM0.10 million in the FYE 2020 (FYE 2019: RM0.15 million), which was fairly consistent with the previous financial year.

<u>FYE 2020 to FYE 2021</u>

We recorded a finance income of approximately RM0.12 million in the FYE 2021 (FYE 2020: RM0.10 million), which was fairly consistent with the previous financial year.

(ix) Finance cost

The following table sets out our finance cost for the past 4 FYEs 2018, 2019, 2020 and 2021:-

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest expenses on:-								
- Term loans	33	55.00	32	18.39	28	16.67	25	18.94
- Finance lease / Lease liabilities	27	45.00	142	81.61	140	83.33	107	81.06
Total finance cost	**60**	**100.00**	**174**	**100.00**	**168**	**100.00**	**132**	**100.00**

Our finance cost comprises interest incurred on term loans and lease liabilities.

Commentary on finance costs

FYE 2018 to FYE 2019

We recorded finance costs of approximately RM0.17 million in the FYE 2019 (FYE 2018: RM60,040), representing an increase of approximately RM0.11 million or 183.33%. This was mainly attributable to the finance cost on lease liabilities as a result of the adoption of MFRS 16.

FYE 2019 to FYE 2020

We recorded finance costs of approximately RM0.17 million in the FYE 2020, which was relatively consistent with the finance costs recorded in the previous financial year (FYE 2019: RM0.17 million).

FYE 2020 to FYE 2021

We recorded finance costs of approximately RM0.13 million in the FYE 2021, which was relatively consistent with the finance costs recorded in the previous financial year (FYE 2020: RM0.17 million).

(x) PBT

Our PBT and PBT margin for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out below:-

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
PBT (RM'000)	8,018	8,441	10,611	14,285
Adjusted PBT (RM'000)	8,018	8,384	9,330	14,285
PBT margin (%)(1)	46.11	41.05	51.39	50.54
Adjusted PBT margin (%)(2)	46.11	40.77	45.18	50.54

Notes:-

(1) Computed based on PBT over our revenue.

(2) Computed based on adjusted operating profit over our revenue.

FYE 2018 to FYE 2019

We recorded an adjusted PBT of approximately RM8.38 million for the FYE 2019 (FYE 2018: RM8.02 million), representing an increase of approximately RM0.36 million or 4.49%. The increase in our adjusted PBT was in line with the growth in our adjusted operating profit of 4.60% for the FYE 2019.

Our adjusted PBT margin decreased to 40.77% for the FYE 2019 (FYE 2018: 46.11%). The decrease in our adjusted PBT margin was in line with the decrease in our adjusted operating profit margin in FYE 2019.

FYE 2019 to FYE 2020

We recorded an adjusted PBT of approximately RM9.33 million for the FYE 2020 (FYE 2019: RM8.38 million), representing an increase of approximately RM0.95 million or 11.34%. The increase in our adjusted PBT was in line with the growth in our adjusted operating profit of 10.46% for the FYE 2020.

Our adjusted PBT margin increased to 45.18% for the FYE 2020 (FYE 2019: 40.77%). The increase in our adjusted PBT margin was primarily due to the increase in our adjusted operating profit margin in FYE 2020 as well as the share of results of associate of approximately RM0.11 million recorded in the FYE 2020 (which was slightly offset by the finance costs). Our adjusted PBT margin for the FYE 2020 of 45.18% was also higher than our adjusted operating profit margin for the FYE 2020 of 45.00%. This was also primarily due to the share of results of associate of approximately RM0.11 million recorded in the FYE 2020.

FYE 2020 to FYE 2021

We recorded an adjusted PBT of approximately RM14.29 million for the FYE 2021 (FYE 2020: RM9.33 million), representing an increase of approximately RM4.96 million or 53.16%. The increase in our adjusted PBT was in line with the growth in our adjusted operating profit of 54.36% for the FYE 2021.

Our adjusted PBT margin increased to 50.54% for the FYE 2021 (FYE 2020: 45.18%). The increase in our adjusted PBT margin was primarily due to the increase in our adjusted operating profit margin in the FYE 2021.

(xi) Income tax expense

The effective tax rate and statutory tax rate for the past 4 FYEs 2018, 2019, 2020 and 2021 are as follows:-

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Tax at Malaysian statutory income tax rate	1,924	2,026	2,547	3,428
Small Medium Enterprise tax savings[1]	(30)	(44)	(47)	-
Adjustments:-				
- Income not subject to tax	(9)	(31)	(274)	(41)
- Non-deductible expenses	174	103	256	457
- Adjustment in respect of current income tax of prior years	(108)	58	55	199
- Adjustment in respect of deferred tax of prior years	76	-	-	(63)
Income tax expense	**2,027**	**2,112**	**2,537**	**3,980**
Total PBT	8,018	8,441	10,611	14,285
Statutory tax rate (%)[1]	18.00/24.00	17.00/24.00	17.00/24.00	24.00
Effective tax rate (%)[2]	25.28	25.02	23.91	27.86

Notes:-

*(1) Income tax rate applicable for Small Medium Enterprise ("**SME**") incorporated in Malaysia with paid up capital of RM2.50 million or below and annual sales that less than RM50.00 million for the past 3 FYEs 2018, 2019 and 2020 are as follows:-*

(a) statutory tax rate of 17.00% on first chargeable income up to RM600,000 for the year of assessment 2020.
(b) statutory tax rate of 17.00% on first chargeable income up to RM500,000 for the year of assessment 2019.
(c) statutory tax rate of 18.00% on first chargeable income up to RM500,000 for the year of assessment 2018.

For chargeable income in excess of RM500,000 for the year of assessment 2018 and 2019 as well as chargeable income in excess of RM600,000 for the year of assessment of 2020, the statutory tax rate of 24.00% is still applicable. For information purposes, LGMS Group will no longer be qualified for the abovementioned SME tax rate upon Listing onwards.

(2) Calculated based on the income tax expenses over our total PBT for the respective past 4 FYEs 2018, 2019, 2020 and 2021.

FYE 2018

Our effective tax rate of 25.28% in the FYE 2018 was higher than the statutory tax rate of 24.00%. This was mainly due to the effects of the following:-

(i) non-deductible expenses that include professional fees, entertainment expenses and term loan interests;

(ii) depreciation of non-qualifying assets such as renovation and motor vehicles; and

(iii) under provision of deferred tax in prior years but partially offset by the over provision of current income tax of prior years.

FYE 2019

Our effective tax rate of 25.02% in the FYE 2019 was higher than the statutory tax rate of 24.00%. This was mainly due to the effects of the following:-

(i) non-deductible expenses that include, professional fees, entertainment expenses and term loan interests; and

(ii) under provision of current income tax of prior years but partially offset by income not deductible for tax purposes such as finance income.

FYE 2020

Our effective tax rate of 23.91% in the FYE 2020 was marginally lower than the statutory tax rate of 24.00%. This was mainly due to the other income not subject to taxation which was to a certain extent, offset by non-deductible expenses such as professional fees and under provision of current income tax of prior years.

FYE 2021

Our effective tax rate of 27.86% in the FYE 2021 was higher than the statutory tax rate of 24.00%. This was mainly due to the following:-

(i) non-deductible expenses that includes professional fees incurred in FYE 2021 for the Listing of approximately RM0.74 million; and

(ii) higher adjustments made in respect of the provision of income tax in the FYE 2021 due to the under provision of income tax made of prior years. In the FYE 2021, we have made higher provisions of income tax of approximately RM0.20 million as compared to approximately RM0.05 million made in the previous financial year.

(xii) PAT and PAT margin

Our PAT and PAT margin for the past 4 FYEs 2018, 2019, 2020 and 2021 are set out below:-

	FYE 2018	FYE 2019	FYE 2020	FYE 2021
PAT (RM'000)	5,991	6,329	8,074	10,305
PAT margin (%)(1)	34.46	30.78	39.10	36.46

Note:-

(1) Computed based on PAT over revenue of our Group.

Our PAT and PAT margin were generally consistent with the growth in PBT and PBT margins during the past 4 FYEs 2018, 2019, 2020 and 2021 after taking into account the effects of income tax expenses.

11.3.3 Significant factors affecting our financial position and financial performance

Our Group's financial condition and financial performance may be affected by the following key factors:-

(i) Dependency on securing projects and purchase orders

We are dependent on our ability to retain our existing customers and secure new projects and/or purchase orders to sustain our continuous growth. We generally do not enter into long term contractual agreements with our customers. Our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis. As such the duration of the projects undertaken would typically range between 3 months to 12 months, depending on the scope of work, whether our services are renewed and the technical complexity of the projects.

The composition of our Group's top 5 customers changes from year-to-year, depending on the type of services and projects undertaken, as well as the length of engagement with our customers.

Further details on our dependency on securing projects are set out in **Section 4.1.7** of this Prospectus.

(ii) Demand and supply conditions

Our revenue and profitability are dependent on the demand and supply conditions of the cybersecurity market, in particular, the demand conditions arising from the proliferation of digital touchpoints and applications, the need to uphold digital privacy and digital transformation economy and the competitive environment for the supply of cybersecurity services.

Further details of the demand and supply conditions are set out in **Section 7** of this Prospectus.

(iii) Dependency on senior management and other qualified technical personnel

The cybersecurity market is growing and fast-changing with an overall shortage of skilled and experienced talent. Our success depends, to a large extent, on our ability to attract and retain senior management and qualified personnel with the right technical expertise, professional integrity and commitment that is aligned with our business core values. Hence, our ability to operate and compete could be adversely affected if we are unable to attract, train, motivate and retain qualified individuals. This in turn could negatively impact our business and financial results.

As at the LPD, we have not experienced any material turnover in our senior management. We have put in place competitive remuneration packages and attractive incentives to reward and motivate our performing personnel and to retain their services in our Group. We also believe that effective succession planning such as ensuring effective transfer of knowledge and smooth transitions involving key positions, is vital to the long-term success of our business.

Further details on our dependency on our senior management and other qualified technical personnel are set out in **Section 4.1.1** of this Prospectus.

(iv) Real or perceived defects, errors or negligence in the provision of our services or any failure of our services to prevent a security breach

We provide vulnerability assessment and penetration testing services to our customers to identify the vulnerabilities of their IT infrastructure to cyber attacks. While all testing is done on a best effort basis to uncover all known vulnerabilities at the time of testing, there is no guarantee that our services will be able to detect other unknown vulnerabilities or vulnerabilities that are announced after the date of testing, especially in light of the rapidly changing cybersecurity landscape to which we must respond. In addition, there is also no assurance that our customers will implement our recommendations to address identified vulnerabilities. Hence, if any of our customers experience a security breach arising from a cyber attack not due to our negligence but which could be perceived by the general public or our other customers to be as such, this could result in damage to our reputation and loss of confidence in the quality of our services, which in turn, could adversely affect our business, financial condition and financial performance.

Further details on the risks of a security breach are set out in **Section 4.1.2** of this Prospectus.

(v) Dependence on our achievement and/or maintenance of certain certifications or standards and partnerships

Our technical teams, which undertake and implement our cybersecurity projects, hold various internationally recognised cybersecurity related certifications which include but are not limited to those held by the Group (such as PCI Security Standards Council Approved Scanning Vendor company and PCI Security Standards Council Qualified Security Assessor company) and those held personally by members of our technical team (such as PECB Certified ISO/IEC 27001 Lead Auditor and Mile2 Certified Penetration Testing Engineer, PCI Security Standards Council Approved Scanning Vendor Employee and PCI Security Standards Council Qualified Security Assessor).

Our PCI ASV status allows us to conduct external vulnerability scanning services to validate adherence with the external scanning requirements of PCI DSS while our PCI QSA status qualifies us to validate an entity's adherence to PCI DSS. In addition, certain customers, some of which are regulators or government bodies, may require our services to comply with certain privacy and security regulations or other certifications and standards.

If our Group and/or our employees are late in achieving or if we fail to achieve or maintain compliance with these certifications and standards, we may be disqualified from selling certain of our services to our customers such as audit and certification on our customer's compliance with PCI DSS. In addition, if our competitors achieve similar standards and certifications, we may lose our competitive advantage. Either of the foregoing events could harm our business, financial condition and financial performance.

Further details on our dependency on the achievement and/or maintenance of certain certifications or standards and partnerships are set out in **Section 4.1.4** of this Prospectus.

11.3.4 Significant changes

Save as disclosed in this Prospectus, and in particular the impact of the COVID-19 outbreak on our Group as highlighted in **Section 6.4** of this Prospectus, there are no other significant changes that have occurred which may have a material effect on the financial position and financial performance since FYE 2021 up to the LPD.

11.3.5 Impact of foreign exchange rate

Our financial performance for the past 4 FYEs 2018, 2019, 2020 and 2021 was not materially affected by the fluctuations in foreign exchange rates as we predominantly provide our services in Malaysia.

11.3.6 Impact of interest rates

Our financial performance for the past 4 FYEs 2018, 2019, 2020 and 2021 was not materially affected by fluctuations in interest rates.

11.3.7 Impact of inflation

Our financial performance for the past 4 FYEs 2018, 2019, 2020 and 2021 was not materially affected by the impact of inflation.

11.3.8 Impact of government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies or factors which have significant effect on our business operations for the past 4 FYEs 2018, 2019, 2020 and 2021, save for the impact of COVID-19 as disclosed in **Section 6.4** of this Prospectus.

11.3.9 Exceptional and extraordinary items

There were no exceptional and extraordinary items on our audited financial statements for the past 4 FYEs 2018, 2019, 2020 and 2021.

There are no accounting policies which are peculiar to our Group in regard to the nature of the business or the industry which our Group is involved in.

11.3.10 Order book

As at the LPD, our total secured orders are approximately RM27.31 million. Our outstanding secured orders (based on the total value of orders secured up to the FYE 2022 less the amount that has been recognised as revenue up to the LPD) is approximately RM10.84 million, the details of which are as follows:-

	RM'000
Total secured orders as at the LPD	27,311
Billed orders as at the LPD	10,836
Unbilled orders as at the LPD	16,475

The unbilled amount as at the LPD of approximately RM16.48 million is expected to be billed in the FYE 2022.

Our billing schedules were not materially affected by the COVID-19 pandemic as our employees were able to operate remotely and to the extent possible under our flexible working arrangement. We expect opportunities to secure purchase orders to continue as corporates are rapidly shifting towards the adoption of technology and digital touch points in the work place or to perform work functions.

11.4 Liquidity and capital resources

11.4.1 Working capital

Our working capital is funded through a combination of cash generated from our operating activities and borrowings from financial institutions as well as our existing cash and cash equivalents. Our principal sources of liquidity as at 31 December 2021 are set out below:-

	RM'000
Cash and bank balances (including short term deposits not pledged for credit facilities)	19,221
Other investments (funds invested mainly in money markets and fixed income instruments)	4,361
Net cash flows from operating activities	11,429
Lease liabilities	1,648
Term loans	590

As at the LPD, our Company does not have any other material unused sources of liquidity.

Based on the above and after taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, existing level of cash and cash equivalents and credit sources together with the estimated net proceeds to be raised from the Public Issue, our Board is of the opinion that we will have sufficient working capital for at least 12 months from the date of this Prospectus.

11.4.2 Cash flow

The table below sets out the summary of our combined statements of cash flows for the past 4 FYEs 2018, 2019, 2020 and 2021 and should be read in conjunction with the Accountants' Report as set out in **Section 12** of this Prospectus:-

	Audited			
	FYE 31 December			
	2018	**2019**	**2020**	**2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Net cash flows generated from operating activities	7,423	4,530	10,331	11,429
Net cash flows (used in) / generated from investing activities	(1,931)	(2,616)	1,356	(1,346)
Net cash flows used in financing activities	(377)	(2,359)	(6,891)	(5,746)
Net increase/(decrease) in cash and cash equivalents	**5,115**	**(445)**	**4,796**	**4,337**
Cash and cash equivalents at beginning of the year	5,418	10,533	10,088	14,884
Cash and cash equivalents at end of the year	**10,533**	**10,088**	**14,884**	**19,221**
Cash and cash equivalents comprise the following:-				
Short-term deposits	471	2,647	2,657	2,682
Less: Pledged deposits	-	(120)	(120)	(141)
Cash and bank balances	10,062	7,561	12,347	16,680
	10,533	**10,088**	**14,884**	**19,221**

Our cash and cash equivalents are held in RM and USD. Save for the compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies and, any applicable banking restrictive covenants, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances.

Commentary on cash flow

FYE 2018

Net cash from operating activities

We recorded net cash from operating activities of approximately RM7.42 million in the FYE 2018. The net cash from operating activities were generated from an operating profit before working capital changes of approximately RM8.58 million for the FYE 2018, which were mainly contributed by PBT in FYE 2018 of approximately RM8.02 million and was adjusted upward for net non-cash items of approximately RM0.56 million and further adjusted upward for net working capital changes of approximately RM0.75 million primarily due to the following:-

(i) increase in trade receivables of approximately RM1.45 million mainly arising from the increase in business operation and higher billings to customers during the last quarter of the FYE 2018;

(ii) increase in trade payables of approximately RM0.84 million as a result of higher information technology expenses incurred in the FYE 2018 arising from increased business activities; and

(iii) increase in other payables of approximately RM1.31 million mainly arising from accruals of staff related costs, higher sales and service tax payable to the Royal Malaysian Customs Department and amount due to ACE Accelerator Network Sdn Bhd of approximately RM23,318.

Payment for income tax of approximately RM2.00 million was made during FYE 2018. These amounts were partially offset by income tax refund of RM80,188 and interest income of approximately RM16,177.

Our cash receipt from customers amounted to approximately RM15.94 million, for the FYE 2018.

Meanwhile, our total cash payments amounted to approximately RM9.97 million, which mainly comprise the following key items:-

(i) payment of employee benefits expense of approximately RM3.98 million;

(ii) payment of information technology expenses of approximately RM0.76 million;

(iii) payment of other operating expenses of approximately RM2.07 million; and

(iv) payment of income tax expenses amounting to approximately RM2.00 million.

Net cash used in investing activities

We recorded net cash used in investing activities of approximately RM1.93 million for the FYE 2018, which primarily comprised:-

(i) payment for the purchase of property, plant and equipment of approximately RM0.43 million such as computer, motor vehicles, and renovation; and

(ii) investment in Islamic money market funds denominated in Ringgit Malaysia of approximately RM1.50 million.

Net cash used in financing activities

We recorded net cash used in financing activities of approximately RM0.38 million for the FYE 2018. The cash was primarily used for the following:-

(i) repayment of term loan of RM24,764;

(ii) payment of finance lease liabilities of approximately RM0.26 million in relation to motor vehicles;

(iii) repayment of amounts owing to a director of approximately RM35,000; and

(iv) payment of interest charge of approximately RM60,040.

FYE 2019

Net cash from operating activities

We recorded net cash from operating activities of approximately RM4.53 million in the FYE 2019. The net cash from operating activities were generated from an operating profit before working capital changes of approximately RM9.53 million for the FYE 2019, which were mainly contributed by PBT in the FYE 2019 of approximately RM8.44 million and was adjusted upward for net non-cash items of approximately RM1.09 million but adjusted downward for total working capital changes of approximately RM2.16 million primarily due to the following:-

(i) increase in trade receivables of approximately RM0.97 million mainly arising from billings due from customers from the financial services industry, which was to a certain extent offset by reduction in other receivables; and

(ii) decrease in trade and other payables of approximately RM1.59 million mainly arising from timely payments made to our creditors and reduction in accruals of staff related costs.

Payment for income tax of approximately RM2.97 million was made during the FYE 2019. These amounts were partially offset by income tax refund of RM61,344 and interest income of RM65,710.

Our cash receipt from customers amounted to approximately RM19.60 million for the FYE 2019.

Meanwhile, our total cash payments amounted to approximately RM15.54 million, which mainly comprise the following key items:-

(i) payment of employee benefits expense of approximately RM6.14 million;

(ii) payment of information technology expenses of approximately RM1.93 million;

(iii) payment of other operating expenses of approximately RM3.26 million; and

(iv) payment of income tax expenses amounting to approximately RM2.97 million.

Net cash used in investing activities

We recorded net cash used in investing activities of approximately RM2.62 million for the FYE 2019, which primarily comprised:-

(i) cash payment for the purchase of property, plant and equipment ("**PPE Purchases**") of approximately RM1.19 million, primarily for motor vehicles, renovation and computer equipment with the balance PPE Purchases of approximately RM1.07 million were funded through finance lease arrangements;

(ii) investment in bond and equity instruments as well as additional investment in Islamic money market funds denominated in Ringgit Malaysia of approximately RM1.45 million; and

(iii) RM0.12 million of cash deposits pledged to licensed banks for credit facilities granted to our Group in FYE 2019.

These amounts were partially offset by proceeds from the disposal of property, plant and equipment of approximately RM0.15 million.

Net cash used in financing activities

We recorded net cash used in financing activities of approximately RM2.36 million for the FYE 2019. The cash was primarily used for the following:-

(i) reduction of share capital of LGMS Advanced Tech of approximately RM0.45 million undertaken to return excess capital (i.e. withdrawal of cash) to its then shareholders, namely Fong Choong Fook and Goh Soon Sei, prior to the Acquisitions as set out in **Section 5.3(ii)** of this Prospectus;

(ii) payment of lease liabilities of approximately RM0.74 million;

(iii) payment of first single tier interim dividend of approximately RM2.00 million in respect of FYE 2019; and

(iv) payment of interest charge of approximately RM0.17 million.

These amounts were partially offset by proceeds from issuance of shares by LE Global of approximately RM1.00 million.

FYE 2020

Net cash from operating activities

We recorded net cash from operating activities of approximately RM10.33 million in the FYE 2020. The net cash from operating activities were generated from an operating profit before working capital changes of approximately RM10.58 million for the FYE 2020, which were mainly contributed by PBT in FYE 2020 of approximately RM10.61 million and was adjusted downward for net non-cash items of RM28,019 but adjusted upward for total working capital changes of approximately RM2.69 million primarily due to the decrease in trade and other receivables of approximately RM2.57 million as a result of improved cash collection and payment for income tax expenses of approximately RM2.96 million was made during FYE 2020. These amounts were partially offset by interest income of approximately RM18,000.

Our cash receipt from customers amounted to approximately RM23.17 million for the FYE 2020.

Meanwhile, our total cash payments amounted to approximately RM13.10 million, which mainly comprise the following key items:-

(i) payment of employee benefits expense of approximately RM6.02 million;

(ii) payment of information technology expenses of approximately RM1.40 million;

(iii) payment of other operating expenses of approximately RM2.28 million; and

(iv) payment of income tax expenses amounting to approximately RM2.96 million.

Net cash from investing activities

We recorded net cash from investing activities of approximately RM1.36 million for the FYE 2020, which primarily comprised:-

(i) proceeds from disposal of property, plant and equipment of approximately RM0.56 million; and

(ii) proceeds from the Disposal to TÜV TRUST IT of approximately RM0.97 million.

These amounts were partially offset by the purchase of property, plant and equipment of approximately RM0.11 million and advances to our associate company (i.e. TUV Austria Cybersecurity Lab) for working capital purposes of approximately RM0.21 million, which is still outstanding as at the LPD.

Net cash used in financing activities

We recorded net cash used in financing activities of approximately RM6.89 million for the FYE 2020. The cash was primarily used for the following:-

(i) payment of lease liabilities of approximately RM0.82 million;

(ii) payment of second single tier interim dividend of approximately RM1.58 million in respect of FYE 2019 and final single interim dividend of approximately RM4.50 million in respect of FYE 2019; and

(iii) payment of interest charge of approximately RM0.17 million.

These amounts were partially offset by a repayment from a director of approximately RM0.21 million in the FYE 2020 in respect of previous advances made by our Company to the said director. These advances were on an ad-hoc basis and were short term in nature and were for the Director's personal investment purposes. Moving forward, our Company will abstain from making such advances to our Directors. As at the LPD, there are no outstanding advances made to our Directors.

FYE 2021

We recorded net cash from operating activities of approximately RM11.43 million in the FYE 2021. The net cash from operating activities were generated from an operating profit before working capital changes of approximately RM15.32 million for the FYE 2021, which were mainly contributed by our PBT in the FYE 2021 of approximately RM14.29 million and was adjusted upward for net non-cash items of RM1.03 million but adjusted downward for total working capital changes of approximately RM0.23 million, primarily due to the following:-

(i) increase in trade and other receivables of approximately RM3.13 million mainly arising from the higher billings to customers during the last quarter of the FYE 2021 and higher prepayments incurred for the purchases and/or subscription of Cybersecurity related Software and third party products (with a longer usage period, typically 6 months to 18 months) required for the cybersecurity projects undertaken. Advanced payments are required to be made to the service providers given that our customers require a longer software usage period to cater to their project requirements;

(ii) increase in other payables of approximately RM1.46 million mainly arising from the increase in accruals of staff related costs; and

(iii) increase in contract liabilities of approximately RM1.43 million due to our advance billings to our customers, relating to our performance obligations set out in our purchase orders and contracts. This has resulted to such billings being classified as deferred income expected to be recognised in the future.

Payment for income tax of approximately RM3.66 million was made during the FYE 2021.

Our cash receipt from customers amounted to approximately RM26.36 million for the FYE 2021.

Meanwhile, our total cash payments amounted to approximately RM14.94 million, which mainly comprise the following key items:-

(i) payment of employee benefits expense of approximately RM6.90 million;

(ii) payment of information technology expenses of approximately RM1.37 million;

(iii) payment of other operating expenses of approximately RM3.00 million; and

(iv) payment of income tax expenses amounting to approximately RM3.66 million.

Net cash from investing activities

We recorded net cash used in investing activities of approximately RM1.35 million for the FYE 2021, which primarily comprised:-

(i) cash payment for the PPE Purchases of approximately RM0.20 million, primarily for computer and office equipment; and

(ii) investment in Islamic money market funds denominated in Ringgit Malaysia of approximately RM1.00 million.

Net cash used in financing activities

We recorded net cash used in financing activities of approximately RM5.75 million for the FYE 2021. The cash was primarily used for the following:-

(i) payment of lease liabilities of approximately RM0.80 million; and

(ii) payment of a second single tier interim dividend of approximately RM0.94 million in respect of the FYE 2020 and a final single interim dividend of approximately RM3.80 million in respect of the FYE 2021.

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11.4.3 Capitalisation and indebtedness

The table below summarises our capitalisation and indebtedness of our Group as at the LPD, and after taking into account the Public Issue as well as the utilisation of proceeds as set out in **Section 3.6** of this Prospectus. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at the LPD and is provided for illustration purposes only.

	As at the LPD (RM'000)	**Pro forma After our IPO and utilisation of proceeds (RM'000)**
Indebtedness		
Current		
Term loans *(Secured and guaranteed)*	-	-
Lease liabilities(1)	819	819
Non-current		
Term loans *(Secured and guaranteed)*	-	-
Lease liabilities(1)	1,144	1,144
Total indebtedness	**1,963**	**1,963**
Capitalisation		
Total shareholders' equity	31,162	71,106
Total capitalisation	**31,162**	**71,106**
Total capitalisation and indebtedness	**33,125**	**73,069**
Gearing ratio (times)(2)	**0.06**	**0.03**

Notes:-

(1) Includes hire-purchase arrangements which are secured and guaranteed.

(2) Computed based on total borrowings over total equity as at the respective FYE.

11.4.4 Borrowings

The details of our Group's outstanding borrowings as at 31 December 2021 are as follows:-

	Amount outstanding (RM'000)
Non-current	
Term loans *(Secured and guaranteed)*	556
Lease liabilities(1)	923
Current	
Term loans *(Secured and guaranteed)*	34
Lease liabilities(1)	725
Total borrowings	**2,238**
Gearing ratio (times)(2)	**0.08**

Notes:-

(1) Includes hire-purchase arrangements which are secured and guaranteed.

(2) Calculated based on total borrowings over total equity as at 31 December 2021.

Type of borrowings	Purpose	Security	Tenure	Effective interest rate per annum (%)
Term loan 1[(1)]	To finance the purchase of C-3A-09, Level 3A, i-Tech Tower @ Shaftsbury Square, Jalan Impact, Cyber 6, 63000 Cyberjaya, Selangor	(a) First party first legal charge over the freehold land and buildings (b) Joint and several guarantee by the directors of our Group (Fong Choong Fook and Goh Soon Sei)	20 years	4.2%
Term loan 2[(1)]	To finance the purchase of C-3A-07, Level 3A, i-Tech Tower @ Shaftsbury Square, Jalan Impact, Cyber 6, 63000 Cyberjaya, Selangor	(a) First party first legal charge over the freehold land and buildings (b) Joint and several guarantee by the directors of our Group (Fong Choong Fook and Goh Soon Sei)	20 years	4.2%
Lease liabilities (under hire-purchase arrangement[(2)])	To finance the purchase of motor vehicles	Secured by our Group's motor vehicles and a guarantee by a director of our Group (Fong Choong Fook)	5 years - 7 years	3.96%-4.84%

Notes:-

(1) As at the LPD, we have fully settled the outstanding term loans 1 and 2.

(2) Our Company has undertaken to procure the withdrawal of the personal guarantees granted by Fong Choong Fook in connection with the above mentioned hire purchase agreements within 3 months from the date of the Listing, failing which, our Company shall ensure that the outstanding amounts under the said hire purchase agreements will be fully repaid and settled.

The maturity profile of our borrowings as at 31 December 2021 is set out below:-

	As at 31 December 2021 (RM'000)
Payable on demand or within one year	759
More than one year and less than five years	1,073
More than five years	406
Total borrowings	**2,238**

We have not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout the past 4 FYEs 2018, 2019, 2020 and 2021 and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which could materially affect our financial position or business operations or the investment by holders of our securities.

We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

From the FYE 2018 to the FYE 2021, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.4.5 Historical capital expenditure

The following sets out our capital expenditure incurred over the past 4 FYEs 2018, 2019, 2020 and 2021:-

	Audited							
	FYE 31 December							
	2018		2019		2020		2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Computer	210	48.72	249	7.67	84	75.00	197	98.50
Furniture and fittings	39	9.05	66	2.03	13	11.61	-	-
Motor vehicles	75	17.40	320	9.85	-	-	-	-
Office equipment	17	3.95	87	2.68	15	13.39	3	1.50
Renovation[(1)]	90	20.88	355	10.93	-	-	-	-
Right-of-use assets[(2)]	-	-	2,171	66.84	-	-	-	-
Total capital expenditure	**431**	**100.00**	**3,248**	**100.00**	**112**	**100.00**	**200**	**100.00**

Our capital expenditure was primarily funded via internally generated funds.

Notes:-

(1) Costs incurred were for the renovation works on our office premise at A-11-01 and A-11-02A, Empire Office Tower, Jalan SS 16/1, 47500 Subang Jaya, Selangor.

(2) Addition of right-of-use assets was due to the following:-

(a) the lease of A-11-01 and A-11-02A, Empire Office Tower, Jalan SS 16/1, 47500 Subang Jaya, Selangor with average lease term of five years.

(b) the purchase of motor vehicles under hire-purchase arrangements with average lease term of five years.

11.4.6 Material capital commitments

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 as at the LPD.

11.4.7 Material investments and divestitures

Save as disclosed under **Section 5.7** of this Prospectus, there have not been any material investments and divestitures undertaken by our Group for the past 4 FYEs 2018, 2019, 2020 and 2021.

As at the LPD, we do not have any material investments and material divestitures in progress, within or outside Malaysia.

11.4.8 Material litigation or claims

As at the LPD, neither our Company nor our subsidiaries or associate company is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability.

11.4.9 Contingent liabilities

As at the LPD, there are no material contingent liabilities which upon becoming enforceable may have a material impact on the financial position of our Group.

11.4.10 Key financial ratios

	Audited			
	FYE 31 December			
	2018	2019	2020	2021
Average trade receivables turnover period (days)(1)	82	91	77	55
Average trade payables turnover period (days)(2)	72	45	16	32
Current ratio (times)(3)	**4.75**	**5.34**	**7.32**	**6.40**
Gearing ratio (times)(4)	**0.07**	**0.21**	**0.14**	**0.08**

Notes:-

(1) *Computed based on the average closing balance of trade receivables divided by revenue for the respective financial years multiplied by 365 days. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.*

(2) *Computed based on the average closing balance of trade payables divided by cost of services (total amount of employee benefits expense in relation to technical department and total information technology expenses for the respective financial years) multiplied by 365 days. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.*

(3) *Computed based on current assets over current liabilities.*

(4) *Computed based on total borrowings (including lease liabilities recognised under MFRS 16) over total equity as at the respective FYE.*

Our average trade receivable turnover period was consistently longer than our average trade payable turnover period in the past 4 FYEs 2018, 2019, 2020 and 2021. This was mainly due to the following:-

(a) shorter credit period granted by our suppliers ranging from 30 days to 60 days as compared to our normal credit period granted to our customers, which ranges from 30 to 90 days; and

(b) we were required to make full payment for some of our transactions with our suppliers (in particular the purchases of Cybersecurity related Software) prior to the granting of access to the said software.

The above trend did not result in any significant impact on our cash flows for the past 4 FYEs 2018, 2019, 2020 and 2021 given our trade payables are typically settled upon the full collection of payment from our customers (save for the purchases of Cybersecurity related Software).

(i) Average trade receivables turnover days

Our trade receivables are based on the amount billed to our customers. As such, our trade receivables turnover period is based on the total gross billing to our customers.

A summary of our trade receivables for the past 4 FYEs 2018, 2019, 2020 and 2021 is set out as follows:-

	Audited			
	FYE 31 December			
	2018	2019	2020	2021
Opening trade receivables (RM'000)	3,177	4,623	5,589	3,069
Closing trade receivables (RM'000)	4,623	5,589	3,069	5,302
Average trade receivables (RM'000)	3,900	5,106	4,329	4,186
Revenue (RM'000)	17,387	20,563	20,649	28,262
Average trade receivables turnover period (days)[(1)]	**82**	**91**	**77**	**55**

Note:-

(1) Computed based on the average closing balance of trade receivables divided by revenue for the respective financial years multiplied by 365 days.

The normal credit period granted to our customers ranges from 30 to 90 days. Other credit terms to customers are assessed and approved by our management on a case-by-case basis by taking into consideration factors such as our relationship with the customer, the financial position and payment history as well as the creditworthiness of our customers.

We recorded an average trade receivable turnover period of 82 days, 91 days, 77 days and 55 days in the FYEs 2018, 2019, 2020 and 2021, respectively, all of which are close to or within the credit period.

Our average trade receivable turnover period increased from 82 days for the FYE 2018 to 91 days for the FYE 2019 mainly due to higher billings issued in the fourth quarter of the FYE 2019 and the slow collection of our trade receivables due to less stringent credit control practices such as lack of frequent follow-up and reminders to our customers on the outstanding payments.

Our average trade receivable turnover period decreased from 91 days for the FYE 2019 to 77 days for the FYE 2020 and 55 days for the FYE 2021. This was mainly due to new stringent credit control practices adopted by our management on our trade receivables which resulted in the improvement in our collection from our customers. Such credit control practices include weekly discussions with our operations team on the collection of trade receivables and frequent follow-up and reminders to our customers on the outstanding payments.

We have not recorded bad debts for the past 4 FYEs 2018, 2019, 2020 and 2021. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain.

Ageing analysis of our trade receivables as at 31 December 2021

As at 31 December 2021, the trade receivables of our Group can be analysed as follows:-

	Within credit period	Exceed credit period				
	Not past due	1-30 days	31-60 days	61-90 days	More than 90 days	Total
Trade receivables (RM'000)	3,596	1,076	270	-	360	5,302
Percentage of total trade receivables (%)	67.82	20.30	5.09	-	6.79	100.00
Subsequent collections up to the LPD (RM'000)	3,594	974	270	-	212	5,050
Outstanding trade receivables after subsequent collections (RM'000)	2	102	-	-	148	252

As at 31 December 2021, our total trade receivables stood at approximately RM5.30 million, of which approximately RM1.70 million or 32.08% exceeded the normal credit period.

As at the LPD, we have collected approximately RM5.05 million or 95.25% of the total trade receivables outstanding as at 31 December 2021.

Our Board is of the opinion that the remaining outstanding trade receivables are recoverable. For trade receivables exceeding the credit period, we will actively follow-up with our customers for collection. There were no impairment of trade receivables for the past 4 FYEs 2018, 2019, 2020 and 2021.

(ii) Average trade payables turnover days

Our trade payables represent the outstanding amounts payable by us to our suppliers.

A summary of our trade payables for the past 4 FYEs 2018, 2019, 2020 and 2021 is set out as follows:-

	Audited			
	FYE 31 December			
	2018	2019	2020	2021
Opening trade payables (RM'000)	370	1,208	129	385
Closing trade payables (RM'000)	1,208	129	385	571
Average trade payables (RM'000)	789	669	257	478
Cost of services (RM'000)(1)	3,997	5,417	5,711	5,477
Average trade payables turnover period (days)(2)	**72**	**45**	**16**	**32**

Notes:-

(1) Computed based on the total amount of employee benefits expense in relation to technical department and total information technology expenses.

(2) Computed based on the average closing balance of trade payables divided by the cost of services (total amount of employee benefits expense in relation to technical department and total information technology expenses for the respective financial years) multiplied by 365 days.

Generally, the credit period granted by our suppliers to our Group ranges from 30 days to 60 days. We recorded an average trade payables turnover period of 72 days, 45 days, 16 days and 32 days in the FYEs 2018, 2019, 2020 and 2021.

Our average trade payables turnover period in the FYE 2018 had exceeded the credit period mainly due to the delay in payments made to our suppliers arising from the delay in full collection of payment from our customers. This is because part of our trade payables are settled upon the full collection of payment from our customers.

Our average trade payables turnover period decreased from 72 days for the FYE 2018 to 45 days for the FYE 2019 mainly due to timely payments made to our suppliers within the prescribed credit terms in the FYE 2019.

Subsequently, our average trade payables turnover decreased further from 45 days for the FYE 2019 to 16 days for the FYE 2020. This was mainly due to timely payment made to our suppliers arising from our new credit control practices adopted by our management in respect to payment to our suppliers.

Our average trade payables turnover period increased from 16 days for the FYE 2020 to 32 days for the FYE 2021. This was mainly due to the delay in payments made to our suppliers in respect of the Sale of Third Party Products as such payment will only be made upon full collection of payment from our customers.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

<u>Ageing analysis of our trade payables as at 31 December 2021</u>

As at 31 December 2021, the trade payables of our Group can be analysed as follows:-

		Within credit period			
	Not past due	**0-30 days**	**31-60 days**	**Exceed credit period**	**Total**
Trade payables (RM'000)	193	122	256	-	571
Percentage of total trade payables (%)	33.80	21.37	44.83	-	100.00
Subsequent payments as at the LPD (RM'000)	191	122	256	-	569
Outstanding trade payables as at the LPD (RM'000)	2	-	-	-	2

As at 31 December 2021, our total trade payables stood at approximately RM0.57 million.

As at the LPD, RM0.57 million of the total trade payables outstanding as at 31 December 2021 have been settled.

(iii) <u>Current ratio</u>

Current ratio is computed by dividing current assets over current liabilities at the end of each financial year.

Our current assets mainly comprise current tax assets, other investments, trade and other receivables, deposits with licensed banks and cash and bank balances. Meanwhile, our current liabilities mainly comprise loans and borrowings, tax liabilities, trade and other payables.

A summary of our current ratio for the past 4 FYEs 2018, 2019, 2020 and 2021 is set out as follows:-

	Audited			
	As at 31 December			
	2018	**2019**	**2020**	**2021**
Current assets (RM'000)	17,982	19,803	22,457	30,790
Current liabilities (RM'000)	3,787	3,706	3,069	4,814
Current ratio (times)(1)	**4.75**	**5.34**	**7.32**	**6.40**

Note:-

(1) Computed based on current assets over current liabilities.

We have maintained a healthy current ratio during the past 4 FYEs 2018, 2019, 2020 and 2021.

Our current ratio increased slightly from 4.75 times as at 31 December 2018 to 5.34 times as at 31 December 2019. This was mainly attributable to the following:-

(i) increase in trade receivables of approximately RM0.97 million or 21.00% but partially offset by the decrease of other receivables of approximately RM0.40 million;

(ii) increase in Islamic money market funds denominated in Ringgit Malaysia of approximately RM1.52 million;

(iii) increase in current tax assets (i.e. the expected amount of income tax recoverable from taxation authorities) of approximately RM62,413 following the higher tax payment made by our Group as compared to the taxation provision; and

(iv) decrease in cash and short term deposits of approximately RM0.33 million; whilst

the current liabilities as at 31 December 2019 remained relatively consistent with the previous financial year.

Subsequently, our current ratio increased to 7.32 times as at 31 December 2020, primarily due to the following:-

(i) increase in cash and short term deposits of approximately RM4.80 million;

(ii) increase in current tax assets (i.e. the expected amount of income tax recoverable from taxation authorities) of approximately RM0.42 million following the higher tax payment made by our Group as compared to the taxation provision; and

(iii) decrease in trade and other receivables of approximately RM2.64 million; whilst

the current liabilities as at 31 December 2020 was relatively lower than the previous financial year due to decrease in other recorded payables in the FYE 2020.

Our current ratio decreased from 7.32 times as at 31 December 2020 to 6.40 times as at 31 December 2021. This was mainly attributable to the following:-

(i) increase in contract liabilities of approximately RM1.43 million due to our advance billings to our customers, relating to our performance obligations set out in our purchase orders and contracts. This has resulted to such billings being classified as deferred income expected to be recognised in the future; and

(ii) increase in trade and other payables of approximately RM0.49 million or 21.78% mainly arising from the increase in accruals of staff related costs; whilst

the current assets as at 31 December 2021 was higher than previous financial year due to the following:-

(i) increase in cash and short term deposits of approximately RM4.40 million which in line with our higher billings and cash receipt from our customers;

(ii) increase in trade receivables of approximately RM2.23 million mainly arising from the higher billings to customers during the last quarter of the FYE 2021;

(iii) increase in other receivables of approximately RM0.88 million mainly arising from the higher prepayments incurred for the purchases and/or subscription of Cybersecurity related Software and third party products (with a longer usage period, typically 6 months to 18 months) required for the cybersecurity projects undertaken. Advanced payments are required to be made to the service providers given that our customers require a longer software usage period to cater to their project requirements; and

(iv) increase in other investments of approximately RM1.24 million which in line with the additional funds invested in other investments and changes in the fair value of other investments.

Our current liabilities as at 31 December 2021 had increased by a larger quantum of approximately 56.86% as compared with the increase in our current assets as at 31 December 2021 of approximately 37.11%. This has led to the decrease in our current ratio as at 31 December 2021.

(iv) <u>Gearing ratio</u>

Gearing ratio is computed by dividing total borrowings over total equity at the end of each financial year.

A summary of our gearing ratio for the past 4 FYEs 2018, 2019, 2020 and 2021 is set out as follows:-

	Audited			
	As at 31 December			
	2018	2019	2020	2021
Total borrowings (RM'000)	1,175	3,921	3,075	2,238
Total equity (RM'000)	15,698	18,994	21,713	28,074
Gearing ratio (times)[(1)]	**0.07**	**0.21**	**0.14**	**0.08**

Note:-

(1) Computed based on total borrowings (including lease liabilities recognised under MFRS 16) over total equity.

Our gearing ratio increased from 0.07 times as at 31 December 2018 to 0.21 times as at 31 December 2019 primarily due to increase in total lease liabilities of approximately RM2.77 million or 554.00% as a result of the adoption of MFRS 16.

Our gearing ratio subsequently decreased from 0.21 times as at 31 December 2019 to 0.14 times as at 31 December 2020 primarily due to the following:-

(i) decrease in lease liabilities of approximately RM0.82 million or 25.08% due to repayment of lease liabilities; and

(ii) higher total equity recorded mainly arising from the increase in retained earnings of approximately RM2.55 million after accounting for the FYE 2020 PAT and dividends declared of approximately RM5.50 million for the FYE 2020.

Our gearing ratio subsequently decreased from 0.14 times as at 31 December 2020 to 0.08 times as at 31 December 2021 primarily due to the following:-

(i) higher total equity recorded mainly arising from the increase in retained earnings of approximately RM6.53 million after accounting for the FYE 2021 PAT and dividends declared of approximately RM3.80 million for the FYE 2021; and

(ii) decrease in lease liabilities of approximately RM0.80 million or 32.79% due to repayment of lease liabilities.

11.4.11 Type of financial instruments used

The financial instruments of our Group which are used in the ordinary course of business of our Group, from an accounting perspective, may include financial assets such as fixed deposits placed with licensed banks, cash and bank balances, trade and other receivables excluding prepayment and other investments as well as financial liabilities such as trade payables and other payables (excluding sales and service tax payables), lease liabilities and bank borrowings.

For the past 4 FYEs 2018, 2019, 2020 and 2021 up to the LPD, we do not utilise any financial instrument for hedging purposes.

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM primarily due to our Group's operating activities. Our exposure mainly consists of trade receivables with principal foreign currency exposure mainly in USD and SGD. Our cash and bank balances are held in RM and USD.

Should our exposure becomes substantial, we may enter into derivative contracts with banking institutions to minimise the impact of foreign exchange fluctuations. Our Board will monitor and review the need to hedge from time to time.

11.4.12 Treasury policies and objectives

We have been financing our operations with a combination of internal and external sources of funds. Our internal funds comprise of cash generated from operating activities, while our external funds mainly comprise of credit and loan facilities from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The decision to either utilise banking facilities or internally generated funds for our operations depends on factors such as our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure and the prevailing interest rates of the banking facilities.

11.5 Trend information

Our Board confirms that as at the LPD, there are no:-

(i) known trends, demands, commitments, events or uncertainties that:

a) have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, positions and operations, other than those disclosed under **Sections 4, 6** and **11** of this Prospectus;

b) had resulted in a material impact on our total revenue and/or profits save for those that have been disclosed in **Sections 6, 7** and **11** of this Prospectus;

c) are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, other than those disclosed in **Sections 4** and **11** of this Prospectus; and

d) have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those disclosed in **Sections 6, 7** and **11** of this Prospectus.

(ii) material capital commitments; and

(iii) 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 disclosed under **Sections 4** and **11** of this Prospectus.

11.6 Dividend policy

Our Group presently does not have a fixed dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries.

Distribution by our subsidiaries is dependent upon a number of factors, including their level of cash and retained earnings, gearing, financial performance, anticipated capital expenditure requirement, financial conditions and any other factors considered relevant by their respective boards of Directors.

Save for the compliance with the solvency requirements as set out in Sections 131 and 132 of the Act, there are no legal, financial, or economic restrictions on the ability of our subsidiaries to transfer funds in the form of cash dividends, loans or advances to us.

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. Any dividend declared will be subject to the recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM. Actual dividends proposed and declared may vary depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

The dividends declared and paid for the past 4 FYEs 2018, 2019, 2020 and 2021 are as follows:-

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Dividend declared in respect of	-			
• FYE 2019		3,583	-	-
• FYE 2020		-	5,500	-
• FYE 2021		-	-	3,800
Dividend paid in respect of	-			
• FYE 2019		2,000	1,583	-
• FYE 2020		-	4,500	1,000
• FYE 2021		-	-	3,800

For the FYEs 2019 and 2020, the dividends were paid entirely from internally generated funds. The single tier interim dividend of approximately RM1.00 million in respect of the FYE 2020, was subsequently fully paid in the FYE 2021 from internally generated funds, save for RM65,145 which was set off against an equivalent sum owed by a director.

LE Global had, prior to the Acquisitions, declared an interim dividend of up to RM3.80 million in respect of the FYE 2021 and the said dividend was fully paid in August 2021 from internally generated funds. Such dividends declared, paid or payable would not affect the execution and implementation of our Group's future plans or business strategies in the future.

Save as mentioned above, our Group does not intend to declare any dividends prior to the Listing.

You should take note that this dividend policy only describes our present intention and shall not constitute legally binding statements in respect of our future dividend distributions, which may be subject to modification at our Board's absolute discretion.

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22 April 2022

The Board of Directors
LGMS Berhad
A-11-01, Empire Office Tower
Jalan SS16/1
Subang Jaya
47500 Selangor

Dear Sirs,

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

Opinion

We have audited the accompanying financial statements of the Company as defined in Note 2 to the financial statements (collectively referred to as the "Group"), which comprise of:

i) The combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020 (collectively referred to as "past 3 FYEs 31 December 2018, 2019 and 2020"), the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the past 3 FYEs 31 December 2018, 2019 and 2020;
ii) The consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended; and
iii) Notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 91.

In our opinion, the accompanying financial statements contained in the Accountants' Report of the Company gives a true and fair view of the financial positions of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

LGMS BERHAD
(Incorporated in Malaysia)

Basis for Opinion (continued)

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group, the Directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Reporting Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

LGMS BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Financial Statements (continued)

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

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

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

Paul Tan Hong
No. 03459/11/2023 J
Chartered Accountant

Kuala Lumpur

Date: 22 April 2022

LGMS BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **FONG CHOONG FOOK** and **GOH SOON SEI**, being two of the Directors of LGMS BERHAD do hereby state that in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 and of their financial performance and cash flows for the financial years then ended.

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

....
FONG CHOONG FOOK
Director

....
GOH SOON SEI
Director

Kuala Lumpur

Date: 22 APR 2022

LGMS BERHAD
Accountants' Report

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,707	5,225	3,713	2,808
Investment properties	6	869	856	843	830
Investment in associate	7	-	-	109	74
Total non-current assets		**2,576**	**6,081**	**4,665**	**3,712**
Current assets					
Trade and other receivables	8	5,919	6,486	3,846	6,951
Other investments	9	1,519	3,036	3,115	4,361
Current tax assets		11	73	492	116
Cash and short-term deposits	10	10,533	10,208	15,004	19,362
Total current assets		**17,982**	**19,803**	**22,457**	**30,790**
TOTAL ASSETS		**20,558**	**25,884**	**27,122**	**34,502**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	11	1,100	1,650	1,650	-
Share capital	11	-	-	1	22,300
Reorganisation reserve	12	-	-	-	(20,649)
Retained earnings		14,607	17,344	19,889	26,423
		15,707	18,994	21,540	28,074
Non-controlling interests		(9)	-	173	-
TOTAL EQUITY		**15,698**	**18,994**	**21,713**	**28,074**

LGMS BERHAD
Accountants' Report

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at 31 December			
		2018	2019	2020	2021
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	13	936	3,102	2,271	1,479
Contract liabilities	14	-	-	-	126
Deferred tax liabilities	15	137	82	69	9
Total non-current liabilities		**1,073**	**3,184**	**2,340**	**1,614**
Current liabilities					
Trade and other payables	16	2,868	2,887	2,253	2,737
Loans and borrowings	13	239	819	804	759
Contract liabilities	14	-	-	-	1,306
Current tax liabilities		680	#	12	12
Total current liabilities		**3,787**	**3,706**	**3,069**	**4,814**
TOTAL LIABILITIES		**4,860**	**6,890**	**5,409**	**6,428**
TOTAL EQUITY AND LIABILITIES		**20,558**	**25,884**	**27,122**	**34,502**

\# *Denotes RM205*

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

LGMS BERHAD
Accountants' Report

STATEMENTS OF COMPREHENSIVE INCOME

		FYE 31 December			
		2018	**2019**	**2020**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	**17**	17,387	20,563	20,649	28,262
Other income	**18**	523	526	1,725	361
Employee benefits expense	**19**	(4,912)	(6,143)	(6,195)	(8,335)
Information technology expenses		(1,701)	(2,053)	(1,787)	(2,114)
Depreciation expenses		(539)	(1,107)	(1,222)	(1,077)
Other operating expenses		(2,716)	(3,320)	(2,597)	(2,760)
Operating profit		8,042	8,466	10,573	14,337
Finance income	**20**	36	149	97	115
Finance costs	**21**	(60)	(174)	(168)	(132)
Share of results of associates, net of tax		-	-	109	(35)
Profit before tax	**22**	**8,018**	**8,441**	**10,611**	**14,285**
Income tax expense	**23**	(2,027)	(2,112)	(2,537)	(3,980)
Profit for the financial years, representing total comprehensive income for the financial years		**5,991**	**6,329**	**8,074**	**10,305**
Profit / Total comprehensive income attributable to:					
Owners of the Group		5,995	6,329	8,045	10,321
Non-controlling interests		(4)	-	29	(16)
		5,991	**6,329**	**8,074**	**10,305**
Earnings per share (sen)					
- Basic and diluted	**24**	1.75	1.84	2.34	2.95

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

LGMS BERHAD
Accountants' Report

STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Group			Non-controlling interests	Total equity
		Invested equity RM'000	Retained earnings RM'000	Sub-total RM'000	RM'000	RM'000
At 1 January 2018		1,100	8,612	9,712	(5)	9,707
Profit for the financial year, representing total comprehensive income for the financial year		-	5,995	5,995	(4)	5,991
At 31 December 2018		**1,100**	**14,607**	**15,707**	**(9)**	**15,698**
Profit for the financial year, representing total comprehensive income for the financial year		-	6,329	6,329	-	6,329
Transactions with owners						
Proceeds from issuance of ordinary shares		1,000	-	1,000	-	1,000
Reduction of invested equity in subsidiary		(450)	-	(450)	-	(450)
Change in interest in subsidiary		*	(9)	(9)	9	*
Dividend paid on shares	25	-	(3,583)	(3,583)	-	(3,583)
Total transactions with owners		550	(3,592)	(3,042)	9	(3,033)
At 31 December 2019		**1,650**	**17,344**	**18,994**	-	**18,994**

* *Denotes RM7*

LGMS BERHAD
Accountants' Report

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Group					
	Note	Invested equity RM'000	Share capital RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2020		1,650	-	17,344	18,994	-	18,994
Profit for the financial year, representing total comprehensive income for the financial year		-	-	8,045	8,045	29	8,074
Transactions with owners							
Dividend paid on shares	25	-	-	(5,500)	(5,500)	-	(5,500)
Share issued upon incorporation		-	1	-	1	-	1
Non-controlling interest arising from acquisition of a new subsidiary		-	-	-	-	144	144
Incorporation of newly combined entity		*	-	-	*	-	-
Total transactions with owners		-	1	(5,500)	(5,499)	144	(5,355)
At 31 December 2020		**1,650**	**1**	**19,889**	**21,540**	**173**	**21,713**

** Denotes RM100*

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STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Group						
	Note	Invested equity RM'000	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2021		1,650	1	-	19,889	21,540	173	21,713
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	10,321	10,321	(16)	10,305
Transactions with owners								
Changes in ownership interests in subsidiary	1(b)	-	-	-	13	13	(157)	(144)
Dividend paid on shares	25	-	-	-	(3,800)	(3,800)	-	(3,800)
Issuance of shares for acquisition of a subsidiaries		-	22,299	(22,299)	-	-	-	-
Reorganisation reserve		(1,650)	-	1,650	-	-	-	-
Total transactions with owners		(1,650)	22,299	(20,649)	(3,787)	(3,787)	(157)	(3,944)
At 31 December 2021		**-**	**22,300**	**(20,649)**	**26,423**	**28,074**	**-**	**28,074**

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

STATEMENTS OF CASH FLOWS

	Note	FYE 31 December 2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Cash flows from operating activities					
Profit before tax		8,018	8,441	10,611	14,285
Adjustments for:					
Depreciation of property, plant and equipment		526	1,094	1,209	1,064
Depreciation of investment properties		13	13	13	13
Bad debts written off		-	-	19	-
Gain on disposal of property, plant and equipment		-	(57)	(212)	-
Gain on disposal of subsidiary		-	-	(1,069)	-
Finance costs		60	174	168	132
Fair value loss/(gain) on other investments		1	16	-	(139)
Interest income		(36)	(149)	(97)	(115)
Share of results of associates, net of tax		-	-	(109)	35
Unrealised (gain)/loss on foreign exchange		(1)	-	-	2
Property, plant and equipment written-off		-	-	50	41
Operating profit before changes in working capital		**8,581**	**9,532**	**10,583**	**15,318**
Changes in working capital:					
Trade and other receivables		(1,392)	(569)	2,566	(3,126)
Trade and other payables		2,141	(1,590)	121	1,461
Contract liabilities		-	-	-	1,432
Net cash generated from operations		**9,330**	**7,373**	**13,270**	**15,085**
Income tax paid		(2,003)	(2,970)	(2,957)	(3,664)
Income tax refunded		80	61	-	-
Interest received		16	66	18	8
Net cash flows from operating activities		**7,423**	**4,530**	**10,331**	**11,429**
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(431)	(1,192)	(112)	(200)
Purchase of other investments		(1,500)	(1,450)	-	(1,000)
Proceeds from disposal of property, plant and equipment		-	146	561	-
Proceeds from disposal of subsidiary, net of cash disposed		-	-	974	-
Change in pledge deposits		-	(120)	-	(21)
Proceeds from non-controlling interest arising from subscription of shares in a subsidiary		-	-	144	-
Purchase of shares in a subsidiary from non-controlling interest		-	-	-	(144)
Net change in amount due from associate		-	-	(211)	19
Net cash flows (used in)/from investing activities		**(1,931)**	**(2,616)**	**1,356**	**(1,346)**

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STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
		FYE 31 December			
Cash flows from financing activities					
Proceeds from issuance of shares		-	1,000	1	-
Reduction in share capital		-	(450)	-	-
Repayment of term loans	(b)	(25)	(25)	(30)	(33)
Payment finance lease liabilities / lease liabilities	(b)	(257)	(738)	(816)	(804)
Dividends paid	(c)	-	(2,000)	(6,083)	(4,735)
Net change in amount owing to Directors		(35)	28	205	(42)
Interests paid		(60)	(174)	(168)	(132)
Net cash flows used in financing activities		**(377)**	**(2,359)**	**(6,891)**	**(5,746)**
Net increase/(decrease) in cash and cash equivalents		5,115	(445)	4,796	4,337
Cash and cash equivalents at the beginning of the financial years		**5,418**	**10,533**	**10,088**	**14,884**
Cash and cash equivalents at the end of the financial years	10	**10,533**	**10,088**	**14,884**	**19,221**

NOTES TO STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment:

	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
		FYE 31 December			
Additions of property, plant and equipment	**5**	431	3,248	112	200
Operating leases recognised as right-of-use assets		-	(989)	-	-
Financed by way of lease arrangements		-	(1,067)	-	-
Cash payments on purchase of property, plant and equipment		431	1,192	112	200

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STATEMENTS OF CASH FLOWS (CONTINUED)

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2018 RM'000	Cash flows RM'000	Non-cash Others RM'000	31 December 2018 RM'000
Term loans	703	(25)	-	678
Finance lease liabilities	754	(257)	-	497
	1,457	(282)	-	1,175

	1 January 2019 RM'000	Cash flows RM'000	Non-cash Others RM'000	31 December 2019 RM'000
Term loans	678	(25)	-	653
Lease liabilities	497	(738)	3,509	3,268
	1,175	(763)	3,509	3,921

	1 January 2020 RM'000	Cash flows RM'000	Non-cash Others RM'000	31 December 2020 RM'000
Term loans	653	(30)	-	623
Lease liabilities	3,268	(816)	-	2,452
	3,921	(846)	-	3,075

	1 January 2021 RM'000	Cash flows RM'000	Non-cash Others RM'000	31 December 2021 RM'000
Term loans	623	(33)	-	590
Lease liabilities	2,452	(804)	-	1,648
	3,075	(837)	-	2,238

(c) The interim single-tier dividend of RM1,000,000 in respect of financial year ended 31 December 2020 was satisfied by cash paid of RM934,855 during the financial year ended 31 December 2021 and the remaining balance of RM65,145 was set off against an equivalent amount owing by a Director.

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

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

LGMS Berhad (the "Company") was incorporated as a public company limited by shares on 30 November 2020 under Companies Act 2016 and is domiciled in Malaysia. The registered office of the Company is located at 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at A-11-01, Empire Office Tower, Jalan SS 16/1, Subang Jaya, 47500 Selangor Darul Ehsan.

The principal activity of the Company is investment holding and the details of the operating entities/subsidiaries are as follows:

Operating entities/subsidiaries	Principal place of business/country of incorporation	Effective equity interest (%) 2018	2019	2020	2021	Principal activities
LE Global Services Sdn. Bhd.	Malaysia	100	100	100	100	Information technology ("IT") security consultation and services, technical assistance
TUV Austria Cybersecurity Lab Sdn. Bhd.*	Malaysia	60	100	40	40	Provision of technical testing and certification on information technology related software and product
Applied Security Intelligence Sdn. Bhd.	Malaysia	-	-	52	100	Provision of cyber security monitoring services, cyber security advisories, IT solutions related services
LGMS Advanced Tech Sdn. Bhd. (Formerly known as LGMS Group Sdn. Bhd.)	Malaysia	100	100	100	100	Provision of IT security training and certification courses
LGMS Academy Sdn. Bhd.	Malaysia	-	-	100	100	Dormant
Credence Defender Sdn. Bhd.	Malaysia	100	100	100	100	Provision of internet security services

* TUV Austria Cybersecurity Lab Sdn. Bhd. was a subsidiary of LE Global Services Sdn. Bhd. as at 31 December 2019. TUV Austria Cybersecurity Lab Sdn. Bhd subsequently ceased to be a subsidiary and became an associate company of LE Global Services Sdn. Bhd. in FYE 2020.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2022.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(a) Movement of equity interests in TUV Austria Cybersecurity Lab Sdn. Bhd.

On 19 July 2019, LE Global Services Sdn. Bhd. acquired 100% equity interest (representing 10 ordinary shares) in TUV Austria Cybersecurity Lab Sdn. Bhd. for purchase consideration of RM3.

Prior to this in FYE 31 December 2018, LGMS Berhad has common control over TUV Austria Cybersecurity Lab Sdn. Bhd. through a 60% direct interest by one of the Directors of LE Global Services Sdn. Bhd. As such, the results of TUV Austria Cybersecurity Lab Sdn. Bhd. were included in the combined financial statements for the FYE 31 December 2018.

On 4 February 2020, LE Global Services Sdn. Bhd.'s effective ownership in TUV Austria Cybersecurity Lab Sdn. Bhd. decreased from 100% to 40% as a result of the disposal of shares held for a cash consideration of RM974,280. As a result, TUV Austria Cybersecurity Lab Sdn. Bhd. ceased to be a subsidiary and became an associate of LE Global Services Sdn. Bhd..

(b) Movement of equity interests in Applied Security Intelligence Sdn. Bhd.

On 30 October 2020, LE Global Services Sdn. Bhd. acquired 52% equity interest (representing 156,000 ordinary shares) in Applied Security Intelligence Sdn. Bhd. for a cash consideration of RM156,000.

On 9 June 2021, LE Global Services Sdn. Bhd. acquired an additional 48% (representing 144,000 ordinary shares) in Applied Security Intelligence Sdn. Bhd. from the non-controlling interest for a total cash consideration of RM144,000. As a result, Applied Security Intelligence Sdn. Bhd. become a wholly-owned subsidiary of LE Global Services Sdn. Bhd..

Effect of the increase in LE Global Services Sdn. Bhd's ownership interest is as follows:

	2021
	RM'000
Fair value of consideration transferred	144
Increase in share of net assets	(157)
Charged directly to equity	(13)

LGMS BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The financial statements of LGMS Berhad for the financial year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 have been prepared pursuant to the listing of and quotation for the entire issued share capital of LGMS Berhad on the ACE Market of Bursa Malaysia Securities Berhad and comprise of:

(i) The combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended; and

(ii) The consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended.

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

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

Combined financial statements of the Group for the past 3 FYEs 31 December 2018, 2019 and 2020

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Combined financial statements of the Group for the past 3 FYEs 31 December 2018, 2019 and 2020 (continued)

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

Entities Under Common Control	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020
LGMS Berhad	*	*	√,^
LE Global Services Sdn. Bhd.	√,@	√, @	√,^
TUV Austria Cybersecurity Lab Sdn. Bhd.	√, @	√, @	√,^
Applied Security Intelligence Sdn. Bhd.	>	>	√,^
LGMS Advanced Tech Sdn. Bhd.	√, @	√, @	√,^
LGMS Academy Sdn. Bhd.	#	#	√,^
Credence Defender Sdn. Bhd.	√, @	√, @	√,^

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

* *No financial statements were available for LGMS Berhad as the Company was incorporated on 30 November 2020.*

> *No financial statements were available for Applied Security Intelligence Sdn. Bhd. as the Company was incorporated on 30 October 2020.*

No financial statements were available for LGMS Academy Sdn. Bhd. as the Company was incorporated on 23 December 2020.

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

@ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

The audited financial statements of all the operating entities within the Group for the relevant years reported above were not subject to any modifications.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Consolidated financial statements of the Group for FYE 31 December 2021

The consolidated financial statements of the Group for FYE 31 December 2021 were prepared based on the audited consolidated financial statements of the Company for FYE 31 December 2021. The audited financial statements used were not subject to any modications.

The consolidated financial statements of the Group for the FYE 31 December 2021 have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT. The audited financial statements of these entities prepared in accordance with the MFRSs and IFRSs.

2.1 Statement of compliance

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

2.2 Change in accounting policies

(i) MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (continued)

(i) MFRS 9 Financial Instruments (continued)

(a) Classification and measurement

The following are the changes in the classification of the Group's financial assets:

- Other investments, trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

In summary, upon the adoption of MFRS 9, the Group had the following reclassifications as at 1 January 2018:

	MFRS 139 measurement category RM'000	MFRS 9 measurement category Amortised cost RM'000
Financial assets		
Loans and receivables		
Trade and other receivables		
less prepayments and GST refundable	4,391	4,391
Cash and short-term deposits	5,418	5,418
	9,809	9,809
Financial liabilities		
Other financial liabilities		
Loans and borrowings	(1,457)	(1,457)
Trade and other payables	(723)	(723)
	(2,180)	(2,180)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (continued)

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies. Other than the enhanced new disclosures relating to contracts with customers, which the Group has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (continued)

(iii) MFRS 16 Leases

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

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

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

The Group has applied MFRS 16 using the modified retrospective approach and the adoption of MFRS 16 does not has any impact to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

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

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

Impact of the adoption of MFRS 16

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (continued)

(iii) MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(a) Classification and measurement

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

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

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

For leases that were classified as operating lease under MFRS 117

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

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

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

The Group also applied the following practical expedients wherein its:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (continued)

(iii) MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(a) Classification and measurement (continued)

For leases that were classified as finance lease under MFRS 117

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

(b) Short-term lease and low value assets

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

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

	Carrying amount at 31 December 2018 RM'000	Adjustment RM'000	MFRS 16 carrying amount at 1 January 2019 RM'000
Property, plant and equipment	1,707	1,453	3,160
Loans and borrowings	(497)	(1,453)	(1,950)

LGMS BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*
# *Consequential amendments as a result of MFRS 17 Insurance Contracts*

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

Annual Improvements to MFRSs 2018–2020

Annual Improvements to MFRSs 2018–2020 covers amendments to:

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

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board ("MASB") in April 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

Amendments to MFRS 101 Presentation of Financial Statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to MFRS 112 Income Taxes

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

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

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

2.3.3 The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the financial statements.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

In the Company's statement of financial position, investments in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.9(b).

(a) Subsidiaries and business combination

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

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

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

(b) Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of Group and are presented separately in the statements of financial position within equity.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(c) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are presented. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

Acquisition of entities under common control does not result in any changes in economic substance. Accordingly, the consolidated financial statements are a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in "Reorganisation reserve".

The acquisitions of LE Global Services Sdn. Bhd., LGMS Advanced Tech Sdn. Bhd., LGMS Academy Sdn. Bhd. and Credence Defender Sdn. Bhd. have been accounted for as a business combination amongst entities under common control.

(d) 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 financial statements.

(e) Associates

Associates are entities over which the Group has significant influence, but not control to the financial and operating policies.

Investment in associates are accounted for in the financial statements using the equity method.

Under the equity method, the investments in associate are initially recognised at cost. The cost of investments includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(e) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

3.2 Foreign currency transactions

Translation of foreign currency transactions

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

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

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

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

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

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

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

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

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

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

(ii) Financial liabilities

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

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition

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

(i) the contractual rights to receive cash flows from the financial asset expire; or

(ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either

   (a) the Group has transferred substantially all the risks and rewards of the asset; or

   (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

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

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

(e) Offsetting of financial instruments

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

	Useful lives (years)
Computer	5
Furniture and fittings	10
Motor vehicle	5
Office equipment	10
Renovation	10

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

(d) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases

Accounting policies applied from 1 January 2019

Definition of a lease

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the assets used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Recognition and initial measurement

(a) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Recognition and initial measurement (continued)

(a) As a lessee (continued)

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease obligation comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease obligation. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in *MFRS 9 Financial Instruments.*

Accounting policies applied until 31 December 2018

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

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

(a) Lessee accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied until 31 December 2018 (continued)

(a) Lessee accounting (continued)

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

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

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

(b) Lessor accounting

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

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain and loss arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

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

3.8 Cash and cash equivalents

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

3.9 Impairment of assets

(a) Impairment of financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

The Group considers a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

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

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the assets' recoverable amount.

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

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

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in OCI. In the latter case, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share capital

(a) Ordinary shares

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

3.11 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income

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

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

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

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

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

(a) Rendering of services

Revenue from rendering of services is recognised at a point in time when service is rendered to the customer, which is the point in time when the performance obligation in the contract with customer is satisfied.

(b) Subscription fees

Revenue from subscription fees will be recognised over time as the services are rendered to the customer, because the customer receives and uses the benefits simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

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

3.14 Government grants

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

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

3.15 Borrowing costs

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

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

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

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

3.16 Income tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax (continued)

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

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

(c) Sales and services tax

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

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

3.17 Earnings per share

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

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

3.18 Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair value measurements

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

3.20 Contingencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

(a) Determination of lease term

The Group determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group apply judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(b) Impairment of financial assets

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

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The criterias include geographical region, product type, customer type and rating, collateral or trade credit insurance.

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

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

The information about the expected credit losses on the Group's financial assets are disclosed in Note 26(b).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Computer RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Cost							
At 1 January 2018	374	117	2,006	270	636	-	3,403
Additions	210	39	75	17	90	-	431
At 31 December 2018 / 1 January 2019	584	156	2,081	287	726	-	3,834
Adjustment on initial application of MFRS 16	-	-	(1,940)	-	-	3,393	1,453
Adjusted balance at 1 January 2019	584	156	141	287	726	3,393	5,287
Additions	249	66	320	87	355	2,171	3,248
Disposals	-	(33)	-	-	-	(546)	(579)
At 31 December 2019	833	189	461	374	1,081	5,018	7,956
Additions	84	13	-	15	-	-	112
Disposals	-	-	(386)	-	-	(571)	(957)
Written off	(220)	(25)	-	(99)	(284)	-	(628)
Reclassification	-	-	92	-	-	(92)	-
Derecognition of subsidiary	(8)	(8)	-	-	-	-	(16)
At 31 December 2020	689	169	167	290	797	4,355	6,467
Additions	197	-	-	3	-	-	200
Written off	-	-	-	-	-	(85)	(85)
Reclassification	-	-	267	-	-	(267)	-
At 31 December 2021	886	169	434	293	797	4,003	6,582

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Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2018	263	19	1,066	80	173	-	1,601
Depreciation charge for the financial year	74	15	339	27	71	-	526
At 31 December 2018 / 1 January 2019	337	34	1,405	107	244	-	2,127
Adjustment on initial application of MFRS 16	-	-	(1,332)	-	-	1,332	-
Adjusted balance at 1 January 2019	337	34	73	107	244	1,332	2,127
Depreciation charge for the financial year	95	17	36	31	96	819	1,094
Disposals	-	(5)	-	-	-	(485)	(490)
At 31 December 2019	432	46	109	138	340	1,666	2,731
Depreciation charge for the financial year	117	18	42	34	108	890	1,209
Disposals	-	-	(113)	-	-	(495)	(608)
Written off	(220)	(22)	-	(87)	(249)	-	(578)
Reclassification	-	-	92	-	-	(92)	-
Derecognition of subsidiary	*	&	-	-	-	-	-
At 31 December 2020	329	42	130	85	199	1,969	2,754
Depreciation charge for the financial year	134	17	15	29	80	789	1,064
Written off	-	-	-	-	-	(44)	(44)
Reclassification	-	-	267	-	-	(267)	-
At 31 December 2021	463	59	412	114	279	2,447	3,774

* *Denotes RM375*
& *Denotes RM64*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Net carrying amount							
At 31 December 2018	247	122	676	180	482	-	1,707
At 1 January 2019 (adjusted)	247	122	68	180	482	2,061	3,160
At 31 December 2019	401	143	352	236	741	3,352	5,225
At 31 December 2020	360	127	37	205	598	2,386	3,713
At 31 December 2021	423	110	22	179	518	1,556	2,808

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amount of assets under finance lease arrangements are as follows:

	As at 31 December 2018 RM'000
Motor vehicles	608

(b) Right-of-use assets

The Group lease several assets including motor vehicles and office buildings.

Information about leases for which the Group are lessees is presented below:

	Motor vehicles RM'000	Office buildings RM'000	Total RM'000
At 1 January 2019	-	-	-
Adjustment on initial application of MFRS 16	608	1,453	2,061
Additions	1,182	989	2,171
Depreciation	(408)	(411)	(819)
Disposal	(61)	-	(61)
At 31 December 2019	1,321	2,031	3,352
Depreciation	(397)	(493)	(890)
Disposal	(76)	-	(76)
At 31 December 2020	848	1,538	2,386
Depreciation	(296)	(493)	(789)
Written off	(41)	-	(41)
At 31 December 2021	511	1,045	1,556

The Group lease buildings for their office space. The leases for office space generally have lease term for 5 years (2020: 5 years; 2019: 5 years and 2018: Nil)).

The Group also lease motor vehicles with lease term of 5 to 7 years (2020: 5 to 7 years, 2019: 5 to 7 years and 2018: Nil)) and have options to purchase the assets at the end of the contract term.

Extension and termination options
The Group has several lease contracts that include extension options. These options are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021	327	653	980
Accumulated depreciation			
At 1 January 2018	-	98	98
Depreciation charge for the financial year	-	13	13
At 31 December 2018	-	111	111
Depreciation charge for the financial year	-	13	13
At 31 December 2019	-	124	124
Depreciation charge for the financial year	-	13	13
At 31 December 2020	-	137	137
Depreciation charge for the financial year	-	13	13
At 31 December 2021	-	150	150
Carrying amount			
At 31 December 2018	327	542	869
At 31 December 2019	327	529	856
At 31 December 2020	327	516	843
At 31 December 2021	327	503	830

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Rental income	47	44	17	14
Direct operating expenses:				
- income generating investment properties	47	48	43	41

Investment properties pledged as security

Freehold land and buildings with a carrying amount of RM829,398 (2020: RM842,459; 2019: RM855,520 and 2018: RM868,581) have been pledged as security to secure bank facilities granted to the Group as disclosed in Note 13.

Fair value information

The fair value of investment properties approximately of RM1,375,000 (31.12.2020: RM1,317,000; 31.12.2019: RM1,317,000 and 31.12.2018: RM1,317,000) is categorised at Level 2 of the fair value hierarchy.

There are no Level 1 and Level 3 investment properties or transfers between Level 1, Level 2 and Level 3 during the financial year under review.

Level 2 fair value

Level 2 fair value of freehold land and buildings have been derived using the sales comparison approach. Sales prices of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATE

	As as 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
At cost:				
Unquoted shares	-	-	-	-
Additonal investment	-	-	*	-
	-	-	-	-
Share of post-acquisition reserves, net of dividend received	-	-	109	74
	-	-	109	74

* *Denotes RM1*

Details of investment in associate are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2018 %	2019 %	2020 %	2021 %	Principal activities
TUV Austria Cybersecurity Lab Sdn. Bhd.	Malaysia	60 [(1)]	100	40	40	Provision of technical testing and certification on information technology related software and product

[(1)] Shares held through a Director.

On 19 July 2019, LE Global Services Sdn. Bhd. acquired 100% equity interest (representing 10 ordinary shares) in TUV Austria Cybersecurity Lab Sdn. Bhd. for purchase consideration of RM3.

Prior to this in FYE 31 December 2018, LGMS Berhad has common control over TUV Austria Cybersecurity Lab Sdn. Bhd. through a 60% direct interest held by one of the Directors of LE Global Services Sdn. Bhd. As such, the results of TUV Austria Cybersecurity Lab Sdn. Bhd. were included in the financial statements for the FYE 31 December 2018.

On 4 February 2020, LE Global Services Sdn. Bhd.'s effective ownership in TUV Austria Cybersecurity Lab Sdn. Bhd. decreased from 100% to 40% as a result of the disposal of share held for a cash consideration of RM974,280. As a result, TUV Austria Cybersecurity Lab Sdn. Bhd. ceased to be a subsidiary and became an associate of LE Global Services Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATE (CONTINUED)

(i) Summary of the effects of disposal of TUV Austria Cybersecurity Lab Sdn. Bhd.:

	2020 RM'000	2020 RM'000
Recognised		
Cash consideration received		974
Fair value of retained investment treated as an associate		*
		974
Derecognised		
Fair value of identifiable net asset at disposal date		
Equipment	(15)	
Current tax assets	(2)	
Trade and other payables	112	95
Gain on disposal of TUV Austria Cybersecurity Lab Sdn. Bhd.		1,069

** Denotes RM1*

(ii) Effects of disposal on cash flows:

	2020 RM'000
Consideration received in cash	974
Less: Cash and cash equivalents of subsidiary disposed	*
Net cash flows on disposal	974

** Denotes RM353*

The summarised financial information of the associate is not presented as it not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES

	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
		As at 31 December			
Trade					
Trade receivables	(a)	4,623	5,589	3,069	5,302
Non-trade					
Other receivables		211	81	16	161
Deposits		142	223	223	224
Prepayments		571	327	327	1,072
Amount due from Director	(b)	268	266	-	-
Amount due from associate	(b)	-	-	211	192
Goods and services tax ("GST") refundable		104	-	-	-
		1,296	897	777	1,649
Total trade and other receivables		5,919	6,486	3,846	6,951

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 30 days to 90 days (2020: 30 days to 90 days; 2019: 30 days to 90 days; 2018: 30 days to 90 days). Other credit terms are assessed and approved on a case by case basis.

(b) Amount due from Director/associate

Amount due from Director/associate are unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

The information about the credit exposures are disclosed in Note 26(b)(i).

9. OTHER INVESTMENTS

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
	As at 31 December			
Fair value through profit or loss:				
Unquoted unit trusts in Malaysia	1,519	3,036	3,115	4,361

Unit trusts are funds invested mainly in money market and fixed income instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CASH AND SHORT-TERM DEPOSITS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	10,062	7,561	12,347	16,680
Short-term deposits	471	2,647	2,657	2,682
	10,533	10,208	15,004	19,362

For the purpose of the statements of cash flows, cash and cash equivalents consist of the following:

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	471	2,647	2,657	2,682
Less: Pledged deposits	-	(120)	(120)	(141)
	471	2,527	2,537	2,541
Cash and bank balances	10,062	7,561	12,347	16,680
	10,533	10,088	14,884	19,221

Included in the short-term deposits placed with licensed bank of the Group amounting to RM141,232 (2020: RM120,335; 2019: RM120,335 and 31.12.2018: Nil) are pledged for credit facilities granted to the Group.

11. INVESTED EQUITY AND SHARE CAPITAL

(a) Invested equity

For the purpose of these 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTED EQUITY AND SHARE CAPITAL (CONTINUED)

(b) Share capital

	Number of ordinary shares				Amount			
	2018	2019	2020	2021	2018	2019	2020	2021
	Unit'000	Unit'000	Unit'000	Unit'000	RM'000	RM'000	RM'000	RM'000
Issued and fully paid-up:								
At 1 January	-	-	-	1	-	-	-	1
Issuance of share pursuant					-	-	-	-
to acquisitions of subsidiaries (Note 30(b))	-	-	-	22,299	-	-	-	22,299
Issued during the financial year	-	-	1	-	-	-	1	-
Bonus issue (Note 30(c))	-	-	-	342,305	-	-	-	-
At 31 December	-	-	1	364,605	-	-	1	22,300

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. REORGANISATION RESERVE

The "reorganisation reserve" arose from the differences between the carrying value of the investment of the Company and the share capital of the subsidiaries acquired from the common control shareholders during the financial year ended 31 December 2021.

13. LOANS AND BORROWINGS

		As at 31 December			
		2018	2019	2020	2021
	Note	RM'000	RM'000	RM'000	RM'000
Non-current:					
Term loans	(a)	653	628	590	556
Finance lease liabilities / Lease liabilities	(b)	283	2,474	1,681	923
		936	3,102	2,271	1,479
Current:					
Term loans	(a)	25	25	33	34
Finance lease liabilities / Lease liabilities	(b)	214	794	771	725
		239	819	804	759
Total loans and borrowings					
Term loans	(a)	678	653	623	590
Finance lease liabilities / Lease liabilities	(b)	497	3,268	2,452	1,648
		1,175	3,921	3,075	2,238

(a) Term loans

Term loan 1 of the Group of RM213,577 (2020: RM225,294; 2019: RM236,195 and 2018: RM245,404) bears interest at 4.20% (2020: 4.20%; 2019: 4.72% and 2018: 4.97%) per annum and is repayable by monthly instalments of RM1,745 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) First party first legal charge over the investment properties as disclosed in Note 6; and
(ii) Joint and several guarantee by certain Directors.

Term loan 2 of the Group of RM376,568 (2020: RM397,228; 2019: RM416,452 and 2018: RM432,376) bears interest at 4.20% (2020: 4.20%; 2019: 4.72% and 2018: 4.97%) per annum and is repayable by monthly instalments of RM3,077 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) First party first legal charge over the investment properties as disclosed in Note 6; and
(ii) Joint and several guarantee by certain Directors.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. LOANS AND BORROWINGS (CONTINUED)

(b) Finance lease liabilities/lease liabilities

Certain motor vehicles of the Group as disclosed in Note 5 are pledged for finance leases. The effective interest rate implicit in the leases is 4.40% to 5.11% (2020: 4.43% to 5.35%; 2019: 3.96% to 5.35% and 2018: 3.96% to 5.35%).

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

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments				
Not later than one year	234	938	872	787
Later than one year and not later than five years	294	2,665	1,773	951
	528	3,603	2,645	1,738
Less: Future finance charges	(31)	(335)	(193)	(90)
Present value of minimum lease payments	497	3,268	2,452	1,648
Present value of minimum lease payments payable:				
- Not later than one year	214	794	771	725
- Later than one year and not later than five years	283	2,474	1,681	923
	497	3,268	2,452	1,648
Less: Amount due within twelve months	(214)	(794)	(771)	(725)
Amount due after twelve months	283	2,474	1,681	923

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. CONTRACT LIABILITIES

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Non-current				
Contract liabilities relating to timing differences between recognition of revenue and receipt of cash/issuance of invoice	-	-	-	126
Current				
Contract liabilities relating to timing differences between recognition of revenue and receipt of cash/issuance	-	-	-	1,306
	-	-	-	1,432

15. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

Group	As at 1 January 2018 RM'000	Recognised in profit or loss RM'000 (Note 23)	As at 31 December 2019 RM'000	Recognised in profit or loss RM'000 (Note 23)	As at 31 December 2020 RM'000
Deferred tax assets:					
Lease liabilities	-	-	-	(10)	(10)
Deferred tax liabilities:					
Property, plant and equipment	50	87	137	(45)	92
	50	87	137	(55)	82

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED TAX LIABILITIES (CONTINUED)

Group	As at 1 January 2020 RM'000	Recognised in profit or loss RM'000 (Note 23)	As at 31 December 2020 RM'000	Recognised in profit or loss RM'000 (Note 23)	As at 31 December 2021 RM'000
Deferred tax assets:					
Lease liabilities	(10)	(9)	(19)	(2)	(21)
Deferred tax liabilities:					
Property, plant and equipment	92	(4)	88	(58)	30
	82	(13)	69	(60)	9

	As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Presenting after appropriate offsetting as follows:				
Deferred tax assets	-	(10)	(19)	(21)
Deferred tax liabilities	137	92	88	30
	137	82	69	9

16. TRADE AND OTHER PAYABLES

	Note	As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Trade					
Trade payables	(a)				
- Third parties		1,208	85	203	516
- Associate		-	44	182	55
		1,208	129	385	571
Non-trade					
Other payables		388	60	272	9
Amount owing to Directors	(b)	12	38	42	-
Accruals		960	615	316	1,705
Deposits received		1	6	-	18
Dividend payable		-	1,583	935	-
Sales and service tax ("SST") payable		299	456	303	434
		1,660	2,758	1,868	2,166
Total trade and other payables		2,868	2,887	2,253	2,737

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 days to 60 days (2020: 30 days to 60 days; 2019: 30 days to 60 days; 2018: 30 days to 60 days).

(b) Amount owing to Directors

Amount owing to Directors are unsecure, non-trade in nature, non-interest bearing and with fixed term of repayment.

For explanations on the Group's liquidity risk management processes, refer to Note 26(b)(ii).

17. REVENUE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
At a point in time:				
Render of services	17,387	20,563	20,649	26,724
Over time:				
Subscription fees	-	-	-	1,538
	17,387	20,563	20,649	28,262

18. OTHER INCOME

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Unrealised gain on foreign exchange	1	-	-	-
Fair value gain on other investment	-	-	-	139
Gain on disposal of property, plant and equipment	-	57	212	-
Gain on disposal of subsidiary	-	-	1,069	-
Rental income	243	224	148	74
Insurance claim	-	-	-	67
Other income	279	245	91	79
Government grant	-	-	205	2
	523	526	1,725	361

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS EXPENSE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	4,273	5,126	5,324	7,306
Defined contribution plans	497	583	631	851
Other staff related expenses	142	434	240	178
Total employee benefits expense	4,912	6,143	6,195	8,335
Included in employee benefits expense are:				
- Directors' fees	-	-	-	54
- Directors' remuneration	1,120	1,129	1,140	1,330
- Directors' defined contribution plans	134	135	137	160
- Directors' other emolument	-	2	2	2
	1,254	1,266	1,279	1,546
Directors' benefits-in-kind	32	46	25	2

20. FINANCE INCOME

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Income from other investments	20	83	79	107
Interest income	16	66	18	8
	36	149	97	115

21. FINANCE COSTS

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
- Term loans	33	32	28	25
- Finance lease liabilities / Lease liabilities	27	142	140	107
	60	174	168	132

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. PROFIT BEFORE TAX

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

		FYE 31 December			
		2018	2019	2020	2021
	Note	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:					
- current year		12	13	32	49
- prior year		-	-	-	2
- other fees		-	-	60	140
Depreciation of property, plant and equipment	5	526	1,094	1,209	1,064
Depreciation of investment properties	6	13	13	13	13
Property, plant and and equipment written off		-	-	50	41
Bad debts written off		-	-	19	-
Fair value loss on equity investments		1	16	-	-
Rental expenses					
Expenses relating to leases		337	3	2	4
Realised foreign exchange loss		119	38	21	21
Unrealised foreign exchange loss		-	-	-	2

23. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 are as follows:

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	2,048	2,109	2,495	3,841
- Adjustment in respect of prior years	(108)	58	55	199
	1,940	2,167	2,550	4,040
Deferred tax: (Note 15)				
- Origination/(reversal) of temporary differences	11	(55)	(13)	3
- Adjustment in respect of prior years	76	-	-	(63)
	87	(55)	(13)	(60)
Income tax expense recognised in profit or loss	2,027	2,112	2,537	3,980

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020, 2019 and 2018: 24%) of the estimated taxable profit for the financial year.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2.50 million and below and annual sales less than RM50 million (2020: RM50 million; 2019 and 2018: Nil) is subject to the statutory tax rate of 17% (2020: 17%; 2019: 17% and 2018: 18%) on chargeable income up to RM600,000 (2020: RM600,000; 2019 and 2018: RM500,000). For chargeable income excess of RM600,000 (2020: RM600,000; 2019 and 2018:RM500,000), statutory tax rate of 24% (2020, 2019 and 2018: 24%) is still applicable.

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

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	8,018	8,441	10,611	14,285
Tax at Malaysian statutory income tax rate of 24%	1,924	2,026	2,547	3,428
SME tax savings	(30)	(44)	(47)	-
Adjustments:				
- Income not subject to tax	(9)	(31)	(274)	(41)
- Non-deductible expenses	174	103	256	457
- Adjustment in respect of current income tax of prior years	(108)	58	55	199
- Adjustment in respect of deferred tax of prior years	76	-	-	(63)
Income tax expense	2,027	2,112	2,537	3,980

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EARNINGS PER SHARE

The basic and diluted earnings per ordinary share are computed as follow:

	FYE 31 December			
	2018	**2019**	**2020**	**2021**
Profit attributable to owners of the Group (RM'000)	5,995	6,329	8,045	10,321

	FYE 31 December			
	2018 [(1)]	**2019 [(1)]**	**2020 [(1)]**	**2021 [(2)]**
Weighted average number of ordinary shares for basic and diluted earnings per share^ ('000)	343,405	344,258	343,956	349,454

	FYE 31 December			
	2018	**2019**	**2020**	**2021**
Basic and diluted earnings per ordinary share (sen)	1.75	1.84	2.34	2.95

(1) Based on the effect of bonus issues on the basis of 15.35 bonus shares for every one ordinary shares on the assumption that the reorganisation had been completed.

(2) Based on weighted average number of issued capital after the completion of reorganisation exercise.

^ For the purpose of calculating the earnings per ordinary shares for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, the weighted average number of ordinary shares is the aggregate share capital of the combining entities constituting the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. DIVIDENDS

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Dividends on ordinary shares:				
First single-tier interim dividend of RM4 per ordinary share in respect of financial year ended 31 December 2019 paid on 10 July 2019	-	2,000	-	-
Second single-tier interim dividend of RM1.06 per ordinary share in respect of financial year ended 31 December 2019 paid on 10 March 2020	-	1,583	-	-
Final single-tier interim dividend of RM3 per ordinary share in respect of financial year ended 31 December 2019 paid 1 September 2020 and 27 November 2020	-	-	4,500	-
Single-tier interim dividend of RM0.67 per ordinary share in respect of financial year ended 31 December 2020 paid on 5 August 2021	-	-	1,000	-
Single-tier interim dividend of RM2.53 per ordinary share in respect of financial year ended 31 December 2021 paid on 16 August 2021	-	-	-	3,800
	-	3,583	5,500	3,800

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Amortised cost
(ii) Fair value through profit or loss ("FVPL")

	Note	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000
At 31 December 2018				
Financial assets				
Trade and other receivables, less prepayments and GST refundable	**8**	5,244	5,244	-
Other investments	**9**	1,519	-	1,519
Cash and short-term deposits	**10**	10,533	10,533	-
		17,296	15,777	1,519
Financial liabilities				
Loans and borrowings	**13**	(1,175)	(1,175)	-
Trade and other payables, less SST payables	**16**	(2,569)	(2,569)	-
		(3,744)	(3,744)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Note	Carrying amount RM'000	Amortised Cost RM'000	FVPL RM'000
At 31 December 2019				
Financial assets				
Trade and other receivables, less prepayments	8	6,159	6,159	-
Other investments	9	3,036	-	3,036
Cash and short-term deposits	10	10,208	10,208	-
		19,403	16,367	3,036
Financial liabilities				
Loans and borrowings	13	(3,921)	(3,921)	-
Trade and other payables, less SST payables	16	(2,431)	(2,431)	-
		(6,352)	(6,352)	-
At 31 December 2020				
Financial assets				
Trade and other receivables, less prepayments	8	3,519	3,519	-
Other investments	9	3,115	-	3,115
Cash and short-term deposits	10	15,004	15,004	-
		21,638	18,523	3,115
Financial liabilities				
Loans and borrowings	13	(3,075)	(3,075)	-
Trade and other payables, less SST payables	16	(1,950)	(1,950)	-
		(5,025)	(5,025)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Note	Carrying amount RM'000	Amortised Cost RM'000	FVPL RM'000
At 31 December 2021				
Financial assets				
Trade and other receivables, less prepayments	**8**	5,879	5,879	-
Other investments	**9**	4,361	-	4,361
Cash and short-term deposits	**10**	19,362	19,362	-
		29,602	25,241	4,361
Financial liabilities				
Loans and borrowings	**13**	(2,238)	(2,238)	-
Trade and other payables, less SST payables	**16**	(2,303)	(2,303)	-
		(4,541)	(4,541)	-

(b) Financial risk management

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

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

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

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

Credit risk concentration profile
At the end of the reporting period, the Group has a significant concentration of credit risk in the form of one (1) (2020: three (3); 2019: four (4) and 2018: one (1)) trade receivables, representing approximately 14% (2020: 42%; 2019: 50%, and 2018: 47%) of the Group's total trade receivables.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

At 31 December 2018	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
Current	1,551	-	1,551
1 to 30 days past due	2,289	-	2,289
31 to 60 days past due	127	-	127
61 to 90 days past due	40	-	40
> 90 days past due	616	-	616
	4,623	-	4,623

At 31 December 2019	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
Current	3,524	-	3,524
1 to 30 days past due	192	-	192
31 to 60 days past due	1,376	-	1,376
61 to 90 days past due	-	-	-
> 90 days past due	497	-	497
	5,589	-	5,589

At 31 December 2020	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
Current	2,045	-	2,045
1 to 30 days past due	259	-	259
31 to 60 days past due	67	-	67
61 to 90 days past due	210	-	210
> 90 days past due	488	-	488
	3,069	-	3,069

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows: (continued)

At 31 December 2021	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
Current	3,596	-	3,596
1 to 30 days past due	1,076	-	1,076
31 to 60 days past due	270	-	270
61 to 90 days past due	-	-	-
> 90 days past due	360	-	360
	5,302	-	5,302

Other receivables and other financial assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk

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

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

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

		← Contractual cash flows →			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2018					
Trade and other payables less SST payables	2,569	2,569	-	-	2,569
Term loans	678	58	231	656	945
Finance lease liabilities/ lease liabilities	497	234	294	-	528
	3,744	2,861	525	656	4,042
At 31 December 2019					
Trade and other payables less SST payables	2,431	2,431	-	-	2,431
Term loans	653	58	231	598	887
Finance lease liabilities/ lease liabilities	3,268	938	2,665	-	3,603
	6,352	3,427	2,896	598	6,921

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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

	Carrying amount RM'000	← Contractual cash flows On demand or within 1 year RM'000	Between 1 to 5 years RM'000	More than 5 years RM'000	Total → RM'000
At 31 December 2020					
Trade and other payables less SST payables	1,950	1,950	-	-	1,950
Term loans	623	58	231	540	829
Finance lease liabilities/ lease liabilities	2,452	872	1,773	-	2,645
	5,025	2,880	2,004	540	5,424
At 31 December 2021					
Trade and other payables less SST payables	2,303	2,303	-	-	2,303
Term loans	590	58	231	482	771
Finance lease liabilities/ lease liabilities	1,648	787	951	-	1,738
	4,541	3,148	1,182	482	4,812

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Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

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

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Taiwan Dollar ("TWD") and Hong Kong Dollar ("HKD").

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

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Financial assets and liabilities not held in functional currencies:				
Trade receivables				
USD	289	970	468	263
SGD	27	124	109	140
TWD	176	1	-	169
HKD	-	-	-	65
	492	1,095	577	637
Cash and short-term deposits				
USD	-	300	692	1,746

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

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

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

	Change in rate	Effect on profit for the financial year RM'000
31 December 2018		
- USD	+5%	11
	- 5%	(11)
- TWD	+5%	7
	- 5%	(7)
- SGD	+5%	1
	- 5%	(1)
31 December 2019		
- USD	+5%	48
	- 5%	(48)
- SGD	+5%	5
	- 5%	(5)
31 December 2020		
- USD	+5%	44
	- 5%	(44)
- SGD	+5%	4
	- 5%	(4)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

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

	Change in rate	Effect on profit for the financial year RM'000
31 December 2021		
- USD	+5%	76
	- 5%	(76)
- SGD	+5%	5
	- 5%	(5)
- TWD	+5%	6
	- 5%	(6)
- HKD	+5%	2
	- 5%	(2)

(iv) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

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

	Carrying amount RM'000	Movement in basis points	Effect on profit for the financial year RM'000
Group			
31 December 2018			
Term loans	678	+ 50	(3)
		- 50	3
31 December 2019			
Term loans	653	+ 50	(2)
		- 50	2
31 December 2020			
Term loans	623	+ 50	(2)
		- 50	2
31 December 2021			
Term loans	590	+ 50	2
		- 50	(2)

(v) Fair value measurement

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(v) Fair value measurement (continued)

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

During the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, there was no transfer between the fair value measurement hierarchy.

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

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, the fair value of other investments as disclosed in Note 9 to the financial statements is measured under Level 1, of which is determined directly by reference to prices provided either by investment management companies or based on bid price of the quoted equity securities.

27. RELATED PARTIES

(a) Identification of related parties

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

Related parties of the Group include:
(i) Entity owned by persons connected to a Director;
(ii) Entity in which certain Directors have interests;
(iii) Associate; and
(iv) Key management personnel of the Group, comprise persons (including Directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTIES (CONTINUED)

(b) Significant related parties transactions

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

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Rendering of services				
- Associates	-	-	94	54
Purchase of services				
- Associates	-	-	(250)	(109)
Lease payments received from				
- Associates	-	-	(55)	(60)

(c) Compensation of key management personnel

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	1,493	1,696	1,659	1,807
Defined contribution plans	175	200	197	214
Benefits-in-kind	46	119	48	26
	1,714	2,015	1,904	2,047

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. CAPITAL MANAGEMENT

The primary objective of capital management of the Group is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity of the Group. The gearing ratio as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 are as follows:

		As at 31 December			
		2018	2019	2020	2021
	Note	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	13	1,175	3,921	3,075	2,238
Total debts		1,175	3,921	3,075	2,238
Total equity		15,698	18,994	21,713	28,074
Gearing ratio (times)		0.07	0.21	0.14	0.08

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

The Group is not subject to externally imposed capital requirement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SEGMENT INFORMATION

Segment information is not presented as the Group is principally engaged in information technology services which is substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Customer A	5,015	4,650	1,987	-
Customer B	-	-	3,874	3,998

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Covid-19

The World Health Organisation had declared the Coronavirus Disease 2019 ("COVID-19") a pandemic on 11 March 2020. Subsequently, the Government of Malaysia issued various Movement Control Orders ("MCO") in its efforts to curb and contain the spread of COVID-19.

The Group has performed an assessment of the overall impact of the situation on the operations and financial implications to the Group, including the recoverability of the carrying amount of assets and subsequent measurements of assets and liabilities, and concluded that there is no material adverse effects on the financial statements of the Group for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the operations of the Group.

(b) Acquisitions of subsidiaries

The Company has undertaken the following acquisitions and reorganisation during the financial year.

On 30 August 2021, the Company entered into Share Sale Agreements with Fong Choong Fook and Goh Soon Sei and issued the following number of shares in the Company for the following subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Acquisitions of subsidiaries (continued)

(i) Acquisition of LE Global Services Sdn. Bhd.

The Company issued 22,199,500 new ordinary shares of the Company at an issue price of RM1 per share for the acquisition of the entire issued share capital of LE Global Services Sdn. Bhd..

(ii) Acquisition of LGMS Advanced Tech Sdn. Bhd.

The Company issued 98,500 new ordinary shares of the Company at an issue price of RM1 per share for the acquisition of the entire issued share capital of LGMS Advanced Tech Sdn. Bhd..

(iii) Acquisition of Credence Defender Sdn. Bhd.

The Company issued 500 new ordinary shares of the Company at an issue price of RM1 per share for the acquisition of the entire issued share capital of Credence Defender Sdn. Bhd..

(iv) Acquisition of LGMS Academy Sdn. Bhd.

The Company issued 500 new ordinary shares of the Company at an issue price of RM1 per share for the acquisition of the entire issued share capital of LGM Academy Sdn. Bhd..

For the purpose of accounting for the reorganisation, the Group has applied merger accounting on the basis that the reorganisation exercise does not constitute a business combination to which acquisition accounting can be applied. Under merger accounting, the difference between cost of investment recorded by the Company and the share capital of the acquired subsidiaries is accounted for as "reorganisation reserve" as follows:

	RM'000
New shares issued by the Company as consideration for the acquisitions of subsidiaries	22,299
Reversal of issued and paid-up share capital of the acquired subsidiaries	(1,650)
Reorganisation reserve	20,649

(c) Bonus issue

On 6 September 2021, the issued shares of the Company increased from 22,300,000 to 364,605,000 by way of bonus issue on the basis of 15.35 bonus share for every one existing ordinary share held in the Company.

13. STATUTORY AND OTHER GENERAL INFORMATION

13.1 Share capital

(i) The share capital of our Company, our material subsidiary and associate company as at the LPD and changes in their respective share capital since incorporation up to the LPD are as set out in **Sections 5.2** and **5.5** of this Prospectus.

(ii) Save as disclosed in this Prospectus, 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) As at the LPD, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iv) Save for the issuance of new Shares to the Promoters pursuant to the Pre-IPO Restructuring as disclosed in **Section 5.3** of this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Company has been issued or proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, since our incorporation up to the LPD.

(v) As at the LPD, none of the share capital of our Company or any of our subsidiaries or our associate company is under option, or agreed conditionally or unconditionally to be put under option.

(vi) Save for our Directors', key senior management's and employees' respective entitlements under the Pink Form Allocation as disclosed in **Section 3.3.1(ii)** of this Prospectus, there is currently no scheme involving our Directors or employees in the share capital of our Company or any of our subsidiaries and associate company.

(vii) Our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital as at the LPD.

13.2 Extracts of our Constitution

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used herein unless they are otherwise defined herein or the context otherwise requires.

13.2.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:-

(i) Remuneration of Directors

Article 19 – Remuneration of Directors

Article 19.1 - Fees and benefits for Directors

The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company annually in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree provided always that:-

(a) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;

(b) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

(c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

(d) fees payable to Directors shall not be increased except pursuant to an Ordinary Resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Article 19.2 - Reimbursement of expenses

The Directors shall be paid for all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of Directors.

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

(ii) Borrowing powers of Directors

Article 21 – Powers and duties of Directors

Article 21.2 – The Board's borrowing powers

The Board may exercise all the powers of the Company to borrow or raise money for the purpose of the Company's or any of its related companies' businesses on such terms as they think fit and may secure the repayment of the same by mortgage or charge upon the whole of the Company's undertaking, property (both present and future) including its uncalled or unissued capital, or any part thereof and to issue bonds, debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries but the Directors shall not borrow any money or mortgage or charge any of the Company's or any of the Company's subsidiary companies' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

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(iii) Voting powers of Directors

Article 22 – Proceedings of the Board

Article 22.5 – Chairman to have a casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a decision of the Board and provided always that in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote. However, in the case of an equality of votes and where two (2) directors form a quorum, the chairman of a meeting at which only such a quorum is present or at which only two (2) directors are competent to vote on the question at issue, shall not have a casting vote.

Article 22.7 – Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by Applicable Laws. Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Article 22.8 - Power to vote

Subject to Article 22.7 hereof, a Director may vote in respect of:-

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

13.2.2 Changes to share capital and variation of class rights

The provisions in the Constitution dealings with changes in share capital and variation of class rights are as follows:-

Article 4 – Share capital

Article 4.1- Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, all Applicable Laws, and the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:-

(a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;

(b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;

(c) every issue of shares or options to employees and/or Directors of the Company and/or its subsidiaries under an employee share option scheme shall be approved by the Members in general meeting; and

(d) no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Article 5 - Variation of rights

Article 5.1 - Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to all Applicable Laws, be varied or abrogated with the consent in writing of the holders of three fourths (3/4) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of this Constitution relating to meetings of Members shall *mutatis mutandis* apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Article 5.2 - Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

Article 13 – Increase of Capital

Article 13.1 – Power to increase capital

Subject to all Applicable Laws, the Company may from time to time, whether all the shares for the time being issued have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Article 13.2 – Offer of new shares

Subject to any direction to the contrary that may be given by the Company in a meeting of Members, all new shares or other convertible securities of whatever kind, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meetings of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Article.

Article 14 - Alteration of Capital

Article 14.1 – Power to alter capital

Section 84 of the Act shall not apply to the Company. The Company may by Ordinary Resolution and subject to all Applicable Laws:-

(a) consolidate and divide all or any of its share capital into shares, 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;

(b) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions 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 Shares from which the subdivided Share is derived;

(c) cancel shares which at the date of the passing of the resolution in that behalf 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; and

(d) subject to the provisions of this Constitution and Applicable Laws, convert and/or re-classify any class of shares into any other class of shares.

Article 14.2 – Power to reduce capital

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Article 14.3 – Purchase of own shares

The Company may, subject to its obtaining such approval from the relevant authorities (if required) and to its compliance with all Applicable Laws, purchase its own shares. Any shares so purchased by the Company shall be dealt with in accordance with the Applicable Laws. The provisions of Articles 14.1 and 14.2 hereof shall not affect the power of the Company to cancel any shares or reduce its share capital pursuant to any exercise of the Company's powers under this Article.

13.2.3 Transfer of shares

The provisions in the Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:-

Article 9 – Transfer of shares

Article 9.1 - Transfer of listed securities of Company is by way of book entry

The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 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 listed securities.

Article 9.2 - Transferor's Right

Subject to all Applicable Laws, the instrument of transfer of any security that is not deposited with Bursa Depository shall be in writing and in any usual or common form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members thereof.

Article 9.3 - Refusal to register

Bursa Depository may refuse to register any transfer of the Deposited Security that does not comply with the SICDA and the Rules.

Article 9.4 - No liability for fraudulent transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

Article 9.5 - Prohibited transfer

No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 9.6 - Renunciation

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any shares by the allottee thereof in favour of some other persons.

Article 9.7 - Suspension of registration

Subject to all Applicable Laws, the registration of transfer of any securities may be suspended at such times and for such periods as the Board may from time to time determine not exceeding in the whole thirty (30) days in any year. At least ten (10) Market Days' notice of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the reason for which the Register is being closed. At least three (3) Market Days before the notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors.

13.2.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in the Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:-

Article 16 – Proceedings at meetings of members

Article 16.5 - Polls

A resolution put to vote at any meeting of Members shall be determined by poll or in such other manner which is not prohibited under Applicable Laws. Notwithstanding the above, subject to Applicable Laws, at any general meeting where a resolution is allowed to be put to the vote of the meeting to be decided on a show of hands, a poll may be demanded in writing (before or on the declaration of the result of the show of hands):

(a) by the chairman of the meeting;

(b) by at least three (3) Members present in person or by proxy;

(c) by any Member present in person or by proxy representing not less than ten per centum (10%) of the total voting rights of all Members having the right to vote at the General Meeting; or

(d) by a Member holdings shares in the Company conferring a right to vote at the General Meeting being shares on which an aggregate sum has been paid-up equal to not less than ten per centum (10%) of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has been carried, or lost, or has not been carried by a particular majority, shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

A poll shall be taken in such manner and either forthwith or after an interval or adjournment or otherwise as the chairman directs and the result of the poll shall be the resolution of the meeting at which the poll was taken, but a poll demanded on the election of chairman or on a question of adjournment shall be taken immediately. The Company shall appoint at least one (1) scrutineer for the purposes of a poll in accordance with the Applicable Laws, and may, in addition to the power of adjourning meetings contained in Article 16.4 hereof adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.

The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineer(s), as may be appointed by the Company for the purpose of determining the outcome of the resolution(s) to be decided on poll.

Article 16.7 - Voting rights

Subject to this Constitution and to any rights or restrictions for the time being attached to any shares or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and vote either in person or by proxy or by representative in respect of any share or shares upon which all calls due to the Company have been paid. On a resolution to be decided on a show of hands, each holder of ordinary shares or preference shares who is present in person or by proxy or by representative and entitled to vote, shall be entitled to 1 vote, and on a poll every Member who is present in present or by proxy or representative shall have 1 vote for every Share he holds.

Article 16.8 - Shares of different monetary denominations

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.

As at the date of this Prospectus, we only have 1 class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to **Section 3.3.6** of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

13.3 Limitation on the rights to hold securities and/or exercise voting rights

Subject to **Section 13.4** of this Prospectus and **Articles 16.9 and 16.10** which have been reproduced below from the Constitution, there is no limitations on the right to own our Shares, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by our Constitution.

Article 16 – Proceedings at meetings of members

Article 16.9 – Vote of Member of unsound mind

A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, by his committee or by such other person who properly has the management of his estate and any such committee or other person may vote by proxy or attorney.

Article 16.10 – Member barred from voting while call unpaid

No Member shall be entitled to be present or to vote on any question either personally or otherwise, as a proxy or attorney at any meeting of Members (including annual general meetings) or upon a poll or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.

13.4 Deposited securities and rights of Depositors

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, holders of our Shares must deposit their Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**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 shall be deemed to be our shareholder and shall 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.

13.5 Material contracts

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the financial periods under review up to the date of this Prospectus:-

(i) the share sale agreements dated 30 August 2021 entered into between our Company and Promoters in relation to the acquisition of the entire equity interest of LE Global, LGMS Advanced Tech, Credence Defender and LGMS Academy for a total purchase consideration of RM22,299,000, which was fully satisfied through the issuance of 22,299,000 new Shares to our Promoters. The Acquisitions were completed on 30 August 2021;

(ii) Underwriting Agreement dated 27 April 2022 between our Company and the Underwriter in relation to the underwriting arrangement of (i) 22,800,000 Issue Shares available for application by the Malaysian Public through a balloting process; and (ii) 12,500,000 Issue Shares reserved for application by our Eligible Persons, at an underwriting commission of 2.25% of the total value of the underwritten Shares based on the Issue Price. Further details of the Underwriting Agreement are set out in **Section 3.8** of this Prospectus; and

(iii) placement agreement dated 27 April 2022 between our Company and the Placement Agent in relation to the placement arrangement of (i) 44,695,000 Issue Shares to be offered to identified institutional and/or selected investors; and (ii) 11,400,000 Issue Shares to be allocated to identified Bumiputera Investors, at a placement fee of 2.25% of the total value of the placement Issue Shares based on the Issue Price.

13.6 Material litigation

As at the LPD, our Group is not involved in any material litigation or arbitration, either as plaintiff or defendant or third party, including those relating to bankruptcy, receivership or similar proceedings, which may have a material adverse effect on the business or financial position of our Group. Our Directors confirm that there is no legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group.

13.7 Repatriation of capital and remittance of profit

There are no governmental laws, decrees, regulations or other requirements in Malaysia which may affect the repatriation of capital and the remittance of profit by or to our Group.

All corporations in Malaysia are required to adopt single-tier dividends. Hence, all dividends distributed to our shareholders under a single tier dividend are not taxable.

Further, the Malaysian government does not levy withholding tax on dividend payments. Therefore, the dividends to be paid to shareholders who are non-tax residents in Malaysia are not subject to withholding tax in Malaysia.

13.8 Letters of consent

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Legal Adviser, Company Secretaries, Share Registrar and Issuing House as set out in the Corporate Directory of this Prospectus to 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 Baker Tilly Monteiro Heng PLT, the auditors and reporting accountants, for the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our pro forma consolidated statement of financial position together with all references herein in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Protégé, the IMR, to the inclusion of its name and the Industry Overview Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.9 Documents available for inspection

Copies of the following documents may be inspected at our registered office at 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, during normal working hours for a period of 6 months from the date of this Prospectus:-

(i) our Constitution;

(ii) Reporting Accountants' letter on the pro forma consolidated statements of financial position as included in **Section 11.2** of this Prospectus;

(iii) Accountants' Report referred to in **Section 12** of this Prospectus;

(iv) the letters of consent referred to in **Section 13.8** of this Prospectus;

(v) the material contracts referred to in **Section 13.5** of this Prospectus;

(vi) audited financial statements of each of our subsidiaries for the past 4 FYEs 31 December 2018, 2019, 2020 and 2021; and

(vii) Industry Overview Report as included in **Section 7** of this Prospectus.

13.10 Responsibility statements

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

UOBKH 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.

14. 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 THE 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.

14.1 Opening and closing of Applications

Opening of the application period: 10.00 a.m., 20 May 2022

Closing of the application period: 5.00 p.m., 26 May 2022

In the event there is any change to the timetable above, we will advertise a notice of the changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement of such changes on Bursa Securities' website accordingly.

Late Applications will not be accepted.

14.2 Methods of Application

14.2.1 Application for our Issue Shares by the Malaysian Public and Eligible Persons

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed.

Types of Application and category of investors	Application Method
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	- White Application Form; or - Electronic Share Application; or - Internet Share Application
(b) Non-individuals	White Application Form only

14.2.2 Placement

Types of Application and category of investors	Application Method
Applications by:-	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Identified Bumiputera Investors	The MITI will contact the identified Bumiputera Investors directly. They should follow the MITI's instructions.

Selected investors and identified Bumiputera Investors may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

14.3 Eligibility

14.3.1 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.

14.3.2 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; 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 an Application by using only one of the following methods:-

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by Eligible Persons

Our Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, in our Prospectus.

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, the Issuing House, UOBKH, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 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 RM0.50 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 719"** 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 26 May 2022 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Form or Application monies. Please direct all enquiries in respect of the **White Application Form** to the Issuing House.

14.5 Application by way of Electronic Share Application

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.

14.6 Application by way of Internet Share Application

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 these Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, CIMB Bank Berhad, 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.

14.7 Authority of our Board and 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 14.9** 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 any time 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.

14.8 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 Issue 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% 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 clawback and reallocation provisions as set out in **Section 3.3.3** of this 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.

14.9 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:-

14.9.1 For applications by way of Application Form

(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 documents 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 the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The 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 ordinary/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).

14.9.2 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 Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from the 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 Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

14.10 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 registered or correspondence address last 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 Issue 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.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No 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.

14.11 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. +603-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of the Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at https://tiih.online, within 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 as 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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