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

COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

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

COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

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APPENDIX I – AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

	Note	2020 RM	2019 RM
Revenue	4	9,619,910	12,163,866
Cost of sales		(4,311,447)	(7,580,259)
Gross profit		5,308,463	4,583,607
Other income		181,306	131,368
Administrative expenses		(511,230)	(387,219)
Other operating expenses		(3,095,435)	(3,232,453)
Profit from operations		1,883,104	1,095,303
Finance costs		(87,506)	(70,855)
Profit before tax	5	1,795,598	1,024,448
Tax expense	6	(523,028)	(299,513)
Profit for the financial year		1,272,570	724,935
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operation		70,333	9,558
Total comprehensive income for the financial year		1,342,903	734,493
Profit attributable to:			
- Owners of the Group		1,266,276	729,238
- Non-controlling interest		6,294	(4,303)
		1,272,570	724,935
Total comprehensive income attributable to:			
- Owners of the Group		1,329,576	737,840
- Non-controlling interest		13,327	(3,347)
		1,342,903	734,493

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

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019 AND 30 JUNE 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	483,111	2,737,016
Right-of-use assets	8	2,060,866	-
Intangible assets	9	260	380
Tax recoverable	10	51,403	-
		2,595,640	2,737,396
Current Assets			
Trade receivables	11	2,410,829	2,087,387
Other receivables	12	1,312,446	1,083,581
Contract assets	13	206,488	-
Amounts due from shareholders	14	2,223,165	2,542,271
Fixed deposits placed with a licensed bank	15	4,135,437	4,056,792
Cash and bank balances		1,028,098	888,827
		11,316,463	10,658,858
TOTAL ASSETS		13,912,103	13,396,254

DYNAFRONT HOLDINGS BERHAD
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COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019 AND 30 JUNE 2020 (cont'd)

	Note	2020 RM	2019 RM
EQUITY AND LIABILITIES			
Equity			
Invested equity	16	3,662,299	3,662,299
Retained earnings		6,485,804	5,219,528
Reserve	17	71,902	8,602
Equity attributable to Owners of the Group		10,220,005	8,890,429
Non-controlling interest		301,980	288,653
Total Equity		10,521,985	9,179,082
Non-Current Liabilities			
Lease liabilities	18	832,404	-
Hire purchase payables	19	-	882,731
Deferred tax liabilities	20	21,146	24,582
Other payables	21	-	735,196
		853,550	1,642,509
Current Liabilities			
Trade payables	22	27,000	28,620
Other payables	21	654,282	1,579,312
Contract liabilities	13	474,941	489,010
Lease liabilities	18	1,127,150	-
Hire purchase payables	19	-	396,137
Tax payable		253,195	81,584
		2,536,568	2,574,663
Total Liabilities		3,390,118	4,217,172
TOTAL EQUITY AND LIABILITIES		13,912,103	13,396,254

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and should be read in conjunction with, these combined financial statements.

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

	← Attributable to Owners of the Group →					
	← Non-Distributable →					
	Invested Equity RM	Foreign Currency Translation Reserve RM	Distributable Retained Earnings RM	Total RM	Non-Controlling Interest RM	Total Equity RM
At 1 July 2018	1,034,299	-	4,490,290	5,524,589	-	5,524,589
Profit/(loss) net of tax	-	-	729,238	729,238	(4,303)	724,935
Other comprehensive income:						
Foreign currency translation differences for foreign operation	-	8,602	-	8,602	956	9,558
Total comprehensive income	-	8,602	729,238	737,840	(3,347)	734,493
Transaction with Owners of the Group:						
Issuance of ordinary shares	2,628,000	-	-	2,628,000	292,000	2,920,000
At 30 June 2019	3,662,299	8,602	5,219,528	8,890,429	288,653	9,179,082

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020 (cont'd)

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

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

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020

	Note	2020 RM	2019 RM
Cash Flows from Operating Activities			
Profit before tax		1,795,598	1,024,448
Adjustments for:			
Amortisation of intangible assets		120	120
Bad debts written off		20,140	-
Depreciation of property, plant and equipment		90,161	619,958
Depreciation of right-of-use assets		1,078,505	-
Interest income		(120,319)	(92,533)
Interest expense		87,506	70,855
Operating profit before changes in working capital		2,951,711	1,622,848
Changes in working capital:			
Trade and other receivables		(572,263)	(876,280)
Trade and other payables		(461,134)	283,519
Contract assets		(206,488)	-
Contract liabilities		(14,069)	206,689
Amounts due from shareholders		367,931	-
Cash generated from operations		2,065,688	1,236,776
Interest paid		(87,506)	(70,855)
Interest received		120,319	92,533
Tax paid		(405,157)	(405,643)
Net cash from operating activities		1,693,344	852,811
Cash Flows from Investing Activity			
Purchase of property, plant and equipment, representing net cash used in investing activity	7(i)	(196,706)	(242,485)
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares, net		-	386,406
Payment for the principal portion of lease liabilities	(ii), (iii)	(1,282,497)	-
Repayment of hire purchase payables	(iii)	-	(352,014)
Net cash (used in)/from financing activities		(1,282,497)	34,392

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020 (cont'd)

	Note	2020 RM	2019 RM
Net increase in cash and cash equivalents		214,141	644,718
Effect of exchange rate changes on cash and cash equivalents		3,775	924
Cash and cash equivalents at beginning of the financial year		4,945,619	4,299,977
Cash and cash equivalents at end of the financial year	(i)	5,163,535	4,945,619

Note:

(i) Cash and cash equivalents comprise:

	2020 RM	2019 RM
Fixed deposits placed with a licensed bank	4,135,437	4,056,792
Cash and bank balances	1,028,098	888,827
	5,163,535	4,945,619

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

	2020 RM
Included in net cash from operating activities:	
- Interest paid in relation to lease liabilities	(87,506)
- Payment relating to short-term leases	(70,332)
- Payment relating to low value assets	(5,110)
Included in net cash used in financing activities:	
- Payment for the principal portion of lease liabilities	(1,282,497)
	(1,445,445)

DYNAFRONT HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020 (cont'd)

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

	Lease Liabilities RM
2020	
At 1 July 2019, as previously reported	-
Adjustment on initial application of MFRS 16	
- Hire purchase payables (Note 19)	1,278,868
- Lease of premises	743,977
- Other payables	1,200,714
- Exchange differences	18,492
	3,242,051
At 1 July 2019, as restated	3,242,051
Repayment	(1,282,497)
At 30 June 2020	1,959,554

	Hire purchase payables RM
2019	
At 1 July 2018	1,409,982
Additions [Note 7(i)]	220,900
Repayment	(352,014)
At 30 June 2019	1,278,868

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

DYNAFRONT HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

DynaFront Holdings Berhad ("the Company") was incorporated as Dynafront Holdings Sdn. Bhd. on 18 December 2020 under the Companies Act 2016 as a private limited liability company and is domiciled in Malaysia. On 10 March 2021, the Company was converted into a public company limited by shares and assumed its present name.

The proposed listing scheme entails the issuance and placement of up to 12,000,000 Placement Shares at an Indicative Placement Price of RM0.21 per Placement Share and the proposed listing of the entire 72,000,000 Shares on Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad.

On 3 February 2021 and 25 February 2021, the Company has acquired 100% equity interest in DynaFront Systems Berhad and 90% equity interest in PT DynaFront Systems Indonesia respectively.

The principal activity of the Company is investment holding. The principal activities and other information of the combining entities are as follows:

Combining Entities	Country of Incorporation	Principal Activities	Non-controlling interest recognised in combined financial statements 2020	2019
DynaFront Systems Berhad	Malaysia	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems	-	-
PT DynaFront Systems Indonesia	Indonesia	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems	10%	10%

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

The registered office of the Company is located at 199, Jalan 8, Taman Tan Yew Lai, 58200 Kuala Lumpur, Wilayah Persekutuan.

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

The combined financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

2. BASIS OF PREPARATION

The combined financial statements have been prepared for inclusion in the Information Memorandum in connection with the proposed listing of the entire enlarged issued share capital of the Company on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad and for no other purpose.

The combined financial statements for the financial years ended 30 June 2019 and 30 June 2020 consist of the following entities under common control (collectively hereinafter referred to as the "Group") for each of the financial years under review:

	Financial year ended ("FYE") 30 June	
	2020	**2019**
Entities under common control:		
DynaFront Holdings Berhad	Not applicable *	Not applicable *
DynaFront Systems Berhad	√	√
PT DynaFront Systems Indonesia	√	√

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

* *No financial statements were available for DynaFront Holdings Berhad as the Company was incorporated on 18 December 2020.*

The combined financial statements for the relevant periods were prepared in a manner similar to the "pooling-of-interest" method, 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 the entities, if later. Such manner of preparation reflects the economic substance of the combining entities, which were under common control throughout the relevant periods.

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 consolidated financial statements had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective 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.

<u>Common control business combination</u>

For such common control business combinations, the "pooling-of-interest" method is used to account for the assets, liabilities, results, equity changes and cash flows in the combined financial statements.

Under the "pooling-of-interest" method, the results of the Group are presented as if the "pooling-of-interest" had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the end of transfer.

2. BASIS OF PREPARATION (cont'd)

Common control business combination (cont'd)

The effect of all transactions and balances, and any unrealised income and expenses occurring before or after the combination, are eliminated in preparing the combined financial statements.

Non-controlling interest represents the equity in combining entities not attributable directly or indirectly, to the Owners of the Group, and is presented separately in the combined profit or loss and within equity in the combined financial position, separately from equity attributable to the Owners of the Group.

Non-controlling interest is measured based on the changes in the net assets of the combining entities after the date of combination.

Losses within a combining entity are attributed to the non-controlling interest even if that results in a deficit balance.

(a) Statement of compliance

The combined financial statements for the financial years ended 30 June 2019 and 30 June 2020 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants on 28 November 2018.

Application of New Standards, Amendments and Interpretation

In the preparation of the combined financial statements, the Directors have applied consistently throughout the two financial years ended 30 June 2019 and 30 June 2020, a number of new accounting pronouncements that became effective mandatorily for the financial periods beginning on of after 1 July 2018.

The Group has also considered the new accounting pronouncements in the preparation of the combined financial statements.

(i) Accounting pronouncements that are effective and adopted during the FYE 30 June 2020

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRSs 2015 – 2017 Cycle

The adoption of the above accounting pronouncements did not have any significant effect on the combined financial statements except for the adoption of MFRS 16 *Leases*.

MFRS 16 Leases

MFRS 16 replaced the guidance in MFRS 117 "*Leases*", IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases – Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance

(i) Accounting pronouncements that are effective and adopted during the FYE 30 June 2020 (cont'd)

MFRS 16 Leases (cont'd)

MFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. For lessee, MFRS 16 requires the recognition of a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 *Property, Plant and Equipment* whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Leases that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The modified retrospective transition approach measures the lease liabilities based on the present value of future lease payments calculated using incremental borrowing rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method. The modified retrospective approach requires the impact of the adoption to be included in the opening retained earnings on 1 July 2019. As such, comparative information was not restated and continues to be reported under MFRS 117 and related interpretations.

The Group has also applied the following practical expedients permitted by MFRS 16 as follows:

- Leases of less than 12 months duration and leases for low value items are excluded. Rental payments associated with these leases will be recognised in the combined statements of comprehensive income on a straight-line basis over the life of the lease;
- A single discount rate (6.71%) is applied to portfolio of leases with reasonably similar characteristics;
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 July 2019; and
- The Directors use hindsight in determining lease terms for contracts that contain options for extension or termination.

The adoption of MFRS 16 required the Directors to make judgement on the discount rate used on transition to discount future lease payments (i.e. the Group's incremental borrowings rates). This rate has been calculated to reflect the underlying lease terms and observable inputs. The risk-free rate component has been based on the Group's incremental borrowing rate and has been adjusted for credit risk.

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

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Accounting pronouncements that are effective and adopted during the FYE 30 June 2020 (cont'd)

MFRS 16 Leases (cont'd)

The effects on presentation of combined statements of financial position as at 1 July 2019 arising from the initial application of MFRS 16 are as follows:

	As previously reported RM	Effects on adoption of MFRS 16 RM	As restated RM
1 July 2019			
Assets:			
Property, plant and equipment	2,737,016	(2,364,034)	372,982
Right-of-use assets	-	3,108,011	3,108,011
Liabilities:			
Lease liabilities	-	3,242,051	3,242,051
Other payables	2,314,508	(1,219,206)	1,095,302
Hire purchase payables	1,278,868	(1,278,868)	-

The differences between operating lease commitments as at 30 June 2019 and lease liabilities recognised at the date of initial application can be reconciled as below:

	RM
Operating lease commitments as at 30 June 2019	716,082
Effect from discounting at the incremental borrowing rate of 6.71%	(42,437)
Short-term lease rental	70,332
Reclassified from other payables	1,219,206
Reclassified from hire purchase payables	1,278,868
Lease liabilities recognised as at 1 July 2019	3,242,051

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

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

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

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

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19 – Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

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

Effective for financial periods beginning on or after 1 January 2022

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

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current

Effective date to be announced

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

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

(b) Basis of measurement

These combined financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

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

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements

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

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

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

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be between 2.5 to 20 years.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income taxes

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

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

(iii) Impairment of financial assets and receivables

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

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

2. BASIS OF PREPARATION (cont'd)

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

(iv) Deferred tax assets and liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency

(i) Foreign currency transactions and balances

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

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

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

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

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Foreign currency (cont'd)

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

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

(b) Revenue and other income recognition

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

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

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

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

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

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

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

<u>Sales of goods</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Revenue and other income recognition (cont'd)

Service contracts

The Group recognises revenue from service contracts over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

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

Interest income

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

(c) Employee benefits

Short-term employee benefits

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

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

Defined contribution plan

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

(d) Borrowing costs

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Income taxes

Current tax

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

Deferred tax

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

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

(f) Leases

FYE 30 June 2020

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment except as follows:

Lease of assets and premises	Over the lease period of 1.5 to 3 years

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Leases (cont'd)

FYE 30 June 2020 (cont'd)

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

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

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

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

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

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

FYE 30 June 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and 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 made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Leases (cont'd)

FYE 30 June 2019 (cont'd)

(ii) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the combined statements of financial position. Property interests held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to the profit or loss in the reporting period in which they are incurred.

(g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

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

Leasehold office units	5%
Computers and software	40%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10% − 25%
Renovation	10%
Signboard	10%

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

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

(h) Intangible assets

Trademark

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

Trademark is stated at cost less accumulated amortisation and impairment losses, if any. The trademark is assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Subsequent expenditure

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

Amortisation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Cash and cash equivalents

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

(j) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

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

Amortised cost

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

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

The Group categorises financial instruments as follows: (cont'd)

Financial assets (cont'd)

Amortised cost (cont'd)

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

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

Financial liabilities

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

(iii) Offsetting of financial instruments

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(v) Derecognition (cont'd)

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

(k) Impairment

(i) Financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

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

(i) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument and contract assets.

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

Simplified approach - trade receivables and contract assets

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

General approach - other financial instruments and financial guarantee contracts

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

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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, where available.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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

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

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 150 days past due.

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

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

Credit impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 150 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Write-off policy

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

(ii) Non-financial assets

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

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

The recoverable amount of an asset or cash-generating units is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Contract assets and liabilities

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

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

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

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

(m) Equity instruments

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

<u>Ordinary shares</u>

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.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each end of the reporting period 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the combined statements of comprehensive income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

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

(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

(b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and
(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are 10% or more of the combined segments that reported a loss.

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

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

(p) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Fair value measurements (cont'd)

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

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

4. REVENUE

	Note	2020 RM	2019 RM
Sales of goods and software license	(i)	1,276,064	3,309,573
Rendering of services	(ii)	8,343,846	8,854,293
		9,619,910	12,163,866
Timing of revenue recognition:			
- Point in time		3,880,610	5,497,338
- Over time		5,739,300	6,666,528
		9,619,910	12,163,866

(i) Sales of goods and software license

Performance obligation ("PO")

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

Timing of recognition/Unsatisfied PO

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

4. REVENUE (cont'd)

(ii) Rendering of services

	Note	2020 RM	2019 RM
Software installation, commissioning, post-contract support and maintenance services ("Proprietary software")	(a)	5,739,300	6,666,528
Application service provider ("Managed services")	(b)	2,604,546	2,187,765
		8,343,846	8,854,293

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

(i) Software installation and commissioning

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

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

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

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

Performance obligation ("PO")

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

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

4. REVENUE (cont'd)

(ii) Rendering of services (cont'd)

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

Timing of recognition

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

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

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

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

Performance obligation ("PO")

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

Timing of recognition/Unsatisfied PO

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

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from maintenance and implementation charges. The disclosure is only providing information for contracts that have a duration of more than one year.

(i) Maintenance charges

	2020 RM	2019 RM
Total contract revenue	1,870,000	1,870,000
Less: Cumulative revenue recognised	(933,667)	(517,667)
Aggregate amount of the transaction price allocated to maintenance charges service revenue that are fully or partially unsatisfied as at reporting date	936,333	1,352,333

The remaining unsatisfied performance obligations are expected to be recognised as revenue within the next 12 to 24 months (2019: 12 to 36 months).

4. REVENUE (cont'd)

Unsatisfied long-term contracts (cont'd)

(ii) Implementation charges

	2020 RM	2019 RM
Total contract revenue	4,059,824	902,155
Less: Cumulative revenue recognised	(1,767,011)	(471,045)
Aggregate amount of the transaction price allocated to implementation charges service revenue that are fully or partially unsatisfied as at reporting date	2,292,813	431,110

The remaining unsatisfied performance obligations are expected to be recognised as revenue within the next 12 to 24 months (2019: 12 to 36 months).

The contract assets and liabilities related to contracts with customers are disclosed in Note 13.

5. PROFIT BEFORE TAX

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

	2020 RM	2019 RM
Auditors' remuneration		
- current year	20,000	9,000
- overprovision in prior year	-	(900)
- other services	35,000	-
Amortisation of intangible assets	120	120
Bad debts written off	20,140	-
Depreciation of property, plant and equipment	90,161	619,958
Depreciation of right-of-use assets	1,078,505	-
Employee benefit expenses (Note a)	4,328,333	4,661,821
Interest income	(120,319)	(92,533)
Interest expense on:		
- Hire purchase payables	-	70,855
- Lease liabilities	87,506	-
Realised loss/(gain) on foreign exchange	7,551	(36,825)
Rental of equipment	-	3,900
Rental of premises	-	506,555
Right-of-use assets:		
- Short-term leases	70,332	-
- Lease of low value assets	5,110	-

5. PROFIT BEFORE TAX (cont'd)

(a) The employee benefit expenses comprise:

	2020 RM	2019 RM
Staff costs:		
Salaries, allowances, bonus and overtime	3,312,844	3,598,353
Contributions to defined contribution plan	372,343	466,847
Social security contributions	63,303	34,724
	3,748,490	4,099,924
Directors' remuneration:		
Salaries and other emoluments	500,000	487,000
Contributions to defined contribution plan	78,150	73,050
Social security contributions	1,693	1,847
	579,843	561,897
	4,328,333	4,661,821

6. TAX EXPENSE

	2020 RM	2019 RM
Income tax:		
- Current year	512,840	340,410
- Under/(over)provision in prior year	13,624	(11,581)
	526,464	328,829
Deferred tax (Note 20)**:**		
- Relating to reversal of temporary differences	(12,500)	-
- Under/(over)provision in prior year	9,064	(29,316)
	(3,436)	(29,316)
Tax expense for the financial year	523,028	299,513

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

On the first RM600,000 (2019: RM500,000) of chargeable income: 17% (2019: 17%)
In excess of RM600,000 (2019: RM500,000) of chargeable income: 24% (2019: 24%)

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

6. TAX EXPENSE (cont'd)

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

	2020 RM	2019 RM
Profit before tax	1,795,598	1,024,448
Tax at the Malaysian statutory income tax rate of 24% (2019: 24%)	430,944	245,868
Effect of income subject to 17% (2019: 17%) preferential tax rate	(42,000)	(35,000)
Effect of Indonesian prevailing tax rate of 22% (2019: 25%)	(1,376)	(430)
Income not subject to tax	(168)	(18)
Deferred tax assets not recognised	-	10,776
Expenses not deductible for tax purposes	122,540	119,214
Utilisation of previously unrecognised deferred tax assets	(9,600)	-
Under/(over)provision in prior year:		
- income tax	13,624	(11,581)
- deferred tax	9,064	(29,316)
Tax expense for the financial year	523,028	299,513

In prior year, the Group has estimated unutilised tax losses of RM43,548 available for set-off against future taxable profits, of which no deferred tax assets have been recognised in the combined financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

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

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold office units RM	Computers and software RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Total RM
2019								
Cost								
At 1 July 2018	-	3,112,453	314,817	2,406,656	39,212	186,625	1,600	6,061,363
Additions	1,392,059	243,046	10,372	-	6,380	-	-	1,651,857
Exchange differences	14,341	-	-	-	12	-	-	14,353
At 30 June 2019	1,406,400	3,355,499	325,189	2,406,656	45,604	186,625	1,600	7,727,573
Accumulated Depreciation								
At 1 July 2018	-	2,668,034	93,484	1,542,534	25,975	39,899	373	4,370,299
Charge for the financial year	29,001	257,495	29,337	282,281	3,067	18,617	160	619,958
Exchange differences	299	-	-	-	1	-	-	300
At 30 June 2019	29,300	2,925,529	122,821	1,824,815	29,043	58,516	533	4,990,557
Net Carrying Amount								
At 30 June 2019	1,377,100	429,970	202,368	581,841	16,561	128,109	1,067	2,737,016

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) The Group acquired property, plant and equipment with an aggregate cost of RM196,706 (2019: RM1,651,857), which are satisfied by the following:

	2020 RM	**2019 RM**
Cash payments	196,706	242,485
Hire purchase arrangements	-	220,900
Instalment payments	-	1,188,472
	196,706	1,651,857

(ii) Net carrying amount of property, plant and equipment held under hire purchase arrangements as at reporting date is as follows:

	2019 RM
Computers and software	405,092
Motor vehicles	581,841
	986,933

8. RIGHT-OF-USE ASSETS

	Leasehold office units RM	Computers and software RM	Motor vehicles RM	Lease of assets and premises RM	Total RM
2020					
Cost					
At 1 July 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	1,406,400	636,904	1,411,403	743,977	4,198,684
At 1 July 2019, as restated	1,406,400	636,904	1,411,403	743,977	4,198,684
Exchange differences	33,600	-	-	-	33,600
At 30 June 2020	1,440,000	636,904	1,411,403	743,977	4,232,284
Accumulated Depreciation					
At 1 July 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	29,300	231,811	829,562	-	1,090,673
At 1 July 2019, as restated	29,300	231,811	829,562	-	1,090,673
Charge for the financial year	70,460	254,762	279,214	474,069	1,078,505
Exchange differences	2,240	-	-	-	2,240
At 30 June 2020	102,000	486,573	1,108,776	474,069	2,171,418
Net Carrying Amount					
At 30 June 2020	1,338,000	150,331	302,627	269,908	2,060,866

8. RIGHT-OF-USE ASSETS (cont'd)

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

	2020 RM
Depreciation of right-of-use assets	1,078,505
Interest expense on lease liabilities	87,506
Expenses relating to short-term leases	70,332
Expenses relating to low value assets	5,110

9. INTANGIBLE ASSETS

	2020 RM	2019 RM
Cost		
At beginning/end of the financial year	1,200	1,200
Accumulated Amortisation		
At beginning of the financial year	820	700
Charge for the financial year	120	120
At end of the financial year	940	820
Net Carrying Amount		
At end of the financial year	260	380

10. TAX RECOVERABLE

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

11. TRADE RECEIVABLES

	2020 RM	2019 RM
Third parties	689,331	1,574,181
Amount due from a related party	1,721,498	513,206
	2,410,829	2,087,387

The normal credit terms of the trade receivables of the Group are 14 to 30 days (2019: 14 to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

12. OTHER RECEIVABLES

	2020 RM	2019 RM
Other receivables	1,101,982	774,966
Deposits	148,782	147,853
Prepayments	60,449	160,762
Value Added Tax ("VAT") recoverable	1,233	-
	1,312,446	1,083,581

Included in other receivables is amount due from a related party in which certain Directors have substantial financial interest amounted to RM1,016,803 (2019: RM773,374). This amount represents unsecured advance, interest-free and is collectible on demand.

13. CONTRACT ASSETS/LIABILITIES

Contract assets primarily relate to the Group's right to consideration for work completed on service contract but not yet billed as at the reporting date. Included in contract assets is an amount due from a related company in which certain Directors have substantial financial interest amounted to RM159,013 (2019: Nil). Typically, the amount will be billed within 30 days and payment is expected within 30 days.

Contract liabilities primarily relate to amount billed to customers in advance prior to satisfaction of performance obligation for the service contract.

14. AMOUNTS DUE FROM SHAREHOLDERS

These amounts represent the amounts from the unpaid share capital due from shareholders of PT DynaFront Systems Indonesia.

15. FIXED DEPOSITS PLACED WITH A LICENSED BANK

The effective interest rates of the fixed deposits placed with a licensed bank ranged from 2.20% to 2.90% (2019: 3.25% to 3.85%) per annum and have maturity period ranged from 1 to 6 months (2019: 1 to 6 months).

16. INVESTED EQUITY

For the purpose of the combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities, net of equity held by non-controlling interest as defined in Note 2.

The invested equity constitutes the share capital of DynaFront Systems Berhad and PT DynaFront Systems Indonesia held by the common control shareholders.

During the FYE 30 June 2019, PT DynaFront Systems Indonesia issued 10,000 new ordinary shares at a price of IDR1,000,000 each for its incorporation amounting to an equivalent of RM2,920,000.

On 17 March 2021, the share capital of PT DynaFront Systems Indonesia was reduced from IDR10,000,000,000 to IDR5,000,000,000.

17. RESERVE

	2020 RM	2019 RM
Non-distributable reserve:		
Foreign currency translation reserve	71,902	8,602

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

18. LEASE LIABILITIES

	Hire purchase RM	Lease of assets and premises RM	Total RM
2020			
Future minimum lease payments:			
Payable within one year	402,762	762,258	1,165,020
Payable more than 1 year but not more than 2 years	257,390	276,121	533,511
Payable more than 2 years but not more than 5 years	331,965	-	331,965
	992,117	1,038,379	2,030,496
Less: Unexpired finance charges	(64,298)	(6,644)	(70,942)
Present value of future minimum lease payments	927,819	1,031,735	1,959,554
Present value of future minimum lease payments			
Payable within one year	371,536	755,614	1,127,150
Payable more than 1 year but not more than 2 years	237,720	276,121	513,841
Payable more than 2 years but not more than 5 years	318,563	-	318,563
	927,819	1,031,735	1,959,554
Analysed as:			
Current	371,536	755,614	1,127,150
Non-current	556,283	276,121	832,404
	927,819	1,031,735	1,959,554

18. LEASE LIABILITIES (cont'd)

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

	2020 %
Hire purchase	2.43 - 3.60
Premises	6.71

19. HIRE PURCHASE PAYABLES

	Hire purchase RM
2019	
Future minimum lease payments:	
Payable within one year	454,968
Payable more than 1 year but not more than 2 years	454,968
Payable more than 2 years but not more than 5 years	484,943
	1,394,879
Less: Future finance charges	(116,011)
Present value of future minimum lease payments	1,278,868
Present value of future minimum lease payments:	
Payable within one year	396,137
Payable more than 1 year but not more than 2 years	420,446
Payable more than 2 years but not more than 5 years	462,285
	1,278,868
Analysed as:	
Current	396,137
Non-current	882,731
	1,278,868

In prior year, the hire purchase payables bore interest rate ranged from 2.43% to 3.60% per annum.

20. DEFERRED TAX LIABILITIES

	2020 RM	2019 RM
At beginning of the financial year	24,582	53,898
Recognised in profit or loss (Note 6)	(3,436)	(29,316)
At end of the financial year	21,146	24,582

20. DEFERRED TAX LIABILITIES (cont'd)

The deferred tax liabilities are in respect of the temporary differences arising from differences between carrying amount of plant and equipment, right-of-use assets and their tax base respectively.

21. OTHER PAYABLES

	Note	2020 RM	2019 RM
Other payables		192,080	1,430,641
Accruals		462,202	883,867
		654,282	2,314,508
Analysed as:			
Non-current	(i)	-	735,196
Current	(ii)	654,282	1,579,312
		654,282	2,314,508

(i) Represents liabilities to PT Multi Artha Pratama, a third party, in connection with the purchase of 2 leasehold office units in the Gold Coast Office Tower with total amount of IDR 4,800,000,000, repayable in monthly installment for 36 months until 28 January 2022.

(ii) Included in other payables are amounts due to related parties in which certain Directors have substantial financial interest amounted to RM72,348 (2019: RM18,228). These amounts represent unsecured advances, interest-free and are repayable on demand.

In prior year, included in the current portion of amount due to PT Multi Artha Pratama in relation to Note (i) was RM465,518.

22. TRADE PAYABLES

The normal trade credit term granted by the trade creditors to the Group is 30 days (2019: 30 days). Other credit terms are assessed and approved on a case-by-case basis.

23. RELATED PARTIES DISCLOSURES

(a) Identity of related parties

For the purpose of these combined financial statements, 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 operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its related parties and key management personnel. The related parties are companies in which certain Directors have substantial financial interest and/or are also Directors of the companies.

23. RELATED PARTIES DISCLOSURES (cont'd)

(b) Related party transactions

The related party balances are shown in Notes 11, 12, 13 and 21 respectively. The related party transactions of the Group are shown below.

	2020 RM	2019 RM
Transactions with related parties:		
- Sales	(2,030,011)	(1,721,138)
- Rental of premises	430,358	394,495
- Repayment from, net	724,122	1,851,963

(c) Compensation of key management personnel

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

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

	2020 RM	2019 RM
Directors' remuneration:		
Salaries and other emoluments	500,000	487,000
Contributions to defined contribution plan	78,150	73,050
Social security contributions	1,693	1,847
	579,843	561,897
Key management personnel:		
Salaries, allowances, bonus and overtime	654,442	561,542
Contributions to defined contribution plan	84,803	63,540
Social security contributions	2,616	1,847
	741,861	626,929
	1,321,704	1,188,826

24. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Directors is the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

Both the combining entities are primarily engaged in the business of providing life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems in Malaysia and Indonesia respectively. The revenue and results contribution from Indonesia are not material. Hence, the segment revenue and results attributed from different geographical location is not included.

24. SEGMENT INFORMATION (cont'd)

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

	Malaysia RM	Indonesia RM	Elimination RM	Total RM
2020				
Segment assets	10,130,768	3,949,619	(168,284)	13,912,103
Segment liabilities	2,637,310	929,822	(177,014)	3,390,118
Other information:				
Additions to non-current assets	13,617	183,089	-	196,706
2019				
Segment assets	9,309,014	4,087,240	-	13,396,254
Segment liabilities	3,016,458	1,200,714	-	4,217,172
Other information:				
Additions to non-current assets	258,621	1,393,236	-	1,651,857

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's financial assets and financial liabilities are all categorised as amortised costs.

Financial Risk Management Objectives and Policies

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

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

(i) Credit risk

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

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

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

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Risk management objectives, policies and processes for managing the risk (cont'd)

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

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

Exposure to credit risk, credit quality and collateral

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

Credit risk concentration profile

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

As at 30 June 2020, the Group has significant concentration of credit risk arising from the amounts due from 2 customers (2019: 3 customers) constituting 95% (2019: 95%) of net trade receivables of the Group.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group has recognised a loss allowance of 100% against all receivables over 150 days past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

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

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

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

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 30 June 2020 and 30 June 2019:

	Gross RM	Loss Allowance RM	Net RM
2020			
Trade receivables			
Not past due	695,866	-	695,866
Past due:			
- Less than 30 days	232,615	-	232,615
- 31 to 60 days	284,609	-	284,609
- 61 to 90 days	159,027	-	159,027
- More than 90 days	1,038,712	-	1,038,712
	1,714,963	-	1,714,963
Trade receivables, net	2,410,829	-	2,410,829
Contract assets	206,488	-	206,488
	2,617,317	-	2,617,317
2019			
Trade receivables			
Not past due	535,628	-	535,628
Past due:			
- Less than 30 days	976,345	-	976,345
- 31 to 60 days	488,889	-	488,889
- More than 90 days	86,525	-	86,525
	1,551,759	-	1,551,759
	2,087,387	-	2,087,387

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Receivables that are past due but not impaired

The Group has not provided for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable which are not aged more than 180 days from the date of invoice. These relate to a number of independent customers for whom there is no recent history of default.

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) Credit risk (cont'd)

Cash and cash equivalents

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

Other receivables

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

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

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

Amounts due from shareholders

These amounts represent the amounts from the unpaid share capital due from shareholders of PT DynaFront Systems Indonesia. The Group considers these amounts to have low credit risk as it has been partially set-off via capital reduction exercise which was completed on 17 March 2021 (Note 16) and the Group intends to allocate some proceeds from the proposed listing exercise towards payment of the share capital.

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

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

(ii) Interest rate risk

As the Group did not have any floating rate instruments as at 30 June 2020 and 30 June 2019, a change in interest rates would not have any impact to the profit after tax and equity of the Group.

(iii) Liquidity risk

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

25. FINANCIAL INSTRUMENTS (cont'd)

(iii) Liquidity risk (cont'd)

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

		Contractual Cash Flows			
	Carrying Amount RM	**On demand/ Within 1 year RM**	**1 - 2 years RM**	**2 - 5 years RM**	**Total RM**
2020					
Financial liabilities:					
Trade payables	27,000	27,000	-	-	27,000
Other payables	654,282	654,282	-	-	654,282
Lease liabilities	1,959,554	1,165,020	533,511	331,965	2,030,496
	2,640,836	1,846,302	533,511	331,965	2,711,778
2019					
Financial liabilities:					
Trade payables	28,620	28,620	-	-	28,620
Other payables	2,314,508	1,579,312	735,196	-	2,314,508
Hire purchase payables	1,278,868	454,968	454,968	484,943	1,394,879
	3,621,996	2,062,900	1,190,164	484,943	3,738,007

25. FINANCIAL INSTRUMENTS (cont'd)

(iv) Foreign currency risk

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

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

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

Exposure to foreign currency risk

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

	2020 RM	2019 RM
SGD		
Trade receivables	565,606	168,339
USD		
Trade receivables	41,256	-
	606,862	168,339

Foreign currency risk sensitivity analysis

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

	Increase/ (Decrease) in Profit net of tax 2020 RM	Increase/ (Decrease) in Profit net of tax 2019 RM
SGD/RM		
- Strengthened by 5% (2019: 5%)	21,493	6,397
- Weakened by 5% (2019: 5%)	(21,493)	(6,397)
USD/RM		
- Strengthened by 5%	1,568	-
- Weakened by 5%	(1,568)	-

26. FAIR VALUES INFORMATION

Financial instruments other than those carried at fair value

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

The carrying amounts of short-term receivables and payables, and cash and cash equivalents approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting. The carrying value and fair value of the long-term payables are not materially different.

The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. The carrying value and fair value of the hire purchase payables are not materially different.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

27. CAPITAL MANAGEMENT

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 30 June 2020 and 30 June 2019.

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

The gearing ratio as at 30 June 2020 and 30 June 2019, which are within the Group's objective of capital management are as follows:

	2020 RM	**2019 RM**
Lease liabilities	1,959,554	-
Hire purchase payables	-	1,278,868
	1,959,554	1,278,868
Less:		
- Fixed deposits placed with a licensed bank	4,135,437	4,056,792
- Cash and bank balances	1,028,098	888,827
	5,163,535	4,945,619
Net debts	(3,203,981)	(3,666,751)
Equity attributable to the Owners of the Group, representing total capital	10,220,005	8,890,429
Capital and net debts	7,016,024	5,223,678
Gearing ratio	*	*

* *Not applicable*

27. CAPITAL MANAGEMENT (cont'd)

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

The Group is in compliance with all externally imposed capital requirements.

28. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to Owners of the Group by the weighted average number of ordinary shares issued.

For the purpose of illustration, the number of ordinary shares for the financial years ended 30 June 2019 and 30 June 2020 respectively represents the weighted average number of ordinary shares issued of the Company.

	2020	2019
Profit after tax attributable to Owners of the Group (RM)	1,266,276	729,238
Weighted average number of ordinary shares (unit) *	72,000,000	72,000,000
Basic earnings per share (sen)	1.76	1.01

* *Based on the assumption of the proposed existing issued and enlarged share capital upon completion of listing and private placement*

The basic and diluted EPS are equal as the Group has no potential dilutive ordinary shares at the end of each financial year.

DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the combined financial statements as set out on pages 1 to 53 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the combined financial position as at 30 June 2019 and 30 June 2020 and of their combined financial performance and combined cash flows for the financial years then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2021.

CHAN ENG LIM	GAN HUI PING

MOORE

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REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS OF DYNAFRONT HOLDINGS BERHAD
(Incorporated in Malaysia)
Registration No.: 202001042085 (1398406-X)

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of DynaFront Holdings Berhad ("the Company") which comprise the combined statements of financial position as at 30 June 2019 and 30 June 2020, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for corresponding financial years then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 1 to 53.

DynaFront Systems Berhad and PT DynaFront Systems Indonesia became subsidiaries of the Company subsequent to 30 June 2020. The Company, DynaFront Systems Berhad and PT DynaFront Systems Indonesia are collectively referred to as "the Group".

In our opinion, the combined financial statements give a true and fair view of the combined financial position as at 30 June 2019 and 30 June 2020, and of their combined financial performance and their combined cash flows for the years then ended in accordance with 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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

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

MOORE

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS OF DYNAFRONT HOLDINGS BERHAD (cont'd)
(Incorporated in Malaysia)
Registration No.: 202001042085 (1398406-X)

Responsibilities of the Directors for the Combined Financial Statements (cont'd)

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

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

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

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

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

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

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS OF DYNAFRONT HOLDINGS BERHAD (cont'd)
(Incorporated in Malaysia)
Registration No.: 202001042085 (1398406-X)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (cont'd)

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. 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 Matter

This report is made solely to the Directors of the Company and to comply with the LEAP Market Listing Requirements issued by the Bursa Malaysia Securities Berhad and for inclusion in the Information Memorandum of DynaFront Holdings Berhad in connection with the proposed listing and quotation of its enlarged issued and paid-up share capital on the LEAP Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Moore

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

LO KUAN CHE
03016/11/2022 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 29 March 2021