

**LGMS BERHAD**  
**202001039091 (1395412-W)**  
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**31 DECEMBER 2022**

**LGMS BERHAD**  
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

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**LGMS BERHAD**  
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## **DIRECTORS' REPORT**

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

## **PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## **RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the financial year, net of tax	<u>11,547</u>	<u>7,561</u>
Attributable to:		
Owners of the Company	<u>11,547</u>	<u>7,561</u>

## **DIVIDENDS**

No dividend has been paid by the Company since the end of the previous financial year/period.

On 28 February 2023, the Company declared and approved a first and final single-tier interim dividend of 1.3 sen per ordinary shares amounting to RM5,928,000 and payable on 31 March 2023 in respect of the financial year ended 31 December 2022. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

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**DIRECTORS' REPORT (CONTINUED)**

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that no known bad debts to be written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

**CURRENT ASSETS**

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or the Company which has arisen since the end of the financial year.

In the opinion of the Directors, no contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

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**DIRECTORS' REPORT (CONTINUED)**

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the Directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued 91,395,000 new ordinary shares at an issue price of RM0.50 per share.

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

During the financial year, no new issue of debentures was made by the Company.

**OPTIONS GRANTED OVER UNISSUED SHARES**

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

**DIRECTORS**

The Directors in office during the financial year and up to the date of this report are:

Fong Choong Fook  
Goh Soon Sei  
Chan Kam Chiew  
Dr Teh Chee Ghee  
Lim Mei Shyan  
Antonius Sommer

Fong Choong Fook and Goh Soon Sei were directors in the subsidiaries.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of Directors in office at the end of the financial year in shares in the Company and of its related corporations during the financial year were as follows:

**Interests in the Company**

	Number of ordinary shares			At 31 December 2022
	At 1 January 2022	Acquired	Sold	
<b>Direct interests:</b>				
Fong Choong Fook	291,200,040	-	(45,600,000) <sup>#</sup>	245,600,040
Goh Soon Sei	73,404,960	-	-	73,404,960
Chan Kam Chiew	-	250,000	(250,000)	-
Dr Teh Chee Ghee	-	250,000	(250,000)	-
Lim Mei Shyan	-	200,000	-	200,000
Antonius Sommer	-	250,000	-	250,000
<b>Indirect interests:</b>				
Fong Choong Fook*	73,404,960	-	-	73,404,960
Goh Soon Sei*	291,200,040	-	(45,600,000) <sup>#</sup>	245,600,040

\* Deemed interest by virtue of his or her spouse's interest pursuant to Section 8 of the Companies Act 2016

<sup>#</sup> Disposal via offer for sale pursuant to Initial Public Offering exercise

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Fong Choong Fook and Goh Soon Sei are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year/period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the Directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS (CONTINUED)**

The Directors' benefits of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>Directors of the Company</b>		
Executive Directors		
- Salaries, allowances and bonuses	1,330	-
- Defined contribution plan	160	-
- Other emoluments	2	-
- Benefits-in-kind	19	-
	<u>1,511</u>	<u>-</u>
 Non-Executive Directors		
- Fees	238	238
- Other emoluments	13	13
	<u>251</u>	<u>251</u>
	<u>1,762</u>	<u>251</u>

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

**INDEMNITY TO DIRECTORS AND OFFICERS**

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the Directors and officers of the Company were RM10,000,000 and RM16,500 respectively.

**SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

**AUDITORS**


The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and the Company during the financial year were RM120,500 and RM50,000 respectively.

**LGMS BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

  
.....  
**FONG CHOONG FOOK**  
Director  
.....  
**GOH SOON SEI**  
Director

Date: 20 March 2023



**LGMS BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	3,395	2,808	-	-
Investment properties	6	817	830	-	-
Investment in subsidiaries	7	-	-	22,299	22,299
Investment in associates	8	-	74	-	-
Other investments	9	4,940	-	-	-
Deferred tax assets	10	300	-	-	-
<b>Total non-current assets</b>		<b>9,452</b>	<b>3,712</b>	<b>22,299</b>	<b>22,299</b>
<b>Current assets</b>					
Trade and other receivables	11	7,967	6,951	8,820	147
Contract assets	12	644	-	-	-
Other investments	9	4,099	4,361	-	-
Current tax assets		31	116	-	-
Cash and short-term deposits	13	69,087	19,362	41,620	1
<b>Total current assets</b>		<b>81,828</b>	<b>30,790</b>	<b>50,440</b>	<b>148</b>
<b>TOTAL ASSETS</b>		<b>91,280</b>	<b>34,502</b>	<b>72,739</b>	<b>22,447</b>

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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)**

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	14	66,249	22,300	66,249	22,300
Reorganisation reserve	15	(20,649)	(20,649)	-	-
Retained earnings / (Accumulated loss)		37,970	26,423	6,205	(1,356)
<b>TOTAL EQUITY</b>		<b>83,570</b>	<b>28,074</b>	<b>72,454</b>	<b>20,944</b>
<b>Non-current liabilities</b>					
Loans and borrowings	16	883	1,479	-	-
Contract liabilities	12	94	126	-	-
Deferred tax liabilities	10	-	9	-	-
<b>Total non-current liabilities</b>		<b>977</b>	<b>1,614</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Loans and borrowings	16	916	759	-	-
Current tax liabilities		24	12	-	-
Trade and other payables	17	3,218	2,737	285	1,503
Contract liabilities	12	2,575	1,306	-	-
<b>Total current liabilities</b>		<b>6,733</b>	<b>4,814</b>	<b>285</b>	<b>1,503</b>
<b>TOTAL LIABILITIES</b>		<b>7,710</b>	<b>6,428</b>	<b>285</b>	<b>1,503</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>91,280</b>	<b>34,502</b>	<b>72,739</b>	<b>22,447</b>

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

**LGMS BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

		Group		Company	
				30.11.2020	
				(date of	
		01.01.2022	01.01.2021	01.01.2022	01.01.2021
		to	to	to	to
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	18	32,792	28,262	9,000	-
Other income	19	364	361	-	-
Employee benefits expense	20	(10,627)	(8,335)	(251)	(54)
Information technology expenses		(2,349)	(2,114)	-	-
Depreciation expenses		(1,251)	(1,077)	-	-
Other operating expenses		(3,559)	(2,760)	(1,447)	(1,302)
Impairment losses on financial instruments		(24)	-	-	-
<b>Operating profit/(loss)</b>		<b>15,346</b>	<b>14,337</b>	<b>7,302</b>	<b>(1,356)</b>
Finance income	21	422	115	259	-
Finance costs	22	(97)	(132)	-	-
Share of results of associate		(74)	(35)	-	-
<b>Profit/(Loss) before tax</b>	23	<b>15,597</b>	<b>14,285</b>	<b>7,561</b>	<b>(1,356)</b>
Income tax expense	24	(4,050)	(3,980)	-	-
<b>Profit/(Loss) for the financial year/period, representing total comprehensive income/(loss) for the financial year/period</b>		<b>11,547</b>	<b>10,305</b>	<b>7,561</b>	<b>(1,356)</b>
<b>Profit/(Loss) and total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		11,547	10,321	7,561	(1,356)
Non-controlling interests		-	(16)	-	-
		<b>11,547</b>	<b>10,305</b>	<b>7,561</b>	<b>(1,356)</b>
<b>Earnings per share (sen)</b>					
- Basic and diluted	25	<b>2.77</b>	<b>2.95</b>		

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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

Group	Note	← Share capital		Attributable to owners of the Company				→ Non-controlling interests		Total equity RM'000
		RM'000	RM'000	Invested equity RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Sub-total RM'000	RM'000	RM'000	
<b>At 1 January 2021</b>		1		1,650	-	19,889	21,540	173		21,713
Profit for the financial year, representing total comprehensive income for the financial year		-		-	-	10,321	10,321	(16)		10,305
<b>Transactions with owners</b>										
Changes in ownership interests in subsidiary	7	-		-	-	13	13	(157)		(144)
Dividend paid on shares	26	-		-	-	(3,800)	(3,800)	-		(3,800)
Issuance of shares for acquisition of subsidiaries	14	22,299		-	(22,299)	-	-	-		-
Reorganisation reserve	15	-		(1,650)	1,650	-	-	-		-
Total transactions with owners		22,299		(1,650)	(20,649)	(3,787)	(3,787)	(157)		(3,944)
<b>At 31 December 2021</b>		22,300		-	(20,649)	26,423	28,074	-		28,074
Profit for the financial year, representing total comprehensive income for the financial year		-		-	-	11,547	11,547	-		11,547
<b>Transactions with owners</b>										
Issuance of shares	14	45,698		-	-	-	45,698	-		45,698
Share issuance expenses	14	(1,749)		-	-	-	(1,749)	-		(1,749)
Total transactions with owners		43,949		-	-	-	43,949	-		43,949
<b>At 31 December 2022</b>		66,249		-	(20,649)	37,970	83,570	-		83,570

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

<b>Company</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>(Accumulated loss)/ Retained earning RM'000</b>	<b>Total equity RM'000</b>
<b>At 30 November 2020 (date of Incorporation)</b>		<b>1</b>	<b>-</b>	<b>1</b>
Loss for the financial period, representing total comprehensive loss for the financial period		-	(1,356)	(1,356)
<b>Transaction with owners</b>				
Issuance of shares for acquisition of subsidiaries	<b>14</b>	22,299	-	22,299
Total transaction with owners		22,299	-	22,299
<b>At 31 December 2021</b>		<b>22,300</b>	<b>(1,356)</b>	<b>20,944</b>
Profit for the financial year, representing total comprehensive income for the financial year		-	7,561	7,561
<b>Transaction with owners</b>				
Issuance of shares	<b>14</b>	45,698	-	45,698
Share issuance expenses	<b>14</b>	(1,749)	-	(1,749)
Total transaction with owners		43,949	-	43,949
<b>At 31 December 2022</b>		<b>66,249</b>	<b>6,205</b>	<b>72,454</b>

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

**LGMS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Group		Company	
	01.01.2022	01.01.2021	01.01.2022	30.11.2020
	to	to	to	(date of
	31.12.2022	31.12.2021	31.12.2022	incorporation)
Note	RM'000	RM'000	RM'000	to
				31.12.2021
				RM'000
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax	15,597	14,285	7,561	(1,356)
Adjustments for:				
Depreciation of property, plant and equipment	1,238	1,064	-	-
Depreciation of investment properties	13	13	-	-
Gain on disposal of property, plant and equipment	(75)	-	-	-
Impairment losses on trade receivables	24	-	-	-
Finance costs	97	132	-	-
Fair value loss/(gain) on other investments	298	(139)	-	-
Interest income	(422)	(115)	(259)	-
Share of results of associates, net of tax	74	35	-	-
Unrealised (gain)/loss on foreign exchange	(105)	2	-	-
Property, plant and equipment written-off	-	41	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>16,739</b>	<b>15,318</b>	<b>7,302</b>	<b>(1,356)</b>
<b>Changes in working capital:</b>				
Trade and other receivables	(1,114)	(3,126)	45	(147)
Trade and other payables	481	1,461	(1,218)	1,503
Contract assets	(644)	-	-	-
Contract liabilities	1,237	1,432	-	-
<b>Net cash generated from operations</b>	<b>16,699</b>	<b>15,085</b>	<b>6,129</b>	<b>-</b>
Income tax paid	(4,282)	(3,664)	-	-
Income tax refunded	20	-	-	-
Interest received	386	8	259	-
<b>Net cash flows from operating activities</b>	<b>12,823</b>	<b>11,429</b>	<b>6,388</b>	<b>-</b>

**LGMS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	<b>Group</b>		<b>Company</b>	
			<b>30.11.2020</b>	
			<b>(date of</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>incorporation)</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(a)	(819)	(200)	-
Purchase of other investments		(4,940)	(1,000)	-
Proceeds from disposal of property, plant and equipment		75	-	-
Change in pledge deposits		25	(21)	-
Purchase of shares in a subsidiary from non-controlling interest		-	(144)	-
Net change in amount due from a subsidiary		-	-	(8,718)
Net change in amount due from an associate		48	19	-
<b>Net cash flows used in investing activities</b>		<b>(5,611)</b>	<b>(1,346)</b>	<b>(8,718)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares		45,698	-	45,698
Share issuance expenses		(1,749)	-	(1,749)
Repayment of term loans	(b)	(590)	(33)	-
Payment of lease liabilities	(b)	(515)	(489)	-
Repayment of hire purchase payables	(b)	(340)	(315)	-
Dividends paid	(c)	-	(4,735)	-
Net change in amount owing to directors		-	(42)	-
Interests paid		(97)	(132)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>42,407</b>	<b>(5,746)</b>	<b>43,949</b>

**LGMS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	<b>Group</b>		<b>Company</b>	
			<b>30.11.2020</b>	
			<b>(date of</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>incorporation)</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net increase in cash and cash equivalents	49,619	4,337	41,619	-
<b>Cash and cash equivalents at the beginning of the financial year/date of incorporation</b>	19,221	14,884	1	1
Effects of exchange rate changes on cash and cash equivalents	131	-	-	-
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>13</b>	<b>68,971</b>	<b>19,221</b>	<b>41,620</b>
				<b>1</b>



**LGMS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**NOTES TO THE STATEMENTS OF CASH FLOWS**

- (a) During the financial year, the Group made the following cash payments to purchase property, plant and equipment.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of property, plant and equipment	1,825	200
Finance by way of lease arrangements	(1,006)	-
Cash payments on purchase of property, plant and equipment	819	200

- (b) Reconciliation of changes in liabilities arising from financing activities are as follows:

<b>Group</b>	<b>01.01.2022</b>	<b>Cash Flows</b>	<b>Additions</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term loans	590	(590)	-	-
Lease liabilities	1,120	(515)	-	605
Hire purchase payables	528	(340)	1,006	1,194
	2,238	(1,445)	1,006	1,799

	<b>01.01.2021</b>	<b>Cash Flows</b>	<b>Additions</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term loans	623	(33)	-	590
Lease liabilities	1,609	(489)	-	1,120
Hire purchase payables	843	(315)	-	528
	3,075	(837)	-	2,238

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

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

**LGMS BERHAD**  
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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

LGMS Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at A-11-01, Empire Office Tower, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan.

The principal activities of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 March 2023.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

#### **2.2 Adoption of amendments/improvements to MFRSs**

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

##### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

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

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 <sup>#</sup>
MFRS 3	Business Combinations	1 January 2023 <sup>#</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2023 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2023 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 <sup>#</sup> / 1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2023 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2023 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 <sup>#</sup>
MFRS 132	Financial Instruments: Presentation	1 January 2023 <sup>#</sup>
MFRS 136	Impairment of Assets	1 January 2023 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2023 <sup>#</sup>
MFRS 140	Investment Property	1 January 2023 <sup>#</sup>

<sup>#</sup> Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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## **2. BASIS OF PREPARATION (CONTINUED)**

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

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

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

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

#### ***Amendments to MFRS 16 Leases***

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. BASIS OF PREPARATION (CONTINUED)

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (continued)

#### ***Amendments to MFRS 101 Presentation of Financial Statements***

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

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

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (continued)

***Amendments to MFRS 112 Income Taxes***

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

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

**2.4 Functional and presentation currency**

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

**2.5 Basis of measurement**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Basis of consolidation**

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

**(a) Subsidiaries and business combination**

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of consolidation (continued)**

**(b) Subsidiaries and business combination (continued)**

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

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

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of consolidation (continued)**

**(a) Subsidiaries and business combination (continued)**

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

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

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

**(b) Non-controlling interests**

Non-controlling interests represent the equity in subsidiary not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of consolidation (continued)**

**(c) Associates**

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

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

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

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

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

**(d) Transactions eliminated on consolidation**

Inter-group balances and transactions, and any unrealised income and expenses arising from inter-group transactions are eliminated in preparing the consolidated financial statements.

**3.2 Separate financial statements**

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.3 Foreign currency transactions**

##### **Translation of foreign currency transactions**

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

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

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

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

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

#### **3.4 Financial instruments**

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

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.4 Financial instruments (continued)**

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

##### **(a) Subsequent measurement**

The Group and the Company categorise the financial instruments as follows:

##### **(i) Financial assets**

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

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

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

##### **Debt instruments**

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

##### **• Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows:  
(continued)

**(i) Financial assets**

Debt instruments (continued)

• **Fair value through other comprehensive income ("FVOCI")**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for recognition and measurement of impairment is in accordance with Note 3.10(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

• **Fair value through profit or loss ("FVPL")**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows:  
(continued)

**(i) Financial assets (continued)**

Equity instruments

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

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

**(ii) Financial liabilities**

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial Instruments (continued)**

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows:  
(continued)

**(ii) Financial liabilities (continued)**

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

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

**(b) Financial guarantee contracts**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(c) Regular way purchase or sale of financial assets (continued)**

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

Trade date accounting refers to:

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

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

**(d) Derecognition**

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

- (i) the contractual rights to receive cash flows from the financial asset expire; or
- (ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(d) Derecognition (continued)**

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

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

**(e) Offsetting of financial instruments**

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

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

**3.5 Property, plant and equipment**

**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Property, plant and equipment (continued)**

**(b) Subsequent costs**

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

**(c) Depreciation**

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

	<b>Useful lives (years)</b>
Computer	5
Furniture and fittings	10
Motor vehicles	5
Office equipment	10
Renovation	10

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

**(d) Derecognition**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Leases**

**(a) Definition of lease**

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

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

**(b) Lessee accounting**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets that do not meet the definition of investment property in Note 5 and lease liabilities in Note 16.

**Right-of-use asset**

The right-of-use asset is initially recognised 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 the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is 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. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Leases (continued)**

**(b) Lessee accounting (continued)**

Lease liability

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Leases (continued)**

**(b) Lessee accounting (continued)**

Lease liability (continued)

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straightline basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(c) Lessor accounting**

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

When the Group is intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(b), then it classifies the sub-lease as an operating lease.

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

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

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Investment properties**

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

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

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

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

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

**3.8 Contract assets/(liabilities)**

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a).

Contract liabilities are the obligation to transfer services to customer for which the Group has received the consideration or has billed the customer.

**3.9 Cash and cash equivalents**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets**

**(a) Impairment of financial assets and contract assets**

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

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

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

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

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

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

The Group and the Company consider a financial asset to be in default when:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(a) Impairment of financial assets and contract assets (continued)**

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

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

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

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtors, for economic or contractual reasons relating to the debtors' financial difficulty, having granted to the debtors a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the debtors will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(a) Impairment of financial assets and contract assets (continued)**

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

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

**(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the assets' recoverable amount.

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(b) Impairment of non-financial assets (continued)**

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

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

**3.11 Share capital**

**Ordinary shares**

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

**3.12 Employee benefits**

**(a) Short-term employee benefits**

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

**(b) Defined contribution plans**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Provisions**

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

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

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

**3.14 Revenue and other income**

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from rendering of services at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax.

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Revenue and other income (continued)**

**(a) Rendering of services**

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

**(b) Subscription fees**

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

**(c) Interest income**

Interest income is recognised using the effective interest method.

**(d) Rental income**

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

**(e) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**3.15 Borrowing costs**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Income tax**

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

**(a) Current tax**

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

**(b) Deferred tax**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Income tax (continued)**

**(b) Deferred tax (continued)**

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

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

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

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

**(c) Sales and services tax**

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.17 Earnings per share**

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

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

**3.18 Operating segments**

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

**3.19 Fair value measurements**

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.20 Contingencies**

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

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

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

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

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

**(a) Revenue recognition**

The Group recognised revenue overtime or at point in time related to the services rendered which consist of information technology security consultation and services. There is a high volume of contracts with customers which consist of various terms depending on the complexity of the service provided. These terms are important to identify whether the entity has an enforceable right to payment for performance completed to date which will affect the method of revenue recognition.

The revenue recognised for rendering of services during the year is disclosed in Note 18.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT**

Group	Computer RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Rights-of- use assets RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2022	886	169	1,994	293	797	2,443	6,582
Additions	576	-	1,241	8	-	-	1,825
Disposals	-	-	(177)	-	-	-	(177)
At 31 December 2022	1,462	169	3,058	301	797	2,443	8,230
<b>Accumulated depreciation</b>							
At 1 January 2022	463	59	1,461	114	279	1,398	3,774
Depreciation charge for the financial year	179	17	440	29	80	493	1,238
Disposals	-	-	(177)	-	-	-	(177)
At 31 December 2022	642	76	1,724	143	359	1,891	4,835
<b>Carrying amount</b>							
At 1 January 2022	423	110	533	179	518	1,045	2,808
At 31 December 2022	820	93	1,334	158	438	552	3,395

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Group</b>	<b>Computer RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office Equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Rights-of- use assets RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>							
At 1 January 2021	689	169	167	290	797	4,355	6,467
Additions	197	-	-	3	-	-	200
Written-off	-	-	(85)	-	-	-	(85)
Reclassification	-	-	1,912	-	-	(1,912)	-
At 31 December 2021	886	169	1,994	293	797	2,443	6,582
<b>Accumulated depreciation</b>							
At 1 January 2021	329	42	130	85	199	1,969	2,754
Depreciation charge for the financial year	134	17	311	29	80	493	1,064
Written-off	-	-	(44)	-	-	-	(44)
Reclassification	-	-	1,064	-	-	(1,064)	-
At 31 December 2021	463	59	1,461	114	279	1,398	3,774
<b>Carrying amount</b>							
At 1 January 2021	360	127	37	205	598	2,386	3,713
At 31 December 2021	423	110	533	179	518	1,045	2,808

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**(a) Assets pledged as security**

Motor vehicles with carrying amount of RM1,326,235 (2021: RM509,725) have been pledged as security for hire purchase agreement as disclosed in Note 16(c).

**(b) Right-of-use assets**

Right-of-use assets relate to office buildings which the Group uses for their office space. The leases for office space generally have a lease term of 5 years (2021: 5 years).

Extension and termination options

The Group has several lease contracts that include extension options. These options are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

**6. INVESTMENT PROPERTIES**

	<b>Freehold land RM'000</b>	<b>Building RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
<b>Cost</b>			
At 1 January 2021/31 December 2021 and 31 December 2022	327	653	980
<b>Accumulated depreciation</b>			
At 1 January 2021	-	137	137
Depreciation charge for the financial year	-	13	13
At 31 December 2021	-	150	150
Depreciation charge for the financial year	-	13	13
At 31 December 2022	-	163	163
<b>Carrying amount</b>			
At 31 December 2021	327	503	830
At 31 December 2022	327	490	817

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. INVESTMENT PROPERTIES (CONTINUED)**

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2022 RM'000	2021 RM'000
Rental income	50	14
Direct operating expenses:		
- income generating investment properties	22	41

**Investment properties pledged as security**

In the previous financial year, freehold land and buildings with a carrying amount of RM829,398 have been pledged as security to secure bank facilities granted to the Group as disclosed in Note 16.

**Fair value information**

The fair value of investment properties of approximately RM1,002,000 (2021: RM1,375,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between Level 1, Level 2 and Level 3 during the financial year under review.

**Level 3 fair value**

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Freehold land and building	Comparison approach	Price per square feet RM583 (2021: RM800)	The higher the price per square feet, the higher the fair value

The fair values are arrived at based on comparisons with prices of similar properties in the same location or adjacent locations. Location differences may significantly affect the estimates of the fair values.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. INVESTMENT IN SUBSIDIARIES**

	Company	
	2022 RM'000	2021 RM'000
<b>At cost</b>		
Unquoted shares	22,299	22,299

Details of the subsidiaries as are follows:

Name of company	Principal place of business/ country of incorporation	Ownership Interest		Principal activities
		2022 %	2021 %	
LE Global Services Sdn. Bhd.	Malaysia	100	100	Information technology ("IT") security consultation and services, technical assistance
LGMS Advanced Tech Sdn. Bhd.	Malaysia	100	100	Provision of IT security training and certification courses
Credence Defender Sdn. Bhd.	Malaysia	100	100	Provision of internet security services
LGMS Academy Sdn. Bhd.	Malaysia	100	100	Provision of IT security training and certification courses
<b>Subsidiary of LE Global Services Sdn. Bhd.</b>				
Applied Security Intelligence Sdn. Bhd.	Malaysia	100	100	Provide cyber security services and trading of related software

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. INVESTMENT IN ASSOCIATE**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>		
Unquoted shares in Malaysia	*	*
Share of post-acquisition reserves, net of dividend received	-	74
	-	74

\* Denotes RM1

Details of the associate are as follows:

<b>Name of company</b>	<b>Principal place of business/ country of incorporation</b>	<b>Ownership Interest</b>		<b>Principal activities</b>
		<b>2022</b>	<b>2021</b>	
		<b>%</b>	<b>%</b>	
TUV Austria Cybersecurity Lab Sdn. Bhd.	Malaysia	40	40	Provision testing and certification on information technology related software and product

The summarised financial information of the associate is not presented as it is not material to the Group.

**9. OTHER INVESTMENTS**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>		
At amortised cost:		
- Unquoted debt securities	4,940	-
<b>Current</b>		
At fair value through profit or loss:		
- Quoted short-term funds in Malaysia	4,099	4,361

Debt securities are investments in corporate bonds.

Quoted short term funds are unit trusts funds invested mainly in money market, fixed income and equity instruments.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. DEFERRED TAX ASSETS/(LIABILITIES)**

<b>Group</b>	<b>As at 1 January 2022 RM'000</b>	<b>Recognised in profit or loss RM'000 (Note 24)</b>	<b>As at 31 December 2022 RM'000</b>
<b>Deferred tax assets:</b>			
Lease liabilities	21	124	145
Contract liabilities	-	641	641
	<u>21</u>	<u>765</u>	<u>786</u>

<b>Deferred tax liabilities:</b>			
Property, plant and equipment	(30)	(276)	(306)
Contract assets	-	(155)	(155)
Others	-	(25)	(25)
	<u>(30)</u>	<u>(456)</u>	<u>(486)</u>

<b>Group</b>	<b>As at 1 January 2021 RM'000</b>	<b>Recognised in profit or loss RM'000 (Note 24)</b>	<b>As at 31 December 2021 RM'000</b>
<b>Deferred tax assets:</b>			
Lease liabilities	19	2	21
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	(88)	58	(30)

	<b>Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Presenting after appropriate offsetting as follows:</b>		
Deferred tax assets	786	21
Deferred tax liabilities	(486)	(30)
Net deferred tax assets/(liabilities)	<u>300</u>	<u>(9)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Unutilised tax losses	298	289
Potential deferred tax assets at 24% (2021: 24%)	72	69

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act 1967 and guidelines issued by the tax authority.

The unutilised tax losses are available for offset against future taxable profits of the Group up to the following year of assessment:

	<b>Group</b>
	<b>2022</b>
	<b>RM'000</b>
Unutilised tax losses expiring on 31 December of these years:	
2030	93
2031	195
2032	10
	298



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Trade</b>					
Trade receivables	(a)	6,094	5,302	-	-
Less: impairment loss		(24)	-	-	-
		<u>6,070</u>	<u>5,302</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Other receivables		15	161	-	147
Deposits		224	224	1	-
Prepayments		1,514	1,072	101	-
Amount due from a subsidiary	(b)	-	-	8,718	-
Amount due from an associate	(c)	144	192	-	-
		<u>1,897</u>	<u>1,649</u>	<u>8,820</u>	<u>147</u>
<b>Total trade and other receivables</b>		<u>7,967</u>	<u>6,951</u>	<u>8,820</u>	<u>147</u>

**(a) Trade receivables**

Trade receivables are non-interest bearing and the normal credit terms offered by the Group range from 30 days to 90 days (2021: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The trade receivables of the Group that are impaired at the reporting date and the reconciliation of the movement in the impairment of trade receivables are as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	-	-
Charge for the financial year	24	-
At 31 December	<u>24</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

**(b) Amount due from a subsidiary**

Amount due from a subsidiary arose from dividend receivables of RM9,000,000 (2021: Nil) and is expected to be settled in cash.

**(c) Amount due from an associate**

Amount due from an associate is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

The information about the credit exposures is disclosed in Note 27(b)(i).

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

		<b>Group</b>	
	<b>Note</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Contract assets relating to contract with customers	<b>(a)</b>		
- Current		644	-
<b>Total contract assets</b>		<b>644</b>	<b>-</b>
Contract liabilities relating to contract with customers	<b>(b)</b>		
- Non-current		(94)	(126)
- Current		(2,575)	(1,306)
<b>Total contract liabilities</b>		<b>(2,669)</b>	<b>(1,432)</b>

**(a) Contract assets relating to contract with customers**

Contract assets primarily relate to the rights to consideration for work completed on contract but not yet billed as at the end of the reporting date.

**(b) Contract liabilities relating to contract with customers**

Contract liabilities primarily relate to timing differences between recognition of revenue and receipt of cash/issuance of invoice.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)**

**(c) Significant changes in contract balances**

Group	2022		2021	
	Contract assets increase/ (decrease) RM'000	Contract liabilities (increase)/ decrease RM'000	Contract assets increase/ (decrease) RM'000	Contract liabilities (increase)/ decrease RM'000
Revenue recognised that was included in contract liability at the beginning of the financial year	-	1,045	-	-
Increase due to consideration received from customers, but revenue not recognised	-	(2,282)	-	(1,432)
Increase due to revenue recognised for unbilled services transferred to customers	644	-	-	-

Revenue recognised that was included in the contract liabilities balance at the beginning of the year represented primarily revenue from rendering of services when the performance obligations have been satisfied.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. CASH AND SHORT-TERM DEPOSITS**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	66,329	16,680	41,620	1
Short-term deposits	2,758	2,682	-	-
	<u>69,087</u>	<u>19,362</u>	<u>41,620</u>	<u>1</u>

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term deposits	2,758	2,682	-	-
Less: Pledged deposits	(116)	(141)	-	-
	<u>2,642</u>	<u>2,541</u>	<u>-</u>	<u>-</u>
Cash and bank balances	66,329	16,680	41,620	1
Cash and cash equivalents	<u>68,971</u>	<u>19,221</u>	<u>41,620</u>	<u>1</u>

Included in the short-term deposits placed with licensed banks of the Group are amounts of RM115,793 (2021: RM141,232) pledged for credit facilities granted to the Group.

**14. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>Number of ordinary shares</b>		<b>Amount</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Note	<b>Unit'000</b>	<b>Unit'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid-up:</b>				
At 1 January	364,605	1	22,300	1
Issuance of shares during the financial year	(a) 91,395	-	45,698	-
Share issuance expenses	-	-	(1,749)	-
Issuance of shares pursuant to acquisition of subsidiaries	(b) -	22,299	-	22,299
Bonus issue	(c) -	342,305	-	-
At 31 December	<u>456,000</u>	<u>364,605</u>	<u>66,249</u>	<u>22,300</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. SHARE CAPITAL (CONTINUED)**

**(a) Issuance of shares during the financial year**

On 8 June 2022, the Company issued 91,395,000 new ordinary shares via public issue at a price of RM0.50 per ordinary shares in conjunction with its initial public offering.

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

**(b) Issuance of shares pursuant to acquisition of subsidiaries**

On 30 August 2021, pursuant to the share sale agreement dated 30 August 2021, the Company issued:

- (i) 22,199,500 new ordinary shares of the Company at an issue price of RM1 per share to Fong Choong Fook and Goh Soon Sei for the acquisition of the entire issued share capital of LE Global Services Sdn. Bhd.
- (ii) 98,500 new ordinary shares of the Company at an issue price of RM1 per share to Fong Choong Fook and Goh Soon Sei for the acquisition of the entire issued share capital of LGMS Advanced Tech Sdn. Bhd.
- (iii) 500 new ordinary shares of the Company at an issue price of RM1 per share to Fong Choong Fook and Goh Soon Sei for the acquisition of the entire issued share capital of Credence Defender Sdn. Bhd.
- (iv) 500 new ordinary shares of the Company at an issue price of RM1 per share to Fong Choong Fook for the acquisition of the entire issued share capital of LGMS Academy Sdn. Bhd.

**(c) Bonus issue**

On 6 September 2021, the issued shares of the Company increased from 22,300,000 to 364,605,000 by way of bonus issue on the basis of 15.35 bonus share for every one existing ordinary share held in the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. REORGANISATION RESERVE**

The reorganisation reserve arose from the differences between the carrying value of the investment of the Company and the share capital of the subsidiaries acquired from the common control shareholders.

**16. LOANS AND BORROWINGS**

		<b>Group</b>	
	<b>Note</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Non-current:</b>			
Term loans	(a)	-	556
Lease liabilities	(b)	92	606
Hire purchase payables	(c)	791	317
		<u>883</u>	<u>1,479</u>
<b>Current:</b>			
Term loans	(a)	-	34
Lease liabilities	(b)	513	514
Hire purchase payables	(c)	403	211
		<u>916</u>	<u>759</u>
<b>Total loans and borrowings</b>			
Term loans	(a)	-	590
Lease liabilities	(b)	605	1,120
Hire purchase payables	(c)	1,194	528
		<u>1,799</u>	<u>2,238</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. LOANS AND BORROWINGS (CONTINUED)**

**(a) Term loans**

During the financial year, the Group has made full settlement for term loan 1 and term loan 2 and had uplifted the charges.

In the previous financial year,

- (i) Term loan 1 of the Group of RM213,577 bears interest at 4.20% per annum and was repayable by monthly instalments of RM1,745 over twenty years commencing from the day of first drawdown.
- (ii) Term loan 2 of the Group of RM376,568 bears interest at 4.20% per annum and was repayable by monthly instalments of RM3,077 over twenty years commencing from the day of first drawdown.

The term loan 1 and term loan 2 of the Group were secured and supported as follows:

- (i) First party first legal charge over the investment properties as disclosed in Note 6; and
- (ii) Joint and several guarantee by certain Directors of the Company.

**(b) Lease liabilities**

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Minimum lease payments		
- Not later than one year	529	557
- Later than one year and not later than five years	93	623
	622	1,180
Less: Future finance charges	(17)	(60)
Present value of minimum lease payments	605	1,120
Present value of minimum lease payments payable:		
- Not later than one year	513	514
- Later than one year and not later than five years	92	606
	605	1,120
Less: Amount due within twelve months	(513)	(514)
Amount due after twelve months	92	606

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. LOANS AND BORROWINGS (CONTINUED)**

**(c) Hire purchase payables**

Hire purchase payables of the Group of RM1,193,394 (2021: RM527,928) bears effective interest rate ranging from 3.70% to 4.53% (2021: 4.40% to 4.53%) per annum and are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 5(a).

**17. TRADE AND OTHER PAYABLES**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade</b>					
Trade payables	(a)				
- Third parties		18	516	-	-
- Associate		61	55	-	-
		<u>79</u>	<u>571</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Other payables		67	9	-	-
Amount owing to a subsidiary	(b)	-	-	-	1,490
Accruals		2,604	1,705	285	13
Deposits received		14	18	-	-
Sales and service tax payable		454	434	-	-
		<u>3,139</u>	<u>2,166</u>	<u>285</u>	<u>1,503</u>
<b>Total trade and other payables</b>		<u>3,218</u>	<u>2,737</u>	<u>285</u>	<u>1,503</u>

**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 60 days (2021: 30 days to 60 days).

**(b) Amount owing to a subsidiary**

Amount owing to a subsidiary was unsecured, non-trade in nature, non-interest bearing and repayable on demand.

For explanations on the liquidity risk management processes, refer to Note 27(b)(ii).



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
<b>Revenue from contract customers:</b>				
<b>At a point in time:</b>				
Rendering of services	6,188	26,724	-	-
<b>Over time:</b>				
Rendering of services	24,975	-	-	-
Subscription fees	1,629	1,538	-	-
	<u>32,792</u>	<u>28,262</u>	<u>-</u>	<u>-</u>
<b>Revenue from other source:</b>				
<b>At a point in time:</b>				
Dividend income	-	-	9,000	-
	<u>32,792</u>	<u>28,262</u>	<u>9,000</u>	<u>-</u>

**19. OTHER INCOME**

	<b>Group</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Fair value gain on other investment	-	139
Gain on disposal of property, plant and equipment	75	-
Government grant	44	2
Insurance claim	-	67
Rental income	110	74
Sundry income	22	79
Unrealised gain on foreign exchange	105	-
Realised gain on foreign exchange	8	-
	<u>364</u>	<u>361</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. EMPLOYEE BENEFITS EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
Salaries, allowances and bonuses	9,051	7,306	251	54
Defined contribution plan	1,080	851	-	-
Other staff related expenses	496	178	-	-
<b>Total employee benefits expense</b>	<b>10,627</b>	<b>8,335</b>	<b>251</b>	<b>54</b>
Included in employee benefits expenses are:				
<b>Directors of the Company</b>				
<b>Executive Directors</b>				
- Salaries, allowances and bonuses	1,330	1,140	-	-
- Defined contribution plan	160	137	-	-
- Other emolument	2	2	-	-
- Benefits-in-kind	19	2	-	-
	<b>1,511</b>	<b>1,281</b>	<b>-</b>	<b>-</b>
<b>Non-Executive Directors</b>				
- Fees	238	54	238	54
- Other emoluments	13	-	13	-
	<b>251</b>	<b>54</b>	<b>251</b>	<b>54</b>

**21. FINANCE INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
Income from other investments	36	107	-	-
Interest income	386	8	259	-
	<b>422</b>	<b>115</b>	<b>259</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22. FINANCE COSTS**

	<b>Group</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest expenses on:		
- Term loans	7	25
- Lease liabilities	43	69
- Hire purchase payables	47	38
	<u>97</u>	<u>132</u>

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

Other than as disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit/(loss) before tax:

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
Auditors' remuneration:				
- current year	121	49	50	12
- prior year	(1)	2	2	-
- non-statutory	10	140	10	-
Depreciation of property, plant and equipment	1,238	1,064	-	-
Depreciation of investment properties	13	13	-	-
Property, plant and equipment written off	-	41	-	-
Expenses relating to leases of low value assets	4	4	-	-
Fair value loss on other investments	298	-	-	-
Impairment loss on trade and other receivables	24	-	-	-
Realised loss on foreign exchange	4	21	-	-
Unrealised loss on foreign exchange	-	2	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. INCOME TAX EXPENSE**

The major components of income tax expense for the financial years ended 31 December 2022 and 31 December 2021 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
<b>Statements of comprehensive income</b>				
<b>Current income tax:</b>				
- Current year provision	4,289	3,841	-	-
- Under provision in prior years	70	199	-	-
	<u>4,359</u>	<u>4,040</u>	<u>-</u>	<u>-</u>
<b>Deferred tax: (Note 10)</b>				
- Origination/(reversal) of temporary differences	(35)	3	-	-
- Over provision in prior years	(274)	(63)	-	-
	<u>(309)</u>	<u>(60)</u>	<u>-</u>	<u>-</u>
<b>Income tax expense recognised in profit or loss</b>	<u>4,050</u>	<u>3,980</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. INCOME TAX EXPENSE (CONTINUED)**

The reconciliations from the tax amount at the statutory income tax rate to the tax expense of the Group and the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>01.01.2022</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>30.11.2020</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>(date of</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>incorporation)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>to</b>
				<b>31.12.2021</b>
				<b>RM'000</b>
Profit/(Loss) before tax	15,597	14,285	7,561	(1,356)
Tax at Malaysian statutory income tax rate of 24%	3,743	3,428	1,815	(325)
Adjustments:				
- Income not subject to tax	(59)	(41)	(2,160)	-
- Non-deductible expenses	568	457	345	325
- Origination of deferred tax assets not recognised	2	-	-	-
- Adjustment in respect of current income tax of prior years	70	199	-	-
- Adjustment in respect of deferred tax of prior years	(274)	(63)	-	-
Income tax expense	4,050	3,980	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. EARNINGS PER SHARE**

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Group (RM'000)	11,547	10,321
Weighted average number of ordinary shares for basic and diluted earnings per share ('000)	416,688	349,454 <sup>(1)</sup>
Basic and diluted earnings per ordinary share (sen)	2.77	2.95

<sup>(1)</sup> Based on weighted average number of issued capital after the completion of reorganisation exercise.

The diluted earnings per share is not applicable as there are no potential dilutive ordinary shares as at the end of the reporting date.

**26. DIVIDENDS**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the financial year ended 31 December</b>		
Interim single-tier dividend of RM2.53 per ordinary share in respect of financial year ended 31 December 2021 which was paid on 16 August 2021	-	3,800

On 28 February 2023, the Company declared and approved a first and final single-tier interim dividend of 1.3 sen per ordinary shares amounting to RM5,928,000 and payable on 31 March 2023 in respect of the financial year ended 31 December 2022. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

- (i) Fair value through profit or loss ("FVPL")
- (ii) Amortised cost

	Note	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000
<b>At 31 December 2022</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	9	9,039	4,940	4,099
Trade and other receivables*	11	6,453	6,453	-
Cash and short-term deposits	13	69,087	69,087	-
		<u>84,579</u>	<u>80,480</u>	<u>4,099</u>
<b>Company</b>				
Trade and other receivables*	11	8,719	8,719	-
Cash and short-term deposits	13	41,620	41,620	-
		<u>50,339</u>	<u>50,339</u>	<u>-</u>
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	16	(1,799)	(1,799)	-
Trade and other payables^	17	(2,764)	(2,764)	-
		<u>(4,563)</u>	<u>(4,563)</u>	<u>-</u>
<b>Company</b>				
Trade and other payables^	17	(285)	(285)	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:  
(continued)

	Note	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000
<b>At 31 December 2021</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	9	4,361	-	4,361
Trade and other receivables*	11	5,879	5,879	-
Cash and short-term deposits	13	19,362	19,362	-
		<u>29,602</u>	<u>25,241</u>	<u>4,361</u>
<b>Company</b>				
Trade and other receivables*	11	147	147	-
Cash and short-term deposits	13	1	1	-
		<u>148</u>	<u>148</u>	<u>-</u>
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	16	(2,238)	(2,238)	-
Trade and other payables^	17	(2,303)	(2,303)	-
		<u>(4,541)</u>	<u>(4,541)</u>	<u>-</u>
<b>Company</b>				
Trade and other payables^	17	(1,503)	(1,503)	-

\* Exclude prepayments

^ Exclude SST payable



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management**

The activities of the Group and of the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The overall financial risk management objective of the Group and of the Company is to optimise value for its shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the senior management of the Group.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on their obligations. The Group and the Company are exposed to credit risk (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

**Trade receivables and contract assets**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by their carrying amounts in the statements of financial position.

The carrying amounts of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group has a significant concentration of credit risk in the form of four (4) (2021: one (1)) trade receivables, representing approximately 34% (2021: 14%) of the Group's total trade receivables.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Trade receivables and contract assets (continued)**

Credit risk concentration profile (continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:

<b>Group</b>	<b>Gross carrying amount RM'000</b>	<b>ECL allowance RM'000</b>	<b>Net balance RM'000</b>
<b>At 31 December 2022</b>			
<b>Contract assets</b>	644	-	644
<b>Trade receivables</b>			
Current	3,755	-	3,755
1 to 30 days past due	1,105	-	1,105
31 to 60 days past due	817	-	817
61 to 90 days past due	222	-	222
more than 90 days past due	195	(24)	171
	6,094	(24)	6,070
<b>At 31 December 2021</b>			
<b>Trade receivables</b>			
Current	3,596	-	3,596
1 to 30 days past due	1,076	-	1,076
31 to 60 days past due	270	-	270
61 to 90 days past due	-	-	-
more than 90 days past due	360	-	360
	5,302	-	5,302

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the maximum exposure of the Group and of the Company to credit risk arising from other receivables and other financial asset is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The exposure of the Group and of the Company to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. Such exposure to liquidity risk arises principally from trade and other payables and loans and borrowings.

The objective of the Group and of the Company is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The finance department in the Group also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

Maturity analysis

The maturity analysis of the financial liabilities by their relevant maturity at the reporting date is based on contractual undiscounted repayment obligations are as follows:

Group	Carrying amount RM'000	Contractual cash flows			Total RM'000
		On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	
At 31 December 2022					
Trade and other payables*	2,764	2,764	-	-	2,764
Lease liabilities	605	529	93	-	622
Hire purchase payables	1,194	445	838	-	1,283
	<u>4,563</u>	<u>3,738</u>	<u>931</u>	<u>-</u>	<u>4,669</u>
At 31 December 2021					
Trade and other payables*	2,303	2,303	-	-	2,303
Term loans	590	58	231	482	771
Lease liabilities	1,120	557	623	-	1,180
Hire purchase payables	528	230	328	-	558
	<u>4,541</u>	<u>3,148</u>	<u>1,182</u>	<u>482</u>	<u>4,812</u>
Company					
At 31 December 2022					
Trade and other payables*	<u>285</u>	<u>285</u>	<u>-</u>	<u>-</u>	<u>285</u>
At 31 December 2021					
Trade and other payables*	<u>1,503</u>	<u>1,503</u>	<u>-</u>	<u>-</u>	<u>1,503</u>

\* Exclude SST payable

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iii) Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The exposure of the Group to the risk of changes in foreign exchange rates relates primarily to the operating activities (when sales, purchases and bank balances that are denominated in a foreign currency).

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Taiwan Dollar ("TWD"), Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD").

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets not held in functional currencies:		
<b><u>Trade and other receivables</u></b>		
USD	721	263
TWD	412	169
SGD	135	140
HKD	112	65
	<b>1,380</b>	<b>637</b>
<b><u>Cash and short-term deposits</u></b>		
USD	<b>2,361</b>	<b>1,746</b>
<b><u>Trade payables</u></b>		
USD	<b>(9)</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iii) Foreign currency risk (continued)**

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, TWD, SGD and HKD.

The following table demonstrates the sensitivity to a reasonably possible change in to USD, TWD, SGD and HKD, with all other variables held constant on the Group's total profit for the financial year.

Group	Change in rate	2022 RM'000	2021 RM'000
<b>Effect on profit:</b>			
USD	5%	117	76
	-5%	(117)	(76)
TWD	5%	16	6
	-5%	(16)	(6)
SGD	5%	5	5
	-5%	(5)	(5)
HKD	5%	4	2
	-5%	(4)	(2)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iv) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the financial instruments of the Group as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the total profit of the Group for the financial year.

	Carrying amount RM'000	Movement in basis point	Effect on profit for the financial year RM'000
<b>Group</b>			
<b>31 December 2021</b>			
Term loans	590	+ 50	(2)
		- 50	2

**(c) Fair value measurement**

The carrying amounts of cash and short-term deposits, receivables and payables and short-term borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

Other long-term financial assets and liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates.

It is not practical to determine the fair value of finance lease liabilities which are at fixed rate due to lack of market information of comparable instruments with similar characteristics and risk profile.

There have been no transfers between fair value measurement hierarchy during the financial year and in prior year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value measurement (continued)**

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

Group	Carrying amount Total RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Fair value				Fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2022</b>									
<b>Financial assets</b>									
Other investments	9,039	4,099	-	-	4,099	-	-	5,000	5,000
<b>Financial liabilities</b>									
Hire purchase payables	(1,194)	-	-	-	-	-	-	(1,283)	(1,283)
<b>31 December 2021</b>									
<b>Financial assets</b>									
Other investments	4,361	4,361	-	-	4,361	-	-	-	-
<b>Financial liabilities</b>									
Term loan	(590)	-	-	-	-	-	-	(771)	(771)
Hire purchase payables	(528)	-	-	-	-	-	-	(558)	(558)



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value measurement (continued)**

**Level 1 fair value**

Fair value of financial instruments carried at fair value

The fair value of quoted unit trusts as disclosed in Note 9 to the financial statements are determined directly by reference to prices provided either by investment management companies or based on bid price of the quoted equity securities.

**Level 3 fair value**

Fair value of financial instruments not carried at fair value

The fair value of unquoted debt securities, term loan, and hire purchase payables are determined using the discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

**28. RELATED PARTIES**

**(a) Identification of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Subsidiaries;
- (ii) Associates; and
- (iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

**(b) Significant related party transactions**

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with the associate:</b>		
Rendering of services	-	54
Purchase of services	(133)	(343)
Lease income received	60	60

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. RELATED PARTIES (CONTINUED)**

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, allowances and bonuses	2,202	1,807
Defined contribution plans	264	214
Benefits-in kind	55	26
	<u>2,521</u>	<u>2,047</u>

**29. CAPITAL MANAGEMENT**

The primary objective of the capital management of the Group and of the Company is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support the business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company 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 year ended 31 December 2022 and the financial year ended 31 December 2021.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The Company has no borrowings for the current financial year. Accordingly, the calculation of gearing ratio is not meaningful to the Company.

The gearing ratio as at 31 December 2022 and 31 December 2021 as follows:

		<b>Group</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>RM'000</b>	<b>RM'000</b>
Loans and borrowings	16	1,799	2,238
Total equity		<u>83,570</u>	<u>28,074</u>
Gearing ratio (times)		<u>0.02</u>	<u>0.08</u>

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

The Group and the Company are not subject to externally imposed capital requirement.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION**

Segment information is prepared in a manner consistent with internal reporting provided to the chief operating decision maker in order to allocate resources to segments and to assess their performance. For management reporting purposes, the Group is organised into three reportable segments.

The table below summarises the segment revenue for the Group:

	Cyber risk prevention RM'000	Cyber risk management and compliance RM'000	Cyber threat and incident response RM'000	Elimination RM'000	Total RM'000
<b>2022</b>					
Revenue from:					
External customers	22,458	7,643	2,691	-	32,792
Inter-segment revenue	415	131	-	(546)	-
	<u>22,873</u>	<u>7,774</u>	<u>2,691</u>	<u>(546)</u>	<u>32,792</u>
<b>2021</b>					
Revenue from:					
External customers	16,620	8,147	3,495	-	28,262
Inter-segment revenue	86	262	-	(348)	-
	<u>16,706</u>	<u>8,409</u>	<u>3,495</u>	<u>(348)</u>	<u>28,262</u>

Information about major customers

Revenue from external customers which contributed 10% or more to the total revenue recognised is as follows:

	<b>Group</b>	
	<b>2022</b> RM'000	<b>2021</b> RM'000
Customer A	<u>5,326</u>	<u>3,998</u>

**31. COMPARATIVE FIGURES**

The comparative figures of the Company cover the financial period from 30 November 2020 to 31 December 2021. Consequently, the comparative figures for the statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes of the Company are not comparable to that for the current twelve (12) month financial year ended 31 December 2022.

**LGMS BERHAD**  
(Incorporated in Malaysia)

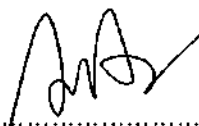
**STATEMENT BY DIRECTORS**  
(Pursuant to Section 251(2) of the Companies Act 2016)

We, **FONG CHOONG FOOK** and **GOH SOON SEI**, being two of the directors of LGMS Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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



.....  
**FONG CHOONG FOOK**  
Director



.....  
**GOH SOON SEI**  
Director

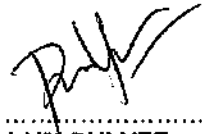
Kuala Lumpur

Date: 20 March 2023

**LGMS BERHAD**  
(Incorporated in Malaysia)

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

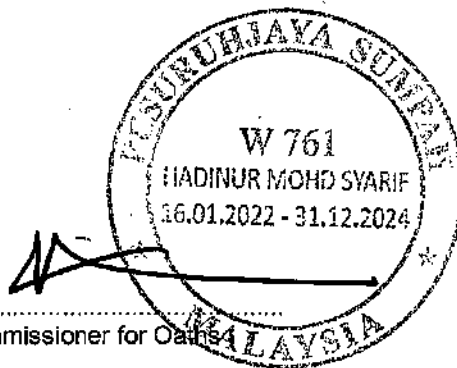
I, **LUM PUI YEE**, being the officer primarily responsible for the financial management of LGMS Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



.....  
**LUM PUI YEE**  
(MIA membership no. 43423)

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 20 March 2023.

Before me,



.....  
Commissioner for Oaths

CHAMBERS TWENTY - FIVE  
NO 25, JALAN TUNKU, BUKIT TUNKU  
50420 KUALA LUMPUR

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**Registration No. 202001039091 (1395412-W)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LGMS BERHAD**  
(Incorporated in Malaysia)

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

**Opinion**

We have audited the financial statements of LGMS Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 81.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

***Independence and Other Ethical Responsibilities***

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LGMS BERHAD**  
(Incorporated in Malaysia)

**Key Audit Matters**

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

**Group**

**Revenue recognition**

The Group's revenue derived from services rendered consisting of information technology security consultation and services amounting to RM32,791,719 (2021: RM28,262,405). We focused on this area as there is an inherent risk over the accuracy of revenue recognised given that the complexity and high volume of the contracts with customers. This involved significant judgement in determining the method and timing on revenue recognition.

**Our audit response:**

Our audit procedures included, among others:

- Reviewing the compliance with *MFRS 15 Revenue from Contracts with Customers*;
- Testing sales transactions recognised during the financial year on a sampling basis by agreeing the sales invoice to the acceptance document acknowledged by customers to determine the point of which control was transferred for services rendered;
- Reviewing the proof of delivery for revenue recognised during the financial year to confirm that risk had been transferred to the customers as different contracts may contain different delivery terms;
- Testing the arithmetical accuracy for revenue recognised during the financial year; and
- Testing the accuracy of cut-off to ensure the revenue is recognised in the correct accounting period.

**Company**

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LGMS BERHAD**  
(Incorporated in Malaysia)

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

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

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

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

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

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

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LGMS BERHAD**  
(Incorporated in Malaysia)

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

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LGMS BERHAD**  
(Incorporated in Malaysia)


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

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


From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

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



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



Heng Fu Joe  
No. 02966/11/2024 J  
Chartered Accountant

Kuala Lumpur

Date: 20 March 2023