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7 June 2023

Dear Sirs/Madams,

Strategic Analysis of the Global Business Services Industry in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Global Business Services ("GBS") Industry in Malaysia' for inclusion into the prospectus of Daythree Digital Berhad ("Daythree" or the "Company") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

SEOW CHEOW SENG
Managing Director

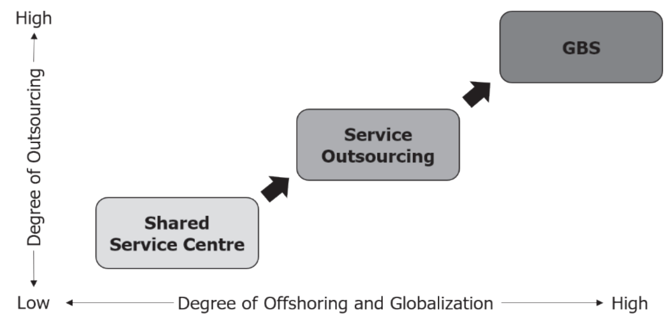
1.0 Introduction to the GBS Industry

GBS is the evolution of the shared services model and service outsourcing model. The shared services model and service outsourcing model mainly delivers traditional transaction functions (such as payroll and accounting) which focus on process efficiency improvement and cost reduction, whereas GBS now provides services beyond traditional transaction functions and has a wider scope and expertise to deliver high-value generating functions such as consulting and business analytics.

While services were considered as non-tradable in the past, advancements in information and communications technology ("ICT") (including the Internet) have reduced the need for face-to-face interaction in the provision of many services; thereby removing one of the major barriers to services trade. This has allowed the services sector to play an increasingly important role in the globalisation of the world economy, in-line with continual growth and development of many countries. Most GBS providers now utilise both traditional communication channels such as voice and email, and digital communication and technology platforms ranging from messaging and social media to AI-powered chat bots and in-app interaction to engage users.

The shared services model had seen widespread adoption in the private sector since it was first used over two decades ago. Organizations established shared service centres ("SSC") to reap benefits such as cost reduction, increased efficiency and productivity. An SSC is mainly a dedicated unit that is structured as a centralized point of service that focuses on defined business function. Traditionally, SSCs focused on supporting single function tasks. As these SSCs matured, they moved from single to multi-functional activities and started outsourcing their services to other clients. The figure below depicts the evolution of shared services models.

Figure 1: Evolution of the Shared Services Model



Model	Shared Service	Service Outsourcing	GBS
Scope	Generally involves 1 to 2 non-core processes.	Generally involves 1 to 2 non-core processes, and 1 or more providers.	Involves many processes and many providers. Provides a combination of shared services and outsourcing/ offshoring.
Governance	Has a variety of approached ranging from siloed to coordinated.	Generally managed as separate contracts with each external provider.	Centralized and coordinated approach.

Source: Protégé Associates

The **shared service model** was traditionally designed to support back-office functions such as accounts payable, IT, or high-volume transactional processes that are easy to automate. Large multinational companies used these types of shared region or global account shared service centres to support their back-office processes.

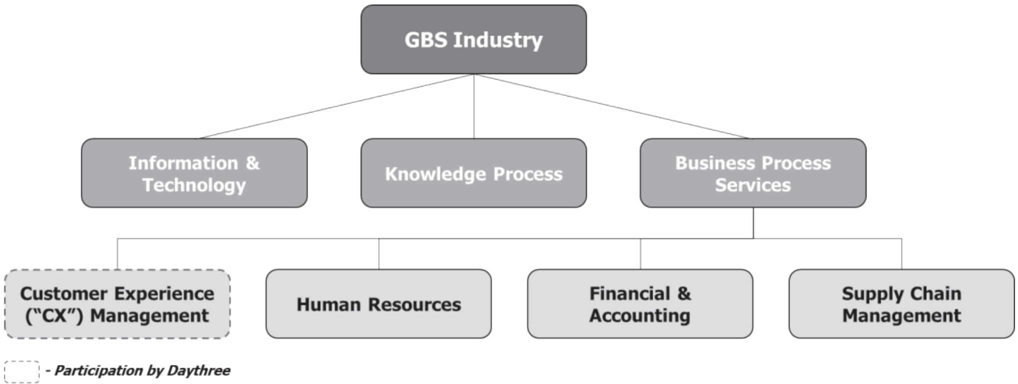
The **service outsourcing model** involved delegating or subcontracting one or more IT-intensive business processes to external third-party providers, which in turn, owns, administrates and manages the selected processes based on defined and measurable performance metrics. By outsourcing certain processes to a third-party specializing in that field, companies can enjoy cost reduction, optimise resource utilisation and increase supply chain efficiency.

The **GBS model** then consolidates the shared services and service outsourcing models into a single, structured organization that focuses on end-to-end processes that can bring multiple benefits to a business, from improves efficiency and flexibility to more transparent governance. The essential characteristics of a GBS provider is summarised below.

- Multi-function: GBS generally provides multi-functions in terms of scope and has significant integration across these functions as shown in Figure 2.
- Multi-region: GBS are able to support all regions within an organization, typically providing services across the Americas, Europe, Asia Pacific and other regions.
- Multi-location: GBS generally consolidates to fewer locations. While some GBS use a regional delivery model, others tend to adopt a hub-and-spoke approach.
- Multi-sourced: In general, transactional activities are outsourced while higher value advisory activities are delivered through captive centres. GBS is able to decide how these activities are delivered to the client.
- Multi-business: GBS providers serve more than one business unit in an organization, and can perform the best suited services to each business unit throughout the entire organization. This enables greater support and quicker response by business units.

In general, the GBS industry can be segmented into three segments, namely information and technology outsourcing, knowledge process outsourcing and business support services.

Figure 2: Segmentation of the GBS Industry



Source: Protégé Associates

Information & Technology refers to the provision of transactional-type IT and IT-related functions such as data centre hosting, disaster recovery and business continuity, software development, application maintenance services, as well as technology and consulting services.

Knowledge process refers to the provision of specialized and complex knowledge services to internal and external parties that can be outsourced, offshored or centralized to increase a company's competitive edge in terms of cost and economies of scale. Some of these services include legal services, R&D, consulting and market research, data analytics as well as taxation support.

Business Process Services refers to the outsourcing of operations and specific business functions or processes such as payroll, customer care or customer management, accounting and data collection to a third-party service provider. In particular, this segment can be further divided into customer experience ("CX") management (also known as contact centres), human resources, financial and accounting, as well as supply chain management.

CX management can provide a wide range of services such as help-desk, general enquiries as well as feedback through multiple channels including phones, email, web chat, social media and in-app interactions. It can also provide other services such as customer relationship management, sales and marketing, content moderation and management, presales/ post sales assistance as well as customer retention management. In particular, along with the advancement in technology, CX management has introduced Contact Centre as a Service ("CCaaS") which allows companies to only purchase the technologies they need from a contact centre. CCaaS solutions are commonly deployed as a cloud-based solution by contact centres. An increasing number of businesses are adopting the CCaaS model as it offers scalability as operational needs change. As businesses are provided the flexibility of only paying for the technology they need, the investment required is comparatively lower than traditional contact centres. At the same time, contact centres are also able to deploy new features, functions and channels to customers quicker with CCaaS. CX management has evolved from a traditional customer service to a personalised and 'connected' approach which focus on the customer experience and the journey of the customer's interaction with a brand.

Human resources management offers services such as staffing, recruiting, employee training and development, payroll management as well as compensation management. Financial and accounting management involves managing a series of services such as accounts payable and receivable, billing, general accounting, tax management and treasury. Supply chain management refers to the provision of supply chain processes such as supply chain planning, direct material sourcing and procurement, manufacturing management and logistics management.

As an industry supplying business supporting services, the GBS industry serves clients from diverse industries and sectors, including but are not limited to airline services, construction, consumer goods, e-commerce, energy and utilities, financial services, fintech, media and communications, telecommunications as well as government bodies.

2.0 Overview of the GBS Industry in Malaysia

Malaysia has long been recognised as a preferred location for business services support for global companies, resulting from the country's digital competitiveness providing quality services to these global customers. Based on the Digital Competitiveness Ranking 2022 published by the IMD World Competitiveness Center, Malaysia ranked 31st in the world and 9th in Asia Pacific. As global enterprises embark on a digitisation journey for fear of being left behind, economies such as Malaysia which have already committed significant funds to transform themselves into digital hubs are expected to benefit from this trend.

In Malaysia, Malaysia Digital Economy Corporation ("MDEC"), which is the government agency under the Ministry of Communications and Multimedia tasked with leading the nation's digital economy, has been committed in providing enterprise support in infrastructure as well as a multitude of other initiatives. The robust digital ecosystem with wide range of ICT services had led to the local ICT industry being one of the more resilient sectors in the country. According to the Information and Communication Technology Satellite Account 2021 published by the Department of Statistics Malaysia, the Malaysian ICT industry grew 7.8% to register a value of RM217.1 billion in 2021 compared to a growth of 3.2% in the previous year (2020: RM201.4 billion). Growth in the industry was attributed to the ICT manufacturing industry and ICT services industry which grew 11.1% and 7.0% respectively. ICT trade recorded growth of 6.6% while content and media recorded a slight decline of 2.0%.

Malaysia is also one of the preferred locations for businesses intending to set up shared services operations, where GBS is the predominant model with many of these businesses already moving towards digitised GBS. The preference for the GBS model stems from its potential to grow by leveraging and incorporating new functions and services. Additionally, the industry is being fueled by companies adopting smart technologies such as cloud-based solutions, data analytics, and intelligent automation, which require more services provided by GBS providers. Another important factor driving the GBS industry is supporting the enterprise's digital transformation and change agenda.

The demand for GBS is further supported by government-led policies such as the Fourth Industrial Revolution ("4IR"), which focuses on enhancing Malaysia's ability to adopt and implement FIR, along with and other initiatives such as the Malaysian Digital Economy Blueprint ("MyDigital"), the Malaysia Cyber Security Strategy 2020-2024 and the National Digital Network (JENDELA). These initiatives aim to accelerate the country's progress towards becoming a technologically advanced economy.

In addition to increasing the scope of services provided, many GBS providers in Malaysia share a common trend by planning to continue to expand their reach. While the geographic expansions are predominantly in-country (to other states) and/or within the ASEAN region, some Malaysia-based GBS providers are planning to expand operations to Eastern Europe.

In terms of provision of services, data analytics represent the single most popular service delivered by Malaysian GBS providers. It is expected that around 50% of shared service providers in the country provide data analytics across multiple functions. However, the scope of data analytics provided by GBS providers are still at a "basic" stage and are mostly descriptive, based on historical data. This is followed by the provision of intelligent automation support across multiple functions. Following the introduction of robotic process automation ("RPA"), it has since evolved into an accepted part of the workforce, also known as the digital workforce. The digital workforce refers to a team of software robots that work alongside human employees to undertake manual processes and allow humans to focus on value-adding tasks. It encompasses all the technologies that employees within an organization use to complete work in a modern workplace including HR applications and core business applications, emails, instant messaging, enterprise social media and virtual meeting tools.

In Malaysia, while there has been continued concerns over job replacement by the RPA, businesses in the country are increasingly adopting the digital workforce in their operations. Intelligent automation remained a priority in driving performance in Malaysia and is a driving factor for using GBS in Malaysia. As Malaysia continues to move towards a digital economy, the GBS industry is expected to expand in tandem, with a focus on technology integration, business intelligence and development of digital talent.

3.0 Historical Market Performance and Growth Forecast

The GBS industry in Malaysia registered a value of RM23.41 billion in 2022, an increase 6.10% compared to the previous year's RM22.06 billion. The rise in the value of the industry could be attributed to several factors. Firstly, the Malaysian Government's announcement of the transition of COVID-19 into an endemic phase signalled a return to normal economic activities in the country. The resumption of business operations and return of consumer confidence led to an increase in the adoption of digital technologies by corporations.

Figure 3: Estimated Market Size and Growth Forecast for the GBS Industry in Malaysia, 2020-2027

Year	Market Size (RM billion)	Growth Rate (%)
2020	20.80	-
2021	22.06	6.1
2022^f	23.41	6.1
2023^f	24.79	5.9
2024^f	26.35	6.3
2025^f	28.01	6.3
2026^f	29.81	6.4
2027^f	31.74	6.5

Compound annual growth rate ("CAGR") (2022-2027) (base year of 2021): 6.3%

Note: ^{f} denotes forecast

Source: Protégé Associates

Remote working during the pandemic helped the GBS industry in Malaysia as companies looked to outsource their operations. This increased the client base for GBS providers and contributed to industry growth. Malaysia's strong commitment and government support for the sector is expected to keep driving its growth and economic development in the future.

Going into 2023, while the Malaysian economy is expected to register a slower growth due to factors such as tighter credit conditions and weakening global demand, the local GBS industry is expected to withstand the slowdown fairly well. As part of the local GBS industry, the business process services segment is also expected to benefit from the rising trend of businesses endeavouring to achieve a lean capital structure through outsourcing business supporting processes such as human resources, financial, accounting, customer relationship management, customer retention management, as well as sales and marketing. In particular, the rise of the cloud-based CCaaS from technology advancements is expected drive demand within the CX management sub-segment going forward. The local GBS industry is forecast to grow to RM24.79 billion in 2023 and is projected to expand at a compound annual growth rate ("CAGR") of 6.3%, reaching RM31.74 billion in 2027.

The historical performance and growth forecast of the GBS industry in Malaysia as summarised in Figure 3 of the IMR Report are based on the analysis and findings gathered from both secondary researches conducted as well as primary research works conducted with stakeholders. The main secondary information Protégé Associates relied on was from the Global Business Services - Malaysia Strategy 2022-2027 published by GBS Malaysia, a chapter under the National Tech Association of Malaysia (PIKOM). Data is also gathered from further secondary research works conducted such as data from the Malaysia Digital Economy Corporation (MDEC), the Malaysia Investment Development Authority (MIDA), the Department of Statistics Malaysia, Bank Negara Malaysia, annual reports of public listed GBS companies and searches conducted on private GBS companies with the Companies Commission of Malaysia. Primary research works are conducted with stakeholders in the local GBS industry such as industry associations, industry players, and customers to gather their insights on the industry.

4.0 Competitive Landscape

The GBS industry in Malaysia is still at a growth phase with the existence of many established players in the industry. MSC Malaysia counts 579 active GBS providers under its fold, with 57% being foreign owned companies. Among the foreign-owned GBS providers, 30% are established companies which are part of the Forbes Global 2000 and Fortune 500 companies such as HSBC Electronic Data Processing (Malaysia) Sdn Bhd, Jabil Global Business Services and Dassault Systèmes Innovation Technologies Malaysia Sdn Bhd.

MSC Malaysia was established by the Malaysian Government in 1996 to accelerate the growth of Malaysia's digital economy, where a wide range of incentives, rights and privileges were offered to eligible ICT-related businesses, both local and foreign-owned companies to encourage and attract companies, talents and investment to Malaysia. In July 2022, the Malaysia Digital initiative replaced MSC Malaysia.

The barriers to entry for the local GBS industry is relatively high. While potential new players are able to set-up small-scale operations with limited scope of services, substantial capital outlay is required for setting up larger operations. Some of the costs involved while setting up new GBS operations include the cost required to set up secured IT infrastructures to house data centres and related cloud computing equipment, as well as cost of recruiting of skilled workers to perform various services under the GBS industry. Furthermore, new players entering the industry market should also strive to obtain various certifications such as the ISO 18295-1: 2017 (Customer Contact Centres – Part 1: Requirements for customer contact centres) and the ISO 27001: 2013 (Information Security Management System) from various international certification bodies in order to enhance the company's credibility and competitive edges.

According to MDEC, Malaysia is home to approximately 50% of all analytics-based services in ASEAN. To further grow its market share, MDEC is committed to developing progressive and conducive policies and regulatory frameworks, as well as nurturing a pool of digital talents. Some of the initiatives by the Malaysian Government include the MyDIGITAL which aims at driving the country's value-added economy and establish Malaysia as a net exporter of home-grown technologies and digital solutions. This will complement other national digital economy development initiatives including the GBS industry going forward.

4.1 Competitor Analysis

Daythree is a GBS service provider focusing on CX lifecycle management services enabled by digital solutions. Its services involve the setting up of contact centres to facilitate communications between our clients and their customers. These include acquisition of customers to after-sales' customer support and care services. For the financial year ended ("FYE") 31 December 2021, Daythree recorded revenue of RM58.1 million from its operations.

Protégé Associates has compiled a list of industry players that are also participating in the GBS industry in Malaysia through the provision of CX management services for the purpose of comparison. The selected GBS industry players were further divided into two categories namely local and foreign GBS industry players. It needs to be highlighted that the list of market players is not exhaustive, and only serves as a reference for readers.

Figure 4: Comparison between Daythree and Selected Market Players

Company Name	FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit After Tax (RM'000)	Gross Profit Margin[1] (%)	Profit After Tax Margin[2] (%)
Local GBS Industry Players						
Daythree	31-12-2022	65,105.0	16,401.0	6,247.0	25.2	9.6
Brandt International Sdn Bhd	31-12-2021	49,567.9	10,532.6	-5.0	21.2	-0.01
Canaan Communication & Technology Sdn Bhd	31-12-2021	6,304.0	6,442.6	716.0	102.2	11.4
Envo BPO Services Sdn Bhd	30-06-2022	8,662.2	3,905.5	949.7	45.1	11.0
Redberry Contact Center Sdn Bhd	31-05-2022	12,455.7	2,606.5	1,171.6	20.9	9.4
Scicom (MSC) Berhad^	30-06-2022	265,051.6	n/a[3]	31,445.7	n/a[3]	11.9
Telecontinent Sdn Bhd	31-12-2021	26,855.6	11,872.7	2,507.1	44.2	9.3
VADS Business Process Sdn Bhd[#]	31-12-2021	199,602.1	n/a[3]	21,146.8	n/a[3]	10.6
VPO Services Sdn Bhd	31-12-2021	16,764.4	6,392.6	1,256.6	38.1	7.5
Foreign GBS Industry Players*						
Aegis BPO Malaysia Sdn Bhd[~]	31-12-2021	256,094.4	67,383.2	44,648.5	26.3	17.4
Avensys Consulting Sdn Bhd	31-12-2021	8,030.1	1,211.8	80.4	15.1	1.0
Conduent Business Services Malaysia Sdn Bhd[@]	31-12-2021	36,139.3	n/a[3]	796.8	n/a[3]	2.2
Everise Malaysia BPO Services Sdn Bhd	31-12-2021	20,573.5	n/a[3]	-12,901.0	n/a[3]	-62.7
TDCX (MY) Sdn Bhd[+]	31-12-2021	457,768.1	n/a[3]	90,874.4	n/a[3]	19.9
Teleperformance Malaysia Sdn Bhd[%]	31-12-2021	324,836.2	160,558.9	69,246.2	49.4	12.1

** Majority of shares in company owned by foreigner(s)*
^ Scicom (MSC) Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad
[#] VADS Business Process Sdn Bhd is a subsidiary of Telekom Malaysia Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
[~] Aegis BPO Malaysia Sdn Bhd is a subsidiary of StarTek, Inc., which is listed on the New York Stock Exchange
[@] Conduent Business Services Malaysia Sdn Bhd is a subsidiary of Conduent Inc., which is listed on the Nasdaq Stock Exchange
[+] TDCX (MY) Sdn Bhd is a subsidiary of TDCX Inc., which is listed on the New York Stock Exchange
[%] Teleperformance Malaysia Sdn Bhd is a subsidiary of Teleperformance SE, which is listed on the Euronext Paris
[1] Gross Profit Margin = Gross Profit / Revenue
[2] Profit after Tax Margin = Profit after Tax / Revenue
Notes:
a) The list of market players is alphabetically arranged and does not constitute as a ranking;
b) The above figures only provide an indication and is not considered directly comparable due to the following reasons:
- *Not all companies have the same financial year end; and*
- *Not all companies carry out activities that are completely the same to each other or in the same geographical area.*

[3] Not available

Source: Daythree, Companies Commission of Malaysia, and Protégé Associates

4.2 Daythree's Market Share Analysis

For the FYE 31 December 2022, Daythree generated revenue of RM65.1 million, which is equivalent to 0.27% share of the GBS Industry in Malaysia of RM23.41 billion in 2022.

5.0 Demand Conditions

Figure 5: Demand Conditions Affecting the GBS Industry in Malaysia, 2023-2027

Impact	Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	The Continuing Pursuit of Leaner Capital Structure by Businesses	High	High	High
+	Malaysia's Drive to Attain a Digital Economy Spur the Business Digital Change Agenda	High	High	High
+	Broad Range of End-User Markets	Medium	Medium	Medium
-	Global Geopolitical Tension Affecting Economic Activities	Medium	Low	Low

Source: Protégé Associates

Demand Conditions

The Continuing Pursuit of Leaner Capital Structure by Businesses
The growing prominence of the GBS industry has coincided with the increasing desire by businesses to have a lean capital structure through outsourcing of business supporting processes. The competition between businesses across all sectors have put pressures on businesses to reduce cost and to better utilise their limited resources on core competencies such as research and development and product and services development to enable them to remain competitive in their respective fields.

In order for businesses to enjoy better margins and efficiency, they continue to explore the possibility of outsourcing more and more of their business supporting processes and activities such as accounting and administration, sales and marketing, human resources, IT, procurement and customer services to third-party providers. This development is expected to augur well for the local GBS industry as more businesses seek the services of GBS providers to achieve leaner capital structures and improved profits and margins.

Malaysia's Drive to Attain a Digital Economy Spur the Business Change Agenda
The Malaysian Government has long aspired to transform the country into a high-income nation that is focused on digitisation and becomes a regional leader in digital economy. The Malaysian Government has introduced various initiatives such as MyDIGITAL and the National 4IR Policy to achieve the aspiration.

The Malaysian Digital Economy Blueprint (2021-2030) has been formulated to outline strategies, initiatives, and targets for driving the growth of the digital economy and bridging the digital divide. The government aims to drive digital transformation in both public and private sectors through 22 strategies to improve the quality of life and standard of living in Malaysia. The blueprint outlines Six Strategic Thrusts, namely to drive digital transformation in the public sector, to boost economic competitiveness through digitisation, to develop digital infrastructure, to build a digitally-skilled workforce, to create an inclusive digital society and to establish a secure and ethical digital environment.

At the same time, the digital economy is an outcome of the 4IR due to the widespread adoption of digital technology. According to the World Economic Forum, 4IR involves a combination of various technologies that increasingly combine the physical, digital and biological domains. 4IR also brings forth significant changes in the economy, similar to the previous industrial revolution. The surge in adoption of digital technology from 4IR and the integration of data will accelerate the growth of the digital economy.
The GBS industry serves as a gateway for businesses to embark on a digital transformation journey. GBS providers can assist these businesses by offering services such as RPA, intelligent automation and artificial intelligence in their operational processes. In particular, OM (formerly known as Outsourcing Malaysia), which is part of the National Tech Association of Malaysia ("PIKOM") has aimed to promote the local GBS industry as a global hub for high-value services. This trend is expected to be a boon for the development of the GBS industry in Malaysia.

Broad Range of End-User Markets
The GBS industry stands to have customers from end-user markets in various industries and sectors. Furthermore, these customers tend to have different business units, each requiring different business supporting processes and operations. This has resulted in a steady pool of potential demand for GBS. In addition, along with the advancement in technology, there has been an increasing range of business supporting processes that have been introduced such as RPA, intelligent automation, machine learning and artificial intelligence. This has led to an increase in the scope of services being provided by GBS providers. By having a broad range of end-user markets requiring a diverse range of products, the GBS industry in Malaysia has plenty of room to mitigate the risk of over-reliance on a single end-user market or product and also stands to have more room for market size expansion.

Global Geopolitical Tension Affecting Economic Activities
Along with the rise in globalisation, economic activities in Malaysia are subject to geopolitical events that may affect economic activities across the globe. In particular, Malaysia is one of the major digital hubs in ASEAN supplying GBS to various parts of the world. The tension between the US and China has impacted their relationship, with spill over effects felt worldwide. It started with the US imposing punitive tariffs on China, followed by restriction on both China's access to high-tech US products and investments due to security concerns and allegations of unfair commercial practices. This discord has affected global economic activities as many other economies choose sides.

The war between Russia and Ukraine, which began in February 2022, has also caused disruptions to the global supply chain. As a major oil exporter, Russia's involvement in the war has raised concerns about the oil supply stability. As a result, oil prices have surged above USD100 per barrel, causing renewed disruptions in supply chain. These disruptions have contributed to inflationary pressures in in the US as well as in some European countries. To mitigate the impact of high inflation, central banks in these countries had raised interest rate. However, these tightening measures have led to an economic slowdown. According to the International Monetary Fund, global growth was estimated at 3.4% in 2022, and is projected to fall to 2.9% in 2023 before rising to 3.1% in 2024. Closer to home, while Malaysia's GDP expanded by 8.7% in 2022, for 2023, the Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment. However, the country's growth is expected to be supported by domestic demand, primarily driven by the ongoing recovery in the labour market and the realization of multi-year investment projects. Although the domestic demand expected to be resilient, the economic slowdown is likely to affect the demand for GBS as businesses may reassess their outsourcing needs, prioritise cost-cutting, and make cautious decision regarding GBS services. This could potentially lead to reduced demand for GBS services as companies navigate through global economic challenges in the short term.

6.0 Supply Conditions

Figure 6: Supply Conditions Affecting the GBS Industry in Malaysia, 2023-2027

Impact	Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	Strong Support by the Malaysian Government to Attain Digital Economy	High	High	High
+	A Mature Technology Infrastructure in Malaysia	High	High	High
+	Malaysia's Multicultural, Multilingual and Digitally-Skilled Workforce	Medium	Medium	Medium
+	Malaysia's Cost Effectiveness Coupled with Strategic Geographical Location	High	Low	Low

Source: Protégé Associates

Strong Support by the Malaysian Government to Attain Digital Economy
To transform the country into a high-income nation focused on digitization and emerge a regional leader in digital economy, the Malaysian Government has rolled out various initiatives to help promote and develop the digital sector. This includes the MyDIGITAL initiative, which was drafted as a complement to the national development policy, including the 12th Malaysian Plan ("12MP") and the Shared Prosperity Vision 2030 ("SPV 2030"). Digital economy has been identified as a key economic growth activity in realising SPV 2030.

In addition, the incentives that have been announced under the Budget 2023 to support the development of Malaysia's digital economy include plans to upgrade the country's connectivity and infrastructure. These include increasing the bandwidth capacity for higher education institutions with the allocation of RM35 million under the Malaysia Research and Education Network ("MYREN"), RM700 million to expand network coverage at 47 industrial areas and 3,700 schools and investing RM1.3 billion for the continuation of 5G rollout in the country under the JENDELA program. At the same time, an allocation of RM10 billion in loans through Bank Negara Malaysia to help spur automation and digitization for small-and-medium-sized enterprises. Additionally, the Malaysian Government has committed upwards of RM73 million to upgrade Malaysia's cybersecurity posture, specifically in threat monitoring, detection, and reporting, and to develop the country's cyber forensic capabilities. The tax incentives for activities under the Digital Ecosystem Acceleration Scheme ("DESAC") announced in Budget 2022 is also expected to help develop the Malaysian digital economy. The DESAC states newly established digital technology providers may be considered for an income tax rate of 0% to 10% for up to 10 years while existing companies that diversify in new service activities or new service segment is subject to an income tax rate of 10% for up to 10 years. Digital infrastructure providers are eligible for an investment tax allowance of up to 100% on qualifying capital expenditure activities that can be offset up to 100% of statutory income for up to 10 years. The DESAC tax incentive is effective for applications received by MIDA from 30 October 2021 to 31 December 2025.

At the same time, the MyDigitalWorkforce Work in Tech ("MYWiT") by MDEC incentivizes employers to hire Malaysians for digital technology and services jobs via salary and training subsidies. The incentives are funded by the Malaysian Government to encourage employers to provide job opportunities to unemployed citizens. For digital technology and digital business services roles in any industry, employers are eligible to apply for a salary subsidy of 40% of monthly salary for 6 months (maximum incentive is capped at 40% of RM6,500 per month, while minimum salary requirement is RM2,000 per month). Employers can also apply for a training subsidy for in-house or external/third-party training (up to RM5,000 per pax for in-house training and up to RM8,000 per pax for external training).
The strong support by the Malaysian Government to grow the country's digital economy is expected to bode well for the local GBS industry. Along with digitization, GBS providers are also no longer confined to routine tasks and can shift focus to value-adding capabilities enabled by technology to enhance and augment their workforce.

A Mature Technology Infrastructure in Malaysia
To attain the country's aspiration of a leading regional digital economy, Malaysia has committed significant resources in reinventing themselves as digital hubs. This has resulted in Malaysia being home to a robust and inclusive digital environment. Based on the Digital Competitiveness Ranking 2022 published by the IMD World Competitiveness Center, Malaysia ranked 31st in the world and 9th in Asia Pacific.

At the same time, Malaysia is known for having reliable and affordable high-speed Internet connectivity. Malaysia has maintained its third-place ranking in ASEAN for fixed-broadband average download speed in May 2022. The results were from the Speedtest Global Index's findings, which also ranked Malaysia at 41st place worldwide during that period.

The Malaysian technology infrastructure is also expected to continue to improve along with the Malaysian Government commitment through the National 4IR Policy to strengthen the digital infrastructure of the nation via strategic investment projects such as establishing 4IR innovation parks with 4IR application centres to provide a secure test-bed for 4IR technology providers, and develop critical 4IR-enabling infrastructure to enable wider application of 4IR technologies.
Other strategies under the National 4IR Policy to develop the digital infrastructure include minimising disparity in access to technologies across the nation by expanding digital marketplace for the digitally underserved rural community to bridge the technology adoption gap, and to enhance public sector digital infrastructure by expanding the MyGovCloud to promote cloud computing in the public sector and strengthen data-driven policy development and improve data sharing environment to ensure data quality. The mature digital technology infrastructure in Malaysia is expected to support the development of the local GBS industry as more businesses adopt digitization

Malaysia's Multicultural, Multilingual and Digitally-Skilled Workforce
Malaysia is currently home to a large pool of multicultural, multilingual and digitally-skilled workforce. The country has an attractive mix of demographics, including a relatively young working population at a median of 29.6 years in 2022 as published by the Department of Statistics Malaysia. At the same time, the Malaysian workforce is culturally diverse and is able to speak languages that serve most Asian countries (including English).

Furthermore, with the high education level in the country, Malaysia has been able to continuously introduce a steady pool of qualified and quality talents into the workforce. This is complemented by government-led initiatives such as the MYWiT by MDEC to digitally upskill the Malaysian workforce. These developments are expected to bode well for the development of the local GBS industry.

Malaysia's Cost Effectiveness Coupled with Strategic Geographical Location
Malaysia has long been recognised as a valuable location for business process services for global companies. This stems from the country's ability to offer cost effectiveness to both local and foreign businesses by providing a highly competent talent pool with competitive costs. At the same time, Malaysia also has one of the lowest office rents in Asia Pacific, which promotes a conducive business environment. In the first quarter of 2023, Hong Kong has the most expensive office rental rate at RM58.21 (HKD104.2) per square feet per month (psf/m")(based on an assumed exchange rate of HKD100 to RM56.08), followed by Singapore at RM35.72 (SGD10.83) psf/m (based on an assumed exchange rate of SGD1.00 to RM3.2964) and Beijing at RM19.11 (CNY29.73) psf/m (based on an assumed exchange rate of CNY100 to RM64.20). On the other hand, office rent in Kuala Lumper City Centre stood at RM5.69 psf/m during the same period. At the same time, Malaysia is a country that is affected by only very limited natural disasters. This translates to fewer business disruptions, making the country one of the ideal choices for GBS providers to set up operations.

7.0 Prospects and Outlook of GBS Industry in Malaysia

The global economic recovery, driven in part by widespread vaccination efforts, has also resulted in Malaysia's economy maintaining its growth momentum. In 2022, the Malaysia economy expanded by 8.7%, following a growth rate of 3.1% in the previous year. Additionally, the local GBS industry saw growth, increasing from RM22.06 billion in 2021 to RM23.41 billion in 2022.

Factors boosting the growth within the GBS industry is likely to come from businesses pursuing a leaner capital structure and outsourcing more and more business supporting processes and activities to GBS providers. Malaysia's aspiration to attain a digital economy is also expected to lead to more businesses adopting digitisation in their operations, and thus leading to increased demand for GBS. At the same time, by having customers from a broad range of end-user markets, which each customer potentially having several business units, the local GBS industry stands to benefit from a large pool of potential demand for GBS.

In particular, as more businesses move towards digitization and adopt GBS, providers of contact centre as a service is expected to be a key beneficiary due to its relatively low-cost investment as well as scalability as businesses grow and expand operations. On the flip side, the geopolitical tension between economic superpowers namely China and the US, as well as the war between Russia and Ukraine is can potentially affect the global economic activities.. As an industry that serves the global community, the current economic slowdown may affect the growth of the Malaysian GBS industry in the short term.

From the supply side, growth of the local GBS industry is expected to be supported by the Malaysian Government's aspiration to attain a digital economy, of which more demand from GBS is expected to help businesses digitize. At the same time, Malaysia has a mature technology infrastructure and is complemented by a steady pool of qualified and quality workforce that is expected to accelerate the development of the nation into a leading digital hub in the region. Furthermore, Malaysia is among one of the preferred locations for business services support due to the country's ability to provide cost effectiveness to both local and foreign businesses, as well as having only limited natural disasters which translates to fewer disruptions to business operations.

The Malaysian GBS industry is projected to maintain its growth trajectory and is expected grow from RM24.79 billion in 2023 to reach RM31.74 billion in 2027, representing a CAGR of 6.3% during this period.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on our top 3 major Clients

Our 3 major Clients had contributed significantly to our revenue from FYE 2019 to FYE 2022 as follows:

Major Clients	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Client G	14,623	39.0	19,606	41.1	18,017	31.0	18,882	29.0
Client E	7,925	21.2	10,581	22.2	12,792	22.0	11,958	18.4
Client F	-	-	-	-	6,454	11.1	12,958	19.9
Total	**22,548**	**60.2**	**30,187**	**63.3**	**37,263**	**64.1**	**43,798**	**67.3**

Collectively, the abovementioned major Clients contributed approximately 60.2%, 63.3%, 64.1% and 67.3% to our Group's revenue in FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. We expect that these major Clients will continue to contribute to our Group's revenue in the future and as such, we are dependent on these 3 major Clients. This concentration is due to the nature of our Group's business being conducted on a contract basis, which typically range from 1 to 3 years. In this respect, the projects we undertake with our Clients may comprise 1 or more contracts. Please refer to Section 7.3.3 for details of the CX projects of our Group.

As such, our financial performance may be materially and adversely affected if we were to lose one or more of the above major Clients (or reduce the level of services provided to them) without capturing new Clients to replace the loss of business in a timely manner, or if we were to encounter difficulties in collecting payments from these major Clients, the projects are delayed or terminated.

9.1.2 Our business may be prone to concentration risk with major Clients

Our contracts with our Clients are typically for 1 to 3 years terms, and with renewal terms of up to 2 years. There is no assurance that our major Clients will renew their contracts with us after the expiration of their terms or that our major Clients will continue engaging our services. If renewed, any subsequent service agreements awarded by our existing major Clients, may be on terms less favourable to us. It should be noted that our major Clients may choose not to renew their service agreements, or they may reduce or limit the scope of service requested due to certain factors, including dissatisfaction with our pricing or service levels, reductions in our major Clients' budgets and spending level.

Additionally, our major Clients have the right to terminate their agreements with us for convenience and for other reasons by giving advanced written notice under the contract, with the period of written notice ranging from 30 days to 60 days. In the event of termination or non-renewal of these contracts with our major Clients, our revenue may decline which could adversely affect our business, financial condition and financial performance.

In particular, we typically have multiple contracts / projects with our major Clients who are multinational or GLC companies that have different business units / subsidiaries which require different CX lifecycle management services for its business. Contracts may be secured at holding company or subsidiary / business unit level, depending on the major Client's preferences.

Our Group is therefore exposed to client concentration risk from time to time depending on the quantum of the projects secured and tenure of contracts, as can be seen from historical contributions from our top 3 major Clients set out in Section 9.1.1 above. This client concentration also increases the risk of monthly fluctuations in revenue, depending on the seasonal pattern of our major Clients' business.

Although we have not encountered difficulties in securing contracts from new Clients, there is no assurance that we are able to continue to secure contracts with new Clients of equivalent or higher values to replace existing contracts that have been completed, deferred or terminated.

9.1.3 We are dependent on our employees collectively to support our operations

Our CX executives (people cost) accounted for 93.4%, 94.5%, 93.2% and 92.6% of the cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively. Our management employees (staff costs) accounted for 69.2%, 70.8%, 67.3% and 56.4% of the administrative expenses for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively.

Our employees are collectively critical to the smooth execution of our overall operation and as such our success and future growth is largely dependent on our ability to attract, train and retain our employees. The GBS industry, particularly the CX lifecycle management services experience higher employee attrition rates. If there is a mass resignation of our trained employees, this could impede the smooth execution of our operation. Further, there is significant competition for trained employees with the necessary skills to perform the services we offer to our Clients. As such, any significant increase in attrition rate in our trained employees may adversely impact the results of our operations and financial performance. This may lead to increased recruitment to balance out the attrition, leading to increased costs of recruitment, hiring and training. Inability to attract, train and retain employees with the experience and skills necessary to perform the services we offer to our Clients may have adverse impact on our business, and financial performance.

9.1.4 Our financial performance may be impacted in the event of non-extension of our Pioneer Status

In 2017, we were awarded with the MD status. Pursuant to the MD status, we were granted Pioneer Status which entitles us to a 100% exemption on taxable statutory income derived from approved activities.

Our Pioneer Status which was effective from 16 February 2017, was originally supposed to expire on 15 February 2022. In January 2019, the Government revised the Guidelines on MSC Malaysia Financial Incentives, setting out the requirements applicable to existing MSC Malaysia Status companies with income tax exemption. Pursuant to these new guidelines, our original tax exemption period prematurely expired on 30 June 2021.

Application for the remaining tax exemption period up to 15 February 2022, known as the "transition" or "grandfathering" period was opened from June 2021 to December 2021. Accordingly, our application was made in July 2021 and was approved by MDEC on 13 June 2022.

Following the said approval in June 2022, we applied for extension of the tax exemption in August 2022. On 18 January 2023, we received the approval-in-principle by MIDA for extension of the tax exemption on 100% of the statutory income for a further period of 5 years (from 16 February 2022 to 15 February 2027). This approval is subject to the gazettement of the relevant tax exemption provisions by the Government. Our Group has provided for the income tax payable of RM2.3 million and the relevant penalties of RM0.2 million in FYE 2022. If the gazettement does not take place, our Group will continue to account for the income tax payable and penalties, resulting in a significant impact on our financial performance.

9.1.5 We are dependent on our experienced management team

We believe that our continued success and growth of our business is driven by the efforts and abilities of our founder and Managing Director namely, Paul Raymond Raj A/L Davadass who has been instrumental in spearheading the development and implementation of our business strategies and plans. He has more than 10 years of working experience in the GBS industry. Our Executive Director and Head, Customer Experience, Prabagaran A/L Chilatorai who has approximately 20 years of experience in managing CX lifecycle business processes. They are supported by a key senior management team, all of whom have more than 10 years of working experience in their respective fields.

Our continued success will depend on our ability to retain the service of our Managing Director, Executive Director and key management personnel. As such, the loss of our experienced Managing Director, Executive Director and key management personnel without suitable and timely replacements, may have an adverse impact on our Group's business and ability to compete effectively.

9.1.6 We are subject to the service level and performance obligations required by our Clients

The operation of our CX delivery office is subject to service level and performance obligations required by our Clients, and they are stipulated in our Clients' contract. Such service levels and performance requirements are based on metrics that measure the quality, efficiency and speed of our services. Some examples are customer satisfaction score, percentage of complaints and average on-hold time.

Generally, Customers expect a responsive reply from our CX executives to resolve an inquiry or issues lodged. The failure to properly manage and solve Customers' issues in a timely and effective manner may lead to low customers satisfaction score. In addition, poor CX attributed to long on-hold times, inaccurate advice and/or information and/or unpleasant behaviours from our CX executives may cause Customers dissatisfaction.

As such, we may be imposed a penalty if we fail to meet the minimum service level and performance obligation required and/or mistake made by our CX executives in the course of delivering CX services, and could lead to reduction in revenue (lower payments to us) and a claim against us for damages. For the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, the service penalty imposed on us amounted to RM0.9 million, RM0.03 million, RM0.3 million and RM0.2 million, which represented approximately 2.5%, 0.1%, 0.5% and 0.4% of our revenue for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively.

Our failure or inability to meet these service level and performance obligation may damage our reputation and affect our ability to attract new business, which could have a material adverse impact on our business, financial condition and financial performance.

9.1.7 We are liable to our Clients for damages caused by unauthorised disclosure of confidential data, whether through a breach of our computer systems, through our employees or otherwise

We are typically required to process confidential Customer data in connection with our CX lifecycle management services. Under our contract terms with our Clients, we are liable to keep such information strictly confidential. As the complexity of information infrastructure continues to grow, we have put in place security measures to protect against unauthorised access of confidential data that may arise from security breaches and cyber-attacks. Such breaches can lead to system interruptions or permanent shutdown, and potential unauthorised disclosure of confidential data which may damage our Group's reputation and cause potential legal action taken by our Clients against us.

In addition, if any person including any of our employees, penetrates our network security and/or mismanages or misappropriates confidential Customer data, we could be subject to significant liability for violating privacy or data protection. Daythree Services does not collect personal data from any of the subscribers / customers of its clients. The personal data is provided by our Clients to Daythree Services. As a result, it is not a data user within the meaning ascribed by the PDPA 2010. It is however a data processor within the meaning ascribed by the PDPA 2010. The statutory provisions contained in PDPA 2010 places no obligations or duties on a data processor, and accordingly, no penalties for contravention of the PDPA 2010 apply to data processors like Daythree Services. By reason thereof, the PDPA does not directly apply to our Group. As such, we could face legal claims from our Clients as a result of breaching contractual confidentiality provisions, leading to loss of Clients and loss of revenue. There has been no breach to date. Should there be a breach of personal data on the part of our Group, we will be correspondingly liable pursuant to the contracts with our Clients.

Moreover, our insurance coverage of RM14.5 million for breaches or mismanagement of such data may not be sufficient to cover one or more large claims against us and our insurers may reject our future insurance coverage.

9.1.8 We are subject to business interruption

Our Group's services rely on CX delivery office equipped with necessary computer hardware, software and infrastructure equipment to operate seamlessly and therefore, occurrences of electricity supply disruptions, fires and breakdown of software and infrastructure without timely replacement, telecommunication interruptions, and/or natural disaster could cause disruptions in the provision of our CX lifecycle management services. In the event of such interruption at our CX delivery office, this may adversely affect our business, financial condition and financial performance.

In addition, we are liable to our Clients for disruption in services resulting from such scenarios, which may result in contractual damages borne by our Group. We are also exposed to contract renegotiations or even contract termination by our Clients if these disruptions are prolonged and are not overcome within the stipulated timeframes. We are covered by insurance policies with a total insured amount of up to RM23.7 million to cover a variety of risks such as data breaches, professional indemnity, fire-related damage and fidelity guarantee which are relevant to our business operations. Save for the interruption caused by the COVID-19 pandemic as disclosed in Section 7.8, our Group has not experienced other interruptions during FYE 2019 to 2022.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We operate in a competitive industry

Our Group operates in a highly competitive and fragmented GBS industry, which includes CX lifecycle management services and digital services, with 579 GBS industry players established in Malaysia *(Source: IMR Report)*. Our Group believes that the primary competitive factors in this industry are breadth and depth of process and domain expertise, service quality, ability to tailor specific solutions to Clients' needs, the ability to attract, train and retain qualified people, and marketing and sales capabilities. We expect competition to intensify and increase from a number of our existing competitors, including smaller firms offering specific services, division of other large entities and large service providers providing more targeted solutions as well as growing in-house operations of prospective and existing Clients.

In addition, the continued digital expansion of the services we offer and the markets we operate in will result in new and different competitors, many of which may have significantly greater market recognition than our Group, as well as increased competition with existing competitors who are also expanding their services to cover digital capabilities. Many of these competitors may possess greater financial, human and other resources, greater technological expertise, longer operating histories and more established relationships in the verticals that we currently serve. Further, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address Clients' needs or enter into similar arrangements with potential Clients.

Inability to compete successfully against companies that offer similar services or compelling alternatives could result in increased client churn, revenue loss, pressures on recruitment and retention of team members, lower profit margin attributed to price competition and increased marketing and promotional expenses, and/or reduced operating margins which could have a material adverse effect on our business operation, financial performance and financial condition.

9.2.2 We may not be able to respond in a timely manner to changes in technology

The GBS industry is subject to the periodic introduction of emerging technologies, which enable us to serve our Clients more efficiently and cost effectively. Our business performance depends on our ability to recognise these new technological advancements and incorporating these technological advancements to our business while meeting rapidly evolving Clients' expectations.

Although we are focused on maintaining and enhancing the range of our in-house developed digital tools, we may not be able to anticipate and respond in a timely manner to our Clients' expectations in adopting evolving technology solutions and the integration of these technology solutions into our offerings may not achieve the intended enhancements or cost reductions in our operations.

New services and technologies offered by our competitors may render our service offerings less competitive, which may reduce our Clients' interest in our offerings and our ability to attract new Clients and result in loss of market share. Any failure to innovate, maintain technological advantages or respond effectively and timely to changes in technology could have a material adverse effect on our business performance, operating result and financial condition.

9.2.3 We are subject to political, economic, and regulatory risks

Our results of operations may vary based on the impact of changes in the political, economic and regulatory environment on us and our Clients. While it is often difficult to predict the impact of general political, economic and regulatory conditions on our business, unfavourable conditions could arise from, which include but not limited to, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, foreign worker levy, deterioration of international bilateral relationship and regulatory structure. This would adversely affect the demand for some of our Clients' products and services and, in turn cause a decline in the demand for our services and adversely affect our revenues, financial condition and results of operations.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop or continue be developed upon or subsequent to our Listing.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occur:

(a) the selected investors fail to subscribe for their portion of our IPO Shares;

(b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

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

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

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

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

Our Promoters will collectively hold approximately 59.1% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will likely have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2019 to 2022 and up to LPD.

					Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 January 2023 up to LPD	
Related party	**Transacting company in our Group**	**Interested person**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Paul Raymond Raj A/L Davadass	Daythree Services	Paul Raymond Raj A/L Davadass	Paul Raymond Raj A/L Davadass is our Managing Director, Promoter and substantial shareholder of our Group.	Expenses paid on behalf of Daythree Services	-	(1)	7	(1)	22	(1)	-	-	-	-
				Repayment to Paul Raymond Raj A/L Davadass	10	(1)	-	-	7	(1)	24	(1)	-	-
Dayspring Capital	Daythree Services	Paul Raymond Raj A/L Davadass	Paul Raymond Raj A/L Davadass is our Managing Director, Promoter and substantial shareholder of our Group.	Expenses paid on behalf of Dayspring Capital	10	(1)	15	(1)	6	(1)	-	-	-	-
				Repayment from Dayspring Capital	-	-	-	-	39	(1)	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

					Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 January 2023 up to LPD	
Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Daythree Services SG	Daythree Services	Paul Raymond Raj A/L Davadass	Paul Raymond Raj A/L Davadass is our Managing Director, Promoter and substantial shareholder of our Group.	Expenses paid on behalf of Daythree Services SG	10	(1)	10	(1)	-	-	-	-	-	-
Paul Raymond Raj A/L Davadass	Daythree Services SG	Paul Raymond Raj A/L Davadass	Paul Raymond Raj A/L Davadass is our Managing Director, Promoter and substantial shareholder of our Group.	Repayment from Paul Raymond Raj A/L Dayadass	-	-	-	-	-	-	31	(1)	-	-

Note:

(1) Negligible in comparison to our NA of the respective year.

The transactions in relation to expenses paid on behalf of our related parties or by our related parties on our behalf, advances from our Directors and advances given to our related parties were not conducted on arm's length basis as they were interest free. However, all such payments on behalf and advances have been fully settled by the related parties as at the date of this Prospectus, and moving forward, we will no longer pay on behalf or receive payments on our behalf and provide or receive any advances to or from our related parties.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

(i) at least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

(ii) if quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

(i) whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) the rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2019 to 2022 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

Our Promoter, substantial shareholder and/or Managing Director, namely Paul Raymond Raj A/L Davadass has jointly and severally provided personal guarantees for the banking facilities extended by Maybank Islamic Berhad and RHB Bank Berhad ("**Financiers**"):

Financier	Type of Facilities	Outstanding balance as at LPD	Facility limit	Guarantor
		RM'000		
Maybank Islamic Berhad	(i) Bank guarantee (ii) Invoice financing	2,300	6,300	Paul Raymond Raj A/L Davadass
RHB Bank Berhad	(i) Bank overdraft (ii) Trade facilities (iii) Bank guarantee	3,800	18,000	Paul Raymond Raj A/L Davadass
		6,100	**24,300**	

In conjunction with our Listing, we have applied to the Financiers on 26 August 2022 to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, the aforesaid persons will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received approval from Maybank Islamic Berhad and RHB Bank Berhad dated on 27 September 2022 and 20 September 2022 respectively, to discharge the existing bank guarantees by Paul Raymond Raj A/L Davadass as stated above subject to the fulfilment on the following:

(a) the successful completion of the Listing; and

(b) the perfection of a corporate guarantee by Daythree after the completion of its Listing.

10.2.3 Transactions entered into with M & A Securities

Save as disclosed below, we have not entered into any transactions with M & A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

(a) Agreement dated 1 March 2022 between Daythree and M & A Securities for the appointment of M & A Securities as Adviser, Sponsor and Placement Agent for our Listing; and

(b) Underwriting Agreement dated 31 May 2023 entered into between our Company and M & A Securities for the underwriting of 36,000,000 Issue Shares.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND SUPPLIERS

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in:

(a) other businesses and corporations which are carrying on a similar trade as our Group; and

(b) the business of our customers and suppliers.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

(a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;

(b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:

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

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

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M & A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;

(b) Zul Rafique & Partners has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;

(c) Baker Tilly Monteiro Heng PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and

(d) Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2019 to 2022 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated under the Act on 11 August 2022 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and maintained our present name on 28 September 2022.

As such, the historical financial information of our Group for FYE 2019 to 2022 were prepared on a combined basis, as if our Group structure had been in existence throughout for FYE 2019 to 2022 and are presented based on the audited combined financial statements of our Group.

12.1.1 Historical combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2019 to 2022 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	37,463	47,713	58,133	65,105
Cost of sales	(29,832)	(37,825)	(42,970)	(48,704)
GP	**7,631**	**9,888**	**15,163**	**16,401**
Other income	85	135	149	210
Administrative expenses	(3,638)	(3,966)	(5,090)	(7,541)
Other operating expenses	(10)	(41)	(181)	(164)
Operating profit	**4,068**	**6,016**	**10,041**	**8,906**
Finance cost	(230)	(367)	(370)	(361)
PBT	**3,838**	**5,649**	**9,671**	**8,545**
Income tax expense	-	-	(41)	(2,298)
PAT	**3,838**	**5,649**	**9,630**	**6,247**
EBIT (1)	4,000	5,887	9,927	8,711
EBITDA (1)	4,992	7,372	11,825	10,830
GP margin (%) (2)	20.4	20.7	26.1	25.2
PBT margin (%) (3)	10.2	11.8	16.6	13.1
PAT margin (%) (3)	10.2	11.8	16.6	9.6
Effective tax rate (%) (4)	-	-	0.4	26.9
EPS (sen) (5)	0.8	1.2	2.0	1.3

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	3,838	5,649	9,630	6,247
Less:				
Interest income	(68)	(129)	(114)	(195)
Add:				
Finance cost	230	367	370	361
Income tax expense	-	-	41	2,298
EBIT	**4,000**	**5,887**	**9,927**	**8,711**
Add:				
Depreciation	992	1,485	1,898	2,119
EBITDA	**4,992**	**7,372**	**11,825**	**10,830**

(2) GP margin is computed based on GP divided by revenue.

(3) PBT and PAT margin is computed based on PBT and PAT divided by revenue.

(4) Effective tax rate is computed based on income tax expense divided by PBT.

(5) Calculated based on PAT divided by our enlarged share capital of 480,000,000 Shares after our IPO.

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12.1.2 Historical combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 31 December 2019, 2020, 2021 and 2022. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition set out in Section 12.2 and Results of Operations" and Accountants' Report set out in Section 13.

	Audited			
	As at 31 December			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Assets				
Non-current assets				
Plant and equipment	3,452	3,321	3,973	5,147
Right-of-use assets	5,268	6,817	7,484	7,727
Total non-current assets	**8,720**	**10,138**	**11,457**	**12,874**
Current assets				
Trade and other receivables	7,360	6,518	9,757	15,456
Contract assets	5,419	4,509	6,621	6,202
Cash and short-term deposits	2,198	8,763	11,862	11,582
Total current assets	**14,977**	**19,790**	**28,240**	**33,240**
Total assets	**23,697**	**29,928**	**39,697**	**46,114**
Equity				
Invested equity	2,000	2,000	2,000	2,000
Exchange reserve	-	-	(1)	1
Retained earnings	13,548	17,197	26,227	24,474
Total equity	**15,548**	**19,197**	**28,226**	**26,475**
Liabilities				
Non-current liability				
Lease liabilities	4,937	6,334	6,789	6,818
Total non-current liability	**4,937**	**6,334**	**6,789**	**6,818**
Current liabilities				
Trade finance (borrowings)	-	-	-	4,000
Lease liabilities	587	918	1,267	1,522
Current tax liabilities	-	-	19	2,266
Trade payables	57	66	83	360
Other payables	2,287	3,413	3,313	4,127
Contract liabilities	281	-	-	546
Total current liabilities	**3,212**	**4,397**	**4,682**	**12,821**
Total liabilities	**8,149**	**10,731**	**11,471**	**19,639**
Total equity and liabilities	**23,697**	**29,928**	**39,697**	**46,114**

12.1.3 Historical combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2019 to 2022. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Sections 12.2 and Accountants' Report in Section 13.

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
PBT	3,838	5,649	9,671	8,545
Adjustments for:				
Bad debts written off	-	41	113	2
Depreciation of plant and equipment	335	470	701	753
Depreciation of right-of-use assets	657	1,015	1,197	1,366
Unrealised gain on foreign exchange	-	(6)	-	(3)
Impairment loss on goodwill	-	-	46	-
Finance cost	230	367	370	361
Finance income	(68)	(129)	(114)	(195)
Operating profit before working capital changes	**4,992**	**7,407**	**11,984**	**10,829**
Changes in working capital:				
Trade and other receivables	(179)	826	(3,441)	(5,705)
Contract assets	384	910	(2,112)	419
Trade and other payables	(2,763)	1,128	(111)	1,088
Contract liabilities	281	(281)	-	546
Net cash generated from operations	**2,715**	**9,990**	**6,320**	**7,177**
Income tax paid	-	-	(22)	(51)
Net cash from operating activities	**2,715**	**9,990**	**6,298**	**7,126**
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-	-	23	-
Purchase of plant and equipment	(1,670)	(339)	(1,353)	(1,927)
Change in pledged deposits	-	-	(4,407)	955
Interest received	68	129	114	195
Net cash used in investing activities	**(1,602)**	**(210)**	**(5,623)**	**(777)**

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	-	-	-	*
Proceeds from issuance of ordinary shares of combining entity	*	-	-	-
Drawdown of trade finance	-	-	-	4,000
Payment of lease liabilities	(514)	(836)	(1,060)	(1,325)
Net changes in amount owing by holding company	(10)	(15)	32	-
Net changes in amount owing by a related party	(10)	(10)	-	-
Net changes in amount owing by/to a director	(10)	7	15	7
Dividend paid	(1,300)	(2,000)	(600)	(8,000)
Interest paid	(230)	(367)	(370)	(361)
Net cash used in financing activities	**(2,074)**	**(3,221)**	**(1,983)**	**(5,679)**
Cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalent	(961)	6,559	(1,308)	670
Effect of exchange rate changes	-	6	*	5
At beginning of financial year	3,159	2,198	8,763	7,455
At end of financial year [(1)]	**2,198**	**8,763**	**7,455**	**8,130**

Note:

* Negligible

(1) For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	As at 31 December			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term deposits	2,000	5,971	10,342	4,487
Less: Pledged deposits	-	-	(4,407)	(3,452)
	2,000	5,971	5,935	1,035
Cash and bank balances	198	2,792	1,520	7,095
	2,198	**8,763**	**7,455**	**8,130**

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

The following management discussion and analysis of our financial condition and results of operations for the FYE 2019 to FYE 2022 should be read in conjunction with the Accountants' Report together with our accompanying notes as set out in Section 13.

12.2.1 Overview of our operations

(a) Principal activities

Daythree is an investment holding company. Through our subsidiaries, namely Daythree Services, Daythere Services SG and Daythree Solutions, our Group is a GBS service provider focusing on CX lifecycle management services enabled by our in-house developed digital tools. Our services involve the setting up of contact centres to facilitate communications between our Clients and their Customers. These include acquisition of Customers to after-sales' customer support and care services.

Please refer to Section 7 for our Group's detailed business overview.

(b) Revenue

Our Group's revenue is principally derived from us being a GBS service provider, focusing on provision of CX lifecycle management services. Please refer to Section 7.3 for further details of our services.

Our Group recognises revenue upon rendering of services to our Clients in an amount that reflects the consideration to which our Group expects in exchange for our services.

Our contracts are typically structured as a master service agreement that embodies the key terms of our engagement with our Clients. Revenue of our Group is calculated based on the terms of the contract with the Client. The general pricing models for our contracts consists of the following:

(i) Transaction / Outcome based model – Fee charged based on per customer interaction and/or sales conversion in which fees are charged for every sale closed and successfully activated;

(ii) Full time equivalent (FTE) model – Fixed fee calculated based on total number of CX executives; and

(iii) Productive hours model – Fee charged on the actual productive hours of the CX executives.

For avoidance of doubt, our contract with our Clients may consist of one or more of the abovementioned pricing models.

Our Group's revenue is solely generated from Malaysia through Daythree Services, being our only operating subsidiary for FYE 2019 to 2022. There were no revenues generated from Daythree Services SG and Daythree Solutions as both of these subsidiaries are dormant.

(c) Cost of sales

Our cost of sales comprises of the following:

(i) People cost – being the direct labour cost (e.g. CX executive remuneration and training fee) associated with the services offered by our Group;

(ii) Telecommunication cost – being the cost of utilities charges (e.g. internet and telephone charges) that we require in order for us to perform our services;

(iii) Technology and premise cost – being the fixed cost (e.g. rental of CX delivery offices, depreciation of right-of-use assets and software fees) that we require in order for us to perform our services; and

(iv) Other costs – being other project related costs such as stationery and entertainment expenses.

(d) Other income

Other operating income comprises mainly interest income, and realised and unrealised gains on foreign exchange.

(e) Administrative expenses

Administrative expenses comprise mainly management staff costs, depreciation of property and equipment, directors' remuneration, rental of corporate and general offices, utilities, professional fees, repair and maintenance, and travelling expenses.

(f) Other operating expenses

Other operating expenses comprise mainly bad debts written off, impairment loss on goodwill, and penalties and fines.

(g) Finance cost

Finance cost comprises of lease liabilities.

(h) Recent developments

Save for the Acquisitions, dividends declared and paid, and the disruption to our operation arising from COVID-19 (details as set out in Section 7.8), there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2022.

(i) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2019 to FYE 2022. In addition, our audited combined financial statements for FYE 2019 to 2022 were not subject to any audit qualifications.

12.2.2 Review of our results of operations

(a) Revenue

Analysis of revenue by client segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Energy & utilities	14,623	39.0	19,606	41.1	24,471	42.1	31,840	48.9
Telecommunications & media	17,592	47.0	16,203	34.0	18,568	31.9	15,236	23.4
Fintech & financial services	2,202	5.9	6,842	14.3	7,906	13.6	10,003	15.4
Construction	1,891	5.0	2,264	4.7	2,475	4.3	2,474	3.8
Others[(1)]	1,155	3.1	2,798	5.9	4,713	8.1	5,552	8.5
	37,463	**100.0**	**47,713**	**100.0**	**58,133**	**100.0**	**65,105**	**100.0**

Note:

(1) Others consist of e-commerce & retail, healthtech and travel & hospitality.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group's revenue increased by 27.4% or approximately RM10.3 million to RM47.7 million. The increase in revenue was mainly due to:

(i) an increase in sales for the energy & utilities segment amounting to RM5.0 million or 34.1%, mainly attributed to additional revenue from Client G under an ongoing transaction / outcome based contract, as a result of additional transactions incurred during the FYE 2020 due to higher demand for enquiries and billing concerns during the MCO period which resulted in increased calls with CX executives;

(ii) an increase in sales for the fintech & financial services segment amounting to RM4.6 million or 210.7%, mainly attributed to securing of Client D where revenue was recognised for a full year in FYE 2020 as opposed to 3 months in FYE 2019 under a full time equivalent (FTE) contract; and

(iii) an increase in sales for the others segment amounting to RM1.6 million or 142.3%, mainly attributed to revenue derived from a new Client secured in the e-commerce & retail segment who is not a major Client, under a combination of transaction / outcome based and full time equivalent (FTE) contract.

We secured 3 new Clients in FYE 2020 (including those mentioned above). However, 4 existing Clients (not major Clients in the telecommunications & media and others segment) completed their contract with us of which 2 contracts were not subject to renewal and 2 contracts were not renewed. These 4 existing Clients had in FYE 2019 contributed RM0.6 million in revenue to our Group.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group's revenue increased by 21.8% or approximately RM10.4 million to RM58.1 million. The increase in revenue was mainly due to:

(i) an increase in sales for the energy & utilities segment amounting to RM4.9 million or 24.8%, mainly attributed to revenue derived from Client F that started in July 2021 under a new full time equivalent (FTE) contract;

(ii) an increase in sales for the telecommunications & media segment amounting to RM2.4 million or 14.6%, mainly attributed to additional revenue from Client E under an ongoing transaction / outcome based contract as a result of increased demand for mobile services which resulted in successful deals closed by CX executives during the FYE 2021; and

(iii) an increase in sales for the others segment amounting to RM1.9 million or 68.4%, mainly attributed to additional revenue of RM1.0 million from one of our existing Clients (not a major Client) in the e-commerce & retail as a result of additional scope of work incurred during the FYE 2021, as well as additional revenue of RM0.9 million from a new Client (not a major Client) in the healthtech segment, both under full time equivalent (FTE) contracts.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group's revenue increased by 12.0% or approximately RM7.0 million to RM65.1 million. The increase in revenue was mainly due to:

(i) an increase in sales for the energy & utilities segment amounting to RM7.4 million or 30.1%, mainly attributed to the securing of Client F where revenue was recognised for a full year in FYE 2022 as opposed to 6 months in FYE 2021 under a full time equivalent (FTE) contract;

(ii) an increase in sales for the fintech & financial services segment amounting to RM2.1 million or 26.5%, mainly attributed to additional revenue from Client D as a result of additional CX executives required under the full time equivalent (FTE) contract, and additional revenue from an existing Client (not a major Client) as a result of additional productive hours needed under productive hours model, both to manage the increase in customer interactions; and

(iii) an increase in sales for the others segment amounting to RM0.8 million or 17.8%, mainly attributed to additional revenue of RM0.4 million from a new Client (not a major Client) in the travel & hospitality segment and additional revenue of RM0.3 million from a new Client (not a major Client) in the e-commerce & retail segment, both under full time equivalent (FTE) contracts.

Our Group's increase in revenue for the FYE 2022 was partially offset by the decrease in sales in the telecommunications and media segment by RM3.3 million or 17.9%, mainly attributed to the cessation of 2 contracts with Client A on 31 December 2021 due to non-renewal of these said contracts.

(b) Cost of sales, GP and GP margin

Analysis of cost of sales by components

	Audited							
	FYE 2019		**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
People cost	27,851	93.4	35,745	94.5	40,042	93.2	45,107	92.7
Telecommunication cost	360	1.2	568	1.5	637	1.5	451	0.9
Technology and premise cost	1,520	5.1	1,457	3.9	2,208	5.1	3,092	6.3
Other costs[1]	101	0.3	55	0.1	83	0.2	54	0.1
	29,832	**100.0**	**37,825**	**100.0**	**42,970**	**100.0**	**48,704**	**100.0**

Note:

(1) Others consist of other project related costs such as printing and stationery, photocopier charges, postage and courier and entertainment expenses.

Average headcount by client segment

	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Energy & utilities	378	486	584	687
Telecommunications & media	452	400	379	326
Fintech & financial services	37	145	152	189
Construction	27	42	54	60
Others[1]	27	94	98	115
	921	**1,167**	**1,267**	**1,377**

Average headcount is calculated based on month end number of employees. It takes into account monthly fluctuations, which is more reflective of headcount movement. This is also a more relevant method due to waves of COVID-19 causing unexpected higher attrition rates among all segments, resulting in more fluctuations in headcount. In this respect, the new project which started mid-year will have a lower average number of employees for that particular year, as compared with a headcount increase measured as at the financial year end, as in Section 6.11, and will thus portray a higher increase in the following financial year.

Note:

(1) Others consist of e-commerce & retail, healthtech and travel & hospitality.

Comparison between FYE 2019 and FYE 2020

Our Group's total cost of sales increased by 26.8% or approximately RM8.0 million from RM29.8 million in FYE 2019 to RM37.8 million in FYE 2020, in line with our revenue increase. The increase in cost of sales was mainly due to an increase in people cost amounting to RM7.9 million or 28.3%, mainly attributed to the increase in average headcount from 921 (FYE 2019) to 1,167 (FYE 2020), as shown in the above table, to cater for the increase in work arising from our existing and new contracts.

Comparison between FYE 2020 and FYE 2021

Our Group's total cost of sales increased by 13.6% or approximately RM5.2 million from RM37.8 million in FYE 2020 to RM43.0 million in FYE 2021 mainly due to:

(i) an increase in people cost amounting to RM4.3 million or 12.0%, mainly attributed to the increase in average headcount from 1,167 (FYE 2020) to 1,267 (FYE 2021) to cater for the increase in work arising from our existing and new contracts; and

(ii) an increase in technology and premise cost amounting to RM0.8 million or 51.5%, mainly attributed to the increase in upkeep of computer and software, depreciation of right-of-use assets, cloud subscription fee and rental of office and computer equipment. Such increases were necessary as our business continued to expand as seen in the increase in our revenue.

Comparison between FYE 2021 and FYE 2022

Our Group's total cost of sales increased by 13.3% or approximately RM5.7 million from RM43.0 million in FYE 2021 to RM48.7 million in FYE 2022 mainly due to:

(i) an increase in people cost amounting to RM5.1 million or 12.6%, mainly attributed to the increase in average headcount from 1,267 (FYE 2021) to 1,377 (FYE 2022) to cater for the increase in work arising from our existing and new contracts; and

(ii) an increase in technology and premise cost amounting to RM0.9 million or 40.0%, mainly attributed to the increase in upkeep of computer and software, rental of computer equipment and cloud subscription fee. Such increases were necessary as our business continued to expand in line with the increase in our revenue.

Analysis of cost of sales by client segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Energy & utilities	13,241	44.4	15,510	41.0	19,569	45.6	24,957	51.2
Telecommunications & media	13,735	46.0	12,385	32.8	12,558	29.2	10,231	21.0
Fintech & financial services	1,255	4.2	5,380	14.2	5,724	13.3	7,019	14.4
Construction	957	3.2	1,447	3.8	1,934	4.5	2,272	4.7
Others[1]	644	2.2	3,103	8.2	3,185	7.4	4,225	8.7
	29,832	**100.0**	**37,825**	**100.0**	**42,970**	**100.0**	**48,704**	**100.0**

Note:

[1] Others consist of e-commerce & retail, healthtech and travel & hospitality.

Analysis of GP and GP margin by client segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Energy & utilities	1,382	9.5	4,096	20.9	4,902	20.0	6,883	21.6
Telecommunications & media	3,857	21.9	3,818	23.6	6,010	32.4	5,005	32.8
Fintech & financial services	947	43.0	1,462	21.4	2,182	27.6	2,984	29.8
Construction	934	49.4	817	36.1	541	21.9	202	8.2
Others[1]	511	44.2	(305)	(10.9)	1,528	32.4	1,327	23.9
	7,631	**20.4**	**9,888**	**20.7**	**15,163**	**26.1**	**16,401**	**25.2**

Note:

(1) Others consist of e-commerce & retail, healthtech and travel & hospitality.

Comparison between FYE 2019 and FYE 2020

From the analysis of cost of sales by client segment, the increase in our cost of sales is mainly attributed to:

(i) an increase in cost of sales for the energy & utilities segment amounting to RM2.3 million or 17.1%, mainly attributed to the increase in average headcount from 378 (FYE 2019) to 486 (FYE 2020) to cater for the additional works incurred due to spike in number of calls arising from billing concerns, in line with the additional revenue from Client G;

(ii) an increase in cost of sales for the fintech & financial services segment amounting to RM4.1 million or 328.7%, in line with the increase in revenue for this segment. The average headcount for the fintech & financial services segment exhibited an increase from 37 (FYE 2019) to 145 (FYE 2020), taking into consideration the cost incurred for a new Client (not a major Client) for a full-year as opposed to a 3-month cost recognition, whereby the said project has just commenced and the full team management was not on board in the initial stage; and

(iii) an increase in cost of sales for the others segment amounting to RM2.5 million or 381.8%, mainly attributed to the increase in average headcount from 27 (FYE 2019) to 94 (FYE 2020) to cater for the work for a new Client (not a major Client) in the e-commerce & retail segment.

As our revenue increased 27.4% compared to the 26.8% increase in our cost of sales, our Group's GP has also increased within similar range by 29.6% or RM2.3 million, from RM7.6 million in FYE 2019 to RM9.9 million in FYE 2020. Notwithstanding that some of our Client segments showed substantial decrease in GP margin, our overall GP margin has increased marginally from 20.4% in FYE 2019 to 20.7% in FYE 2020 as most of our revenues are derived from the energy & utilities and telecommunications & media segments. The telecommunications & media segment has shown a slight increase in GP margin (from 21.9% in FYE 2019 to 23.6% in FYE 2020) due to a reduction in cost of sales from RM13.7 million to RM12.4 million, in line with lower average headcount from 452 to 400, as we scaled down due to the non-renewal of contracts with Client B. Meanwhile, GP margin from the energy & utilities segment has increased substantially (from 9.5% in FYE 2019 to 20.9% in FYE 2020), mainly attributed to increase in revenue as explained in the above section. The increase in GP margin for this segment was also partly attributed to the improvement in the quality of performance by our CX executives, which can be seen from the drop in occurrence of service level penalties. Our Group had previously incurred service level penalties mainly due to newly hired CX Executives' who were unfamiliar with certain business processes which resulted in a relatively longer time taken to address and resolve inquiries and/or issues. As these CX executives became more experienced and efficient over time, they were able to improve on service levels, thereby reducing the related penalties.

The decrease in GP margin for some of our client segments (other than the fintech & financial services segment that has been explained in the above section) was mainly a result of:

(i) the decrease in our GP margin from the others segment (from 44.2% in FYE 2019 to -10.9% in FYE 2020), mainly attributed to the negative GP margin from our e-commerce & retail segment. In this respect, our Group was allocated less profitable work under a customer care support scope in FYE 2020 for a transaction / outcome based contract. The work allocated to our Group was less than the original scope agreed with the Client (not a major Client). With less allocation, the profitability of the work was affected, and resulted a gross loss margin. Subsequently, our Group negotiated to change the scope of work which exhibited more favourable margins, as evidenced by our GP margin in FYE 2021; and

(ii) the decrease in our GP margin from the construction segment (from 49.4% in FYE 2019 to 36.1% in FYE 2020), was mainly attributed to the increase in average headcount to fulfil the required headcount for customer care support under an ongoing transaction / outcome based contract which commenced in March 2019. The said project initially started with minimal CX executives.

Comparison between FYE 2020 and FYE 2021

From the analysis of cost of sales by client segment, the increase in our cost of sales is mainly attributed to:

(i) an increase in cost of sales for the energy & utilities segment amounting to RM4.1 million or 26.2%, mainly attributed to the increase in average headcount from 486 (FYE 2020) to 584 (FYE 2021) to cater for the additional works incurred following the execution of a new contract with Client F; and

(ii) an increase in cost of sales for the construction segment amounting to RM0.5 million or 33.7%, mainly attributed to the increase in average headcount from 42 (FYE 2020) to 54 (FYE 2021). We had also incurred additional cost of re-hiring and training of new CX executives due to the high attrition rates caused by a new wave of COVID-19.

As our revenue increased 21.8% compared to the 13.6% increase in our cost of sales, our Group's GP has subsequently increased by 53.5% or RM5.3 million, from RM9.9 million in FYE 2020 to RM15.2 million in FYE 2021. As a result, our overall GP margin has increased from 20.7% in FYE 2020 to 26.1% in FYE 2021, mainly due to improvements in productivity of CX executives. In particular:

(i) the increase in our GP margin from the telecommunications & media segment (from 23.6% in FYE 2020 to 32.4% in FYE 2021). Our Group saw improved sales, as our Group provided our insight and feedbacks to Client E, which allowed our Group to obtain better targeted customer segmentation to secure sales;

(ii) the increase in our GP margin from the fintech & financial services segment (from 21.4% in FYE 2020 to 27.6% in FYE 2021), was mainly attributed to our Group's CX executives who became more familiar with the customer interactions over time, resulting in improved efficiency and productivity; and

(iii) the increase in our GP margin from the others segment (from -10.9% in FYE 2020 to 32.4% in FYE 2021). Our Group was allocated less profitable work under a customer care support scope in FYE 2020. The work allocated to our Group was less than the original scope agreed with the Client, as explained above. With less allocation, the profitability of the work was affected, and resulted a gross loss margin of 10.9% for FYE 2020. In May 2021, our Group negotiated to change the scope of work where allocation was sufficient to improve GP margins. As a result, our Group's GP margin in the others segment improved to 32.4% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

From the analysis of cost of sales by client segment, the increase in our cost of sales is mainly attributed to:

(i) an increase in cost of sales for the energy & utilities segment amounting to RM5.4 million or 27.5%, mainly attributed to the increase in average headcount from 584 (FYE 2021) to 687 (FYE 2022) to cater for the progressive rollout of work for Client F;

(ii) an increase in cost of sales for the fintech & financial services segment amounting to RM1.3 million or 22.6%, mainly attributed to the increase in average headcount from 152 (FYE 2021) to 189 (FYE 2022) due to the need for additional allocation of CX executives for Client D as explained above; and

(iii) an increase in cost of sales for the others segment amounting to RM1.0 million or 32.7%, mainly attributed to the increase in average headcount from 98 (FYE 2021) to 115 (FYE 2022) for allocation towards 2 new clients in the travel & hospital segment and e-commerce & retail segment as explained above.

The increase in our cost of sales for FYE 2022 was partially set off by the decrease in cost of sales for telecommunications & media segment amounting to RM2.3 million or 18.5%, mainly attributed to the cessation of 2 contracts with Client A on 31 December 2021 as explained above, resulting in the decrease in average headcount from 379 (FYE 2021) to 326 (FYE 2022).

Our Group's GP increased by 8.2% or RM1.2 million, from RM15.2 million in FYE 2021 to RM16.4 million in FYE 2022. The overall GP margin has marginally decreased from 26.1% in FYE 2021 to 25.2% in FYE 2022, mainly due to the decrease in our GP margin from the construction segment (from 21.9% in FYE 2021 to 8.2% in FYE 2022) and others segment (from 32.4% in FYE 2021 to 23.9% in FYE 2022) which in turn, is mainly attributed to the COVID-19 pandemic that caused a higher attrition rate among our staff. As a result, we had incurred additional cost of re-hiring and training new CX executives.

The GP margin for our 2 main segments had increased. In particular, the increase in our GP margin from the energy & utilities services segment (from 20.0% in FYE 2021 to 21.6% in FYE 2022) and the fintech & financial services segment (from 27.6% in FYE 2021 to 29.8% in FYE 2022) were mainly attributed to the continued improvements in efficiency and productivity of our Group's CX executives who continued to familiarise themselves with customer interactions over time.

(c) Other income

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	68	80.0	129	95.6	114	76.5	195	92.9
Realised gain on foreign exchange	17	20.0	-	-	-	-	4	1.9
Unrealised gain on foreign exchange	-	-	6	4.4	-	-	3	1.4
Others[1]	-	-	-	-	35	23.5	8	3.8
	85	**100.0**	**135**	**100.0**	**149**	**100.0**	**210**	**100.0**

Note:

(1) Others refer to excess for bank charges on bank guarantee reimbursed from third party.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, our Group's other income increased by 58.8% or approximately RM0.05 million to RM0.14 million. The increase in our other income was mainly due to the increase in our interest income following the increase of our cash and short-term deposits throughout the year. Our cash and short-term deposit balances increased from RM2.2 million in FYE 2019 to RM8.8 million in FYE 2020.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our Group's other income increased by 10.4% or approximately RM0.01 million to RM0.15 million. The increase in our other income was mainly due to the excess of one-off reimbursement of bank charges from Client F amounting to RM0.03 million. The reimbursement is a fixed sum agreed in the contract with Client F. Actual bank charges was lower than the agreed amount, which resulted in an excess. The increase was partially offset by the decrease in interest income by RM0.02 million. The lower interest income was because a part of our short-term deposits (amounting to RM4.4 million) were placed with licensed banks with longer tenure as security for credit facilities granted to our Group which the interest income will be recognised upon maturity.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our Group's other income increased by 40.9% or approximately RM0.06 million to RM0.21 million, mainly due to the increase in interest income attributed to the increase in short term deposits during the financial year.

(d) Administrative expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	2,515	69.1	2,806	70.8	3,424	67.3	4,251	56.2
Depreciation of plant and equipment	335	9.2	470	11.9	701	13.8	921	12.2
Directors' remuneration	25	0.7	26	0.6	29	0.6	47	0.6
Rental expenses	226	6.2	154	3.9	165	3.2	125	1.7
Utilities	195	5.4	178	4.5	235	4.6	200	2.7
Professional fees(1)	85	2.3	97	2.4	177	3.5	1,365	18.1
Repair and maintenance(2)	107	3.0	118	3.0	194	3.8	253	3.4
Travelling expenses	51	1.4	28	0.7	23	0.4	28	0.4
Others(3)	99	2.7	89	2.2	142	2.8	351	4.7
	3,638	**100.0**	**3,966**	**100.0**	**5,090**	**100.0**	**7,541**	**100.0**

Notes:

(1) Comprises mainly audit fees, legal fees, secretarial, tax and other professional fees.

(2) Comprises mainly upkeep of offices (including office equipment and software) and motor vehicles.

(3) Others mainly comprises of insurances, entertainment, advertising and promotion, printing and stationery, and stamp duties.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, our Group's administrative expenses increased by 9.0% or approximately RM0.3 million to RM4.0 million. The increase in our administrative expenses was mainly due to:

(i) increase in staff costs by 11.6% or RM0.3 million, attributable to increase in headcount;

(ii) increase in depreciation of plant and equipment by 40.3% or RM0.1 million, mainly being the full year depreciation charge in FYE 2020 as opposed to 3 months in FYE 2019 for laptops and desktops totalling RM0.4 million purchased in the fourth quarter of FYE 2019; and

(iii) decrease in rental expenses by 31.9% or RM0.1 million, mainly due to expiry of tenancy agreement for an office unit used as business continuity site.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our Group's administrative expenses increased by 28.3% or approximately RM1.1 million to RM5.1 million. The increase in our administrative expenses was mainly due to:

(i) increase in our staff costs by 22.0% or approximately RM0.6 million, mainly attributable to the increase in headcount;

(ii) increase in depreciation of plant and equipment by 49.1% or RM0.2 million, attributable to the renovation of CX delivery offices at Level 3A and 6, Tower 7 and Level 5, Tower 3B, UOA Business Park, Shah Alam, Selangor in FYE 2021 totalling to RM2.1 million;

(iii) increase in professional fees by 82.5% or approximately RM0.1 million, mainly attributable to the increase in professional fees (e.g. ISO certification fee, administrative charge for preparation of security documents for bank guarantee, PIKOM subscription fee); and

(iv) increase in repair and maintenance expenses by 64.4% or approximately RM0.1 million, mainly attributable to the increase in expenses on upkeep of office equipment and COVID-19 compliance costs.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our Group's administrative expenses increased by 48.2% or approximately RM2.5 million to RM7.5 million. The increase in our administrative expenses was mainly due to:

(i) increase in our staff costs by 24.2% or approximately RM0.8 million, mainly attributable to the increase in headcount in line with our business growth; and

(ii) increase in professional fees by 671.2% or approximately RM1.2 million attributed to the Listing and the procurement of banking facilities for our Group.

12. FINANCIAL INFORMATION *(Cont'd)*

(e) Other operating expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts written off	-	-	41	99.2	113	62.4	2	1.2
Impairment loss on goodwill	-	-	-	-	46	25.4	-	-
Penalties and fines	10	100.0	*	0.8	22	12.2	162	98.8
	10	**100.0**	**41**	**100.0**	**181**	**100.0**	**164**	**100.0**

Note:

* Negligible

For FYE 2020 and 2021, our bad debts were in relation to the write-off of accumulated transactions with some of our Clients which were immaterial. The balances were uncollectible due to the debtors being wound up. The impairment loss on goodwill was in relation to the Acquisition of Daythree Services SG. The inconsistent interpretation and implementation of various COVID-19 and MCO guidelines by the Government caused our Group to be issued summonses totalling RM20,000 between June 2021 to July 2022.

On 18 January 2023, we received a letter from MIDA for the approval-in-principle for extension of the tax exemption on 100% of the statutory income for a further period of 5 years (from 16 February 2022 to 15 February 2027). This approval-in-principle is subject to the gazettement of the relevant tax exemption provisions by the Government. Therefore, our Group has provided for the income tax payable of RM2.3 million and the relevant penalties of RM0.2 million in FYE 2022.

(f) Finance cost

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lease liabilities	230	100.0	367	100.0	370	100.0	361	100.0
	230	**100.0**	**367**	**100.0**	**370**	**100.0**	**361**	**100.0**

Comparison between FYE 2019 and FYE 2020

Our lease liabilities interest increased by RM0.14 million or 59.6% from RM0.2 million in FYE 2019 to RM0.4 million in FYE 2020. This was mainly due to the new lease for our CX delivery offices at Level 3A, Tower 7, UOA Business Park, Shah Alam, Selangor.

Comparison between FYE 2020 and FYE 2021

Our lease liabilities interest in FYE 2021 was relatively similar with that of FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our lease liabilities interest in FYE 2022 was relatively similar with that of FYE 2021.

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(g) PBT and PBT margin

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
PBT (RM'000)	3,838	5,649	9,671	8,545
PBT margin (%)	10.2	11.8	16.6	13.1

Comparison between FYE 2019 and FYE 2020

Our Group's PBT increased by RM1.8 million or 47.2% from RM3.8 million in FYE 2019 to RM5.6 million in FYE 2020 due to the higher GP generated from our business (GP increased by RM2.3 million in FYE 2020). As a result, our PBT margin has improved from 10.2% in FYE 2019 to 11.8% in FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our Group's PBT increased by RM4.1 million or 71.2% from RM5.6 million in FYE 2020 to RM9.7 million in FYE 2021 mainly due to higher GP and GP margin, in line with the growth in our revenue. As a result, our PBT margin has also improved from 11.8% in FYE 2020 to 16.6% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's PBT decreased by RM1.1 million or 11.6% from RM9.7 million in FYE 2021 to RM8.5 million in FYE 2022 mainly due to lower GP margin and higher administrative expenses incurred mainly for listing purposes. As a result, our PBT margin decreased from 16.6% in FYE 2021 to 13.1% in FYE 2022.

(h) Income tax expense

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Income tax expense (RM'000)	-	-	41	2,298
Effective tax rate (%)	-	-	0.4	26.9
Statutory tax rate (%)	(1)17.0 - 24.0	(1)17.0 - 24.0	24.0	24.0

Note:

(1) The statutory tax rate of 17.0% was applicable to the first RM500,000 in respect of FYE 2019 / RM600,000 in respect of FYE 2020 chargeable income, whilst the balance chargeable income was subject to the statutory tax rate of 24.0%.

The effective tax rate was nil for the FYE 2019 and FYE 2020 while the effective tax rate for FYE 2021 was negligible at 0.4%. This is mainly due to our Group being granted MD status (formerly known as MSC Malaysia status) by MDEC. By virtue of the MD status, our Company has been granted Pioneer Status and the statutory income was exempted from income tax up to 15 February 2022. We have subsequently applied for extension of the Pioneer Status for the second 5 years tax exemption (from 16 February 2022 to 15 February 2027), and had obtained MIDA's approval-in-principle on 18 January 2023. The exemption of the second 5 years tax exemption will retrospectively apply to our Group upon the gazetting of the same by the Government. Until such time, statutory taxation shall continue to apply to us.

The negligible amount of income tax incurred in the FYE 2021 was attributed to tax imposed on our interest income. The income tax for FYE 2020 was provided in FYE 2021. For earlier years, there was no provision due to the income tax amount being immaterial.

The income tax expense for the FYE 2022 was attributed to the provision for the estimated tax payable on statutory income as explained in Section 12.2.2(e). The effective tax rate (26.9%) was higher than the statutory tax rate (24.0%) was mainly due to Listing expenses which are not tax-deductible. After adjusting for the Listing expenses, the effective tax rate is approximately 23.5%

12.2.3 Review of financial position

(a) Assets

	Audited			
	As at 31 December			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Plant and equipment	3,452	3,321	3,973	5,147
Right-of-use assets	5,268	6,817	7,484	7,727
Total non-current assets	**8,720**	**10,138**	**11,457**	**12,874**
Current assets				
Trade and other receivables	7,360	6,518	9,757	15,456
Contract assets	5,419	4,509	6,621	6,202
Cash and short-term deposits	2,198	8,763	11,862	11,582
Total current assets	**14,977**	**19,790**	**28,240**	**33,240**
Total assets	**23,697**	**29,928**	**39,697**	**46,114**

Comparison between 31 December 2019 and 31 December 2020

Non-current assets

Non-current assets increased by RM1.4 million from RM8.7 million as at 31 December 2019 to RM10.1 million as at 31 December 2020. This was mainly due to RM1.5 million increase in right-of-use assets arising from the new lease for our CX delivery offices at Level 3A, Tower 7, UOA Business Park, Shah Alam, Selangor.

Current assets

Current assets increased by RM4.8 million from RM15.0 million as at 31 December 2019 to RM19.8 million as at 31 December 2020. This was mainly due to the increase in cash and short-term deposits by RM6.5 million mainly arising from the cash generated from our business operations.

The above was partially offset by RM0.9 million decrease in contract assets due to expedition of billings to our Clients due to gradual improvement of our Group's CX executives as they become more familiarised with Clients' operations. Hence, they were able to gradually speed up turnaround time to finalise services rendered and bill Clients. Additionally, we recorded a RM0.8 million decrease in trade and other receivables resulting from improved collection from our Clients.

Comparison between 31 December 2020 and 31 December 2021

Non-current assets

Non-current assets increased by RM1.3 million from RM10.1 million as at 31 December 2020 to RM11.4 million as at 31 December 2021. This was mainly due to additional renovation works recorded under the plant and equipment and the increase in right-of-use assets arising from the new lease of our CX delivery offices at Level 5, Tower 3B, UOA Business Park, Shah Alam, Selangor.

Current assets

Current assets increased by RM8.4 million from RM19.8 million as at 31 December 2020 to RM28.2 million as at 31 December 2021.

The increase in current assets by RM8.4 million was mainly attributable to RM3.2 million increase in trade and other receivables, RM2.1 million increase in contract assets, and RM3.1 million increase in cash and short-term deposits, which were in line with the overall increase in revenue generated during the FYE 2021.

Comparison between 31 December 2021 and 31 December 2022

Non-current assets

Non-current assets increased by RM1.4 million from RM11.5 million as at 31 December 2021 to RM12.9 million as at 31 December 2022. This was mainly due to renovation works carried out at our CX delivery offices at Level 2, Tower 9 and Level 9, Tower 3A, UOA Business Park, Shah Alam, Selangor for business expansion purposes, recorded under plant and equipment.

Current assets

Current assets increased by RM5.0 million from RM28.2 million as at 31 December 2021 to RM33.2 million as at 31 December 2022.

The increase in current assets by RM5.0 million was mainly attributable to increase in trade receivable by RM4.7 million which was in line with overall increase in revenue generated during the FYE 2022.

(b) Liabilities

	Audited			
	As at 31 December			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liability				
Lease liabilities	4,937	6,334	6,789	6,818
Total non-current liability	**4,937**	**6,334**	**6,789**	**6,818**
Current liabilities				
Trade finance (borrowings)	-	-	-	4,000
Lease liabilities	587	918	1,267	1,522
Current tax liabilities	-	-	19	2,266
Trade payables	57	66	83	360
Other payables	2,287	3,413	3,313	4,127
Contract liabilities	281	-	-	546
Total current liabilities	**3,212**	**4,397**	**4,682**	**12,821**
Total liabilities	**8,149**	**10,731**	**11,471**	**19,639**

Comparison between 31 December 2019 and 31 December 2020

Non-current liability increased by RM1.4 million from RM4.9 million as at 31 December 2019 to RM6.3 million as at 31 December 2020 due to the additional rental of office premises to expand our CX delivery offices.

Current liabilities increased by RM1.2 million from RM3.2 million as at 31 December 2019 to RM4.4 million as at 31 December 2020. This was mainly due to RM1.1 million increase in trade and other payables including accruals for Sales and Services Tax ("**SST**"), Employees' Provident Fund ("**EPF**") and staff commissions & incentives arising from higher headcount and business growth. Lease liabilities increased by RM0.3 million from RM0.6 million as at 31 December 2019 to RM0.9 million as at 31 December 2020 due to the additional rental of office premises to expand our CX delivery offices.

Comparison between 31 December 2020 and 31 December 2021

Non-current liability increased by RM0.5 million from RM6.3 million as at 31 December 2020 to RM6.8 million as at 31 December 2021 mainly due to additional rental of office premises to expand our CX delivery offices.

Current liabilities increased by RM0.3 million from RM4.4 million as at 31 December 2020 to RM4.7 million as at 31 December 2021 due to increase in lease liabilities of RM0.3 million.

Comparison between 31 December 2021 and 31 December 2022

There was no material variance between the balances of non-current liabilities as at 31 December 2022 and 31 December 2021.

Current liabilities increased by RM8.1 million from RM4.7 million as at 31 December 2021 to RM12.8 million as at 31 December 2022 mainly due to increase in borrowings arising from drawdown of trade facility of RM4.0 million for working capital purposes and current tax liabilities of RM2.3 million arising from the provision of income tax for FYE 2022 as explained in Section 12.2.2 (h) above. Other payables and contract liabilities increased by RM1.4 million in aggregate mainly due to increase in renovation cost payable, legal fees payable, and accruals for SST and EPF as well as advanced billings to Clients.

12.2.4 Review of cash flows

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	2,715	9,990	6,298	7,126
Net cash used in investing activities	(1,602)	(210)	(5,623)	(777)
Net cash used in financing activities	(2,074)	(3,221)	(1,983)	(5,679)
Net (decrease)/increase in cash and cash equivalents	(961)	6,559	(1,308)	670
Effect of exchange rate changes	-	6	*	5
At beginning of financial year	3,159	2,198	8,763	7,455
At end of financial year	**2,198**	**8,763**	**7,455**	**8,130**

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Represented by:				
Short-term deposits	2,000	5,971	10,342	4,487
Less: Pledged deposits	-	-	(4,407)	(3,452)
	2,000	5,971	5,935	1,035
Cash and bank balances	198	2,792	1,520	7,095
	2,198	**8,763**	**7,455**	**8,130**

Note:

* Negligible

FYE 2019

Net cash for operating activities

In FYE 2019, our Group recorded net cash inflow from operating activities of RM2.7 million, after taking into account the following working capital changes:

(a) increase in trade and other receivables by RM0.2 million, mainly due to the increases in relation to other receivables, prepayments and deposits of RM0.7 million which were offset by the decrease in trade receivables of RM0.5 million in view of improved collection from our Clients;

(b) decrease in contract assets by RM0.4 million, where over the course of our contracts, the efficiency and productivity of our Group's CX executives improved as they became more familiar with the Client's operations. Hence, our Group was able to gradually speed up our turnaround time to finalise the services rendered and the issuance of billings to our Clients;

(c) decrease in trade and other payables by RM2.8 million, mainly due to the decrease in relation to other payables of RM3.6 million which were offset by the increase in accruals of RM0.8 million; and

(d) increase in contract liabilities by RM0.3 million, in view of advanced billing to a Customer during a period of renegotiation, which was subsequently resolved and services recognised as revenue in FYE 2020.

Net cash for investing activities

In FYE 2019, our net cash used in investing activities amounted to RM1.6 million, mainly due to the following:

(a) purchase of computer (laptops and desktops) amounting to RM0.4 million;

(b) purchase of office equipment, furniture and fittings such as office chairs, headsets, access card readers and closed-circuit television ("**CCTV(s)**") amounting to RM0.2 million; and

(c) renovation works in progress for our office premises in Level 3A and Level 6, Tower 7, UOA Business Park, Shah Alam, Selangor amounting to RM1.1 million.

Our net cash used in investing activities was partially offset by interest received amounting to RM0.1 million from our cash and short-term deposits.

Net cash for financing activities

In FYE 2019, our net cash used in financing activities amounted to RM2.0 million, mainly due to the following:

(a) payment of lease liabilities of RM0.5 million for premises located at Level 6, 7 and 8, Tower 7, UOA Business Park, Shah Alam, Selangor and Kelana Centre Point, Petaling Jaya, Selangor;

(b) payment of dividend totalling RM1.3 million in respect of the FYE 2019; and

(c) interest payment of RM0.2 million for lease liabilities.

FYE 2020

Net cash for operating activities

In FYE 2020, our Group recorded net cash inflow from operating activities of RM10.0 million, after taking into account the following working capital changes:

(a) decrease in trade and other receivables by RM0.9 million, in view of improved collection from our Clients;

(b) decrease in contract assets by RM0.9 million, in view of expedited billings due to CX executives improving turnaround time, as explained above;

(c) increase in trade and other payables by RM1.1 million, in view of increase in accruals for SST, EPF, and staff commissions & incentives; and

(d) decrease in contract liabilities by RM0.3 million, in view of services for advanced billings have been recognised.

Net cash for investing activities

In FYE 2020, our net cash used in investing activities amounted to RM0.2 million, mainly due to the following:

(a) purchase of computer and software amounting to RM0.2 million;

(b) purchase of office equipment, furniture and fittings amounting to RM0.05 million; and

(c) renovation works in progress in Level 3A, 6, 7 and 8, Tower 7, UOA Business Park, Shah Alam, Selangor amounting to RM0.1 million.

Our net cash used in investing activities was partially offset by interest received amounting to RM0.1 million from our cash and short-term deposits.

Net cash for financing activities

In FYE 2020, our net cash used in financing activities amounted to RM3.2 million, mainly due to the following:

(a) payment of lease liabilities of RM0.8 million for premises located at Level 3A, 6, 7 and 8, Tower 7, UOA Business Park, Shah Alam, Selangor and Kelana Centre Point, Petaling Jaya, Selangor;

(b) payment of dividend totalling RM2.0 million in respect of the FYE 2020; and

(c) interest payment of RM0.4 million for lease liabilities.

FYE 2021

Net cash for operating activities

In FYE 2021, our Group recorded net cash inflow from operating activities of RM6.3 million, after taking into account the following working capital changes:

(a) increase in trade and other receivables and contract assets by RM3.4 million and RM2.1 million respectively, which were in line with the increase in our Group's revenue; and

(b) decrease in trade and other payables by RM0.1 million, in view of the decrease in accruals for SST, EPF and staff commissions & incentives.

Net cash for investing activities

In FYE 2021, our net cash used in investing activities amounted to RM5.6 million, mainly due to the following:

(a) change in security placed with licensed banks amounting to RM4.4 million for credit facilities granted to our Group; and

(b) purchase of plant and equipment amounting to RM1.3 million, for the following:

    (i) purchase of computer and software amounting to RM0.2 million;

    (ii) purchase of office equipment, furniture and fittings such as headset, server equipment, CCTVs and access card readers amounting to RM0.3 million; and

    (iii) renovation costs for Level 5, Tower 3B, UOA Business Park, Shah Alam, Selangor amounting to RM0.8 million.

Our net cash used in investing activities was partially offset by interest received amounting to RM0.1 million from our cash and short-term deposits.

Net cash for financing activities

In FYE 2021, our net cash used in financing activities amounted to RM2.0 million, mainly due to the following:

(a) payment of lease liabilities of RM1.0 million for premises located at Level 3A, 6, 7 and 8, Tower 7 and Level 5, Tower 3B, UOA Business Park, Shah Alam, Selangor and Kelana Centre Point, Petaling Jaya, Selangor;

(b) payment of dividend totalling RM0.6 million in respect of the FYE 2021; and

(c) interest payment of RM0.4 million for lease liabilities.

FYE 2022

Net cash for operating activities

In FYE 2022, our Group recorded net cash inflow from operating activities of RM7.1 million, after taking into account the following working capital changes:

(a) increase in trade and other receivables by RM5.7 million, which was in line with the increase in our Group's revenue;

(b) decrease in contract assets by RM0.4 million, where over the course of our contracts, the efficiency and productivity of our Group's CX executives improved as they became more familiar with our Clients' operations. Hence, our Group was able to gradually speed up our turnaround time to finalise the services rendered and the issuance of billings to our Clients;

(c) increase in trade and other payables by RM1.1 million, in view of the increase in renovation cost payable, legal fees payable, and accruals for SST and EPF; and

(d) increase in contract liabilities by RM0.5 million, in view of advanced billing to Clients, whereby the services for these advanced billings will be rendered in the FYE 2023.

Net cash for investing activities

In FYE 2022, our net cash used in investing activities amounted to RM0.8 million, due to the increase in plant and equipment amounting to RM1.9 million, being the payment for renovation in progress for Level 2, Tower 9 and Level 9, Tower 3A, UOA Business Park, Shah Alam, Selangor.

Our net cash used in investing activities was partially offset by decrease in pledged deposits amounting to RM1.0 million (due to reduction in the security placed with licensed banks for credit facilities granted to our Group) and interest received amounting to RM0.2 million from our cash and short-term deposits.

Net cash for financing activities

In FYE 2022, our net cash used in financing activities amounted to RM5.7 million as a result of the following:

(a) drawdown of trade finance amounting to RM4.0 million from the credit facilities granted to our Group for working capital purposes;

(b) payment of lease liabilities of RM1.3 million for premises located at Level 5, Tower 3B, Level 3A, 6, 7 and 8, Tower 7 and Level 2, Tower 9, UOA Business Park, Shah Alam, Selangor and Unit 213, 215, 217, 219, 3A19, 533 and 535, Block A, Kelana Centre Point, Petaling Jaya, Selangor;

(c) payment of dividend totalling RM8.0 million in respect of the FYE 2022; and

(d) interest payment of RM0.4 million for lease liabilities.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Internal sources comprised of shareholders' equity and cash generated from our operations, while external sources were mainly banking facilities from financial institutions. The principal utilisation of these funds was for our business operations and growth.

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

(a) our cash and cash equivalent of approximately RM7.1 million as at LPD which excludes RM2.0 million pledged to financial institutions;

(b) our total credit facilities limit as at LPD of RM24.3 million (excluding lease liabilities), of which RM6.1 million has been utilised for the issuance of bank guarantees to our Clients and trade financing; and

(c) our pro forma NA position and zero gearing level as at 31 December 2022 after the Acquisitions, Public Issue and utilisation of proceeds of RM56.8 million.

We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

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12.4 BORROWINGS AND INDEBTEDNESS

As at 31 December 2022, all of our borrowings are interest bearing and denominated in RM. Our total outstanding borrowings and indebtedness as at 31 December 2022 stood at RM4.0 million (excluding lease liabilities of approximately RM8.3 million), details of which are as set out below:

	Purpose	Security	Tenure	Effective interest rate	As at 31 December 2022
				% per annum	**RM'000**
Borrowings payable within 1 year					
Trade facility	For working capital purposes	1. Corporate guarantee by Dayspring Capital 2. Personal guarantee by Paul Raymond Raj A/L Davadass	59 - 90 days	5.45	4,000
					4,000
Gearing (times)					
Before IPO and utilisation of proceeds[(1)]					**0.2**
After IPO and utilisation of proceeds[(2)]					**0.1**

Notes:

(1) Computed based on our pro forma total equity of RM26.5 million in our pro forma combined statements of financial position before IPO and utilisation of proceeds.

(2) Computed based on our pro forma total equity of RM56.8 million in our pro forma combined statements of financial position after IPO and utilisation of proceeds.

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Separately, we have also recognised the following lease liabilities (arising from rental of offices), which are denominated in RM:

	Purpose	Tenure	As at 31 December 2022
			RM'000
Lease liabilities payable within 1 year	For corporate office, offices for operations and staff training	2 to 9 years	1,522
Lease liabilities payable after 1 year	For corporate office, offices for operations and staff training	2 to 9 years	6,818
			8,340

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2020 to 2022 and up to LPD.

As at LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the borrowings which can materially affect our financial position and results of business operations or the investments by holders of our securities.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Our Group's operations have been funded through shareholder's equity and cash generated from our operations. Saved as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	To be funded internally	To be funded from proceeds of our [(1)]IPO
	RM'000	**RM'000**
Approved and contracted for:		
Renovation works for a leased unit in Level 2, Tower 9 and Level 9, Tower 3A, UOA Business Park, Shah Alam, Selangor	1,876	-
Approved but not contracted for:		
Headquarters expansion	574	1,200
Total cost of new CX delivery offices comprising rental, renovation and fittings	-	2,900
Expansion of working space	424	3,000
Total	**2,874**	**7,100**

Note:

(1) Please refer to Section 4.9 for further details.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

As at LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or profitability, in the 12 months immediately preceding the date of this Prospectus.

As at LPD, we do not have any contingent liabilities, which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2019 to 2022 are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Trade receivables turnover (days) (1)	62	41	42	62
Trade payables turnover (days) (2)	1	1	1	2
Current ratio (times) (3)	4.7	4.5	6.0	2.6
Gearing ratio (times) (4)	-	-	-	0.2

Notes:

(1) Computed based on average trade receivables as at year end over revenue for the year multiplied by 365/366 days for each financial year.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Average closing balance of trade receivables	6,353	5,303	6,624	11,101
Revenue	37,463	47,713	58,133	65,105
Trade receivables turnover (days)	62	41	42	62

(2) Computed based on average trade payables as at year end over cost of sales for the year multiplied by 365/366 days for each financial year.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Average closing balance of trade payables	67	62	75	222
Cost of sales	29,832	37,825	42,970	48,704
Trade payables turnover (days)	1	1	1	2

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

(4) Computed based on total borrowings and lease liabilities (excluding lease liabilities arising from rental of offices) over total equity as at each financial year.

12.8.1 Trade receivables turnover

The normal credit term granted to our Clients ranges from 60 to 90 days. Our credit terms to Clients are determined on a case-by-case basis, taking into consideration factors such as our business relationship with the Client, creditworthiness, historical payment trend as well as transaction volume and value.

Our trade receivables turnover period stood at 62 days, 41 days, 42 days and 62 days respectively for FYE 2019 to 2022, which is earlier than or within the normal credit term period given to our Clients. For FYE 2020 and 2021, our collection improved as a result of improvements in our credit control monitoring process, which in turn resulting in the lower turnover days. For FYE 2022, our trade receivables turnover period increased from 42 days to 62 days, mainly due to a change in Client E and Client F's internal payment cycle, which has been extended.

We have not experienced any significant bad debts for FYE 2019 to 2022. We assess the collectability of trade receivables on an individual Client basis and provide for impairment loss on receivables as follows:

(a) allowance for impairment loss based on lifetime expected credit loss in accordance with MFRS 9 *Financial Instruments*; and

(b) specific allowance for impairment on overdue balance where recoverability is uncertain based on our dealings with the Client.

The ageing analysis of our trade receivables as at 31 December 2022 is as follows:

	Trade receivables as at 31 December 2022		**Amount collected subsequent from 1 January 2023 up to LPD**		**Trade receivables net of subsequent collections**	
	RM'000	**Percentage of trade receivables**	**RM'000**	**Percentage collected**	**RM'000**	**Percentage of trade receivables outstanding as at LPD**
	(a)	**(a)/total of (a)**	**(b)**	**(b) /(a)**	**(c) = (a)-(b)**	**(c)/total of (a)**
Neither past due nor impaired	10,314	76.6	10,225	99.1	89	0.9
Past due but not impaired:						
• 1 to 30 days	1,619	12.0	1,495	92.3	124	7.7
• 31 to 60 days	1,308	9.7	1,308	100.0	-	-
• 61 to 90 days	138	1.0	138	100.0	-	-
• More than 90 days	90	0.7	89	98.9	1	1.1
Total	**13,469**	**100.0**	**13,255**	**98.4**	**214**	**1.6**

Note:

* Negligible

As at the LPD, RM13.3 million or 98.4% of our trade receivables as at 31 December 2022 has been subsequently collected. The remaining outstanding amount was RM0.2 million, representing 1.6% of our trade receivables still outstanding as at LPD. We continue to make effort to recover the outstanding amount by making follow up calls to our Clients.

12.8.2 Trade payables turnover

Our costs of operations mainly comprise people, utilities, and other overheads such as rental, all of which are required to be paid promptly, which generally results in low trade payables balances. As such, we do not analyse payables turnover periods or ageing.

12.8.3 Current ratio

Our current ratio throughout FYE 2019 to 2022 are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Current assets	14,977	19,790	28,240	33,240
Current liabilities	3,212	4,397	4,682	12,821
Net current assets	**11,765**	**15,393**	**23,558**	**20,419**
Current ratio[(1)] (times)	4.7	4.5	6.0	2.6

Note:

(1) Computed as current assets divided by current liabilities.

Our current ratio remained relatively stable from 4.7 times as at 31 December 2019 to 4.5 times as at 31 December 2020.

Our current ratio increased from 4.5 times as at 31 December 2020 to 6.0 times as at 31 December 2021 mainly due to the increase in our trade and other receivables and cash and short-term deposits, in line with our growth in revenue.

Our current ratio decreased from 6.0 times as at 31 December 2021 to 2.6 times as at 31 December 2022 mainly due to the increase in our borrowings arising from drawdown of trade facility for working capital purposes as well as increase in current tax liabilities, partially offset by the increase in our trade and other receivables.

12.8.4 Gearing ratio

Our gearing ratio throughout FYE 2019 to 2022 are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Borrowings (excluded lease liabilities)	-	-	-	4,000
Total equity	15,548	19,197	28,226	26,475
Gearing ratio[(1)] (times)	-	-	-	0.2

Note:

(1) Computed as borrowings divided by total equity.

There were no borrowings (excluded lease liabilities) for the FYE 2019 to 2021 as our Group had sufficient internally generated funds for our operations.

Our gearing ratio as at 31 December 2022 is 0.2 times, due to the increase in borrowings arising from drawdown of trade facility of RM4.0 million for working capital purposes.

12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

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

(a) We are dependent on our top 3 major Clients, and our business may be prone to concentration risks on major Clients

The aggregate contribution to our Group's revenue by our top 3 Clients, namely Client G, Client E, and Client F amounted to approximately 60.2%, 63.3%, 64.1% and 67.3% for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively, and as such, we are dependent on these 3 major Clients. The services rendered to these Clients span various scopes of CX lifecycle management services. Although the contracts with these Clients are secured up to FYE 2025 and FYE 2023 respectively, there is no fixed contract sum stipulated. Revenue contributed by these Clients will depend on the extent of utilisation of the services provided by our Group pursuant to their respective contracts.

As such, our financial performance may be materially and adversely affected if we were to lose one or more of the above major Clients (or reduce the level of services provided to them) without capturing new Clients to replace the loss of business in a timely manner, or if we were to encounter difficulties in collecting payments from these major Clients, the projects are delayed or terminated.

(b) We are dependent on our employees collectively to support our operations

Our CX executives (people cost) accounted for 93.4%, 94.5%, 93.2%, and 92.6% of the cost of sales for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively. Our management employees (staff costs) accounted for 69.2%, 70.8%, 67.3% and 56.4% of the administrative expenses for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively. Our employees are collectively critical to the smooth execution of our overall operation including our CX delivery offices and hence, our success and future growth is largely dependent on our ability to attract, train and retain our employees. As such, any significant increase in attrition rate in our trained employees may adversely impact the results of our operations and financial performance. This may lead to increased recruitment to balance out the attrition, leading to increased costs of recruitment, hiring and training. Furthermore, there can be no assurance that our Group will be able to continue to attract, train and retain employees with the experience and skills necessary to perform the services we offer to our Clients, and may cause adverse impact on our business, and financial performance.

(c) We are subject to the service level and performance obligations required by our Clients

The operation of our CX delivery office is subject to service level and performance obligations required by our Clients, and they are stipulated in our Clients' contract. As such, we may be imposed a penalty if we fail to meet the minimum service level and performance obligations required and/or mistake made by our CX executives in the course of delivering CX services, and could lead to reduction in revenue (lower payments to us) and a claim against us for damages.

Our failure or inability to meet these service level and performance obligations may damage our reputation and affect our ability to attract new business, which could have a material adverse impact on our business, financial condition and financial performance.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal, or monetary policies or factors which have materially affected our financial performance during FYE 2019 to 2022.

In 2017, we were awarded with the MD status, which had granted us with Pioneer Status that entitles us to a 100% exemption on taxable statutory income derived from approved activities.

Our Pioneer Status which was effective from 16 February 2017, was originally supposed to expire on 15 February 2022. In January 2019, the Government revised the Guidelines on MSC Malaysia Financial Incentives, setting out the requirements applicable to existing MSC Malaysia Status companies with income tax exemption. Pursuant to these new guidelines, our original tax exemption period prematurely expired on 30 June 2021.

Application for the remaining tax exemption period up to 15 February 2022, known as the "transition" or "grandfathering" period was opened from June 2021 to December 2021. Accordingly, our application was made in July 2021 and was approved by MDEC on 13 June 2022.

Following the said approval in June 2022, we applied for extension of the tax exemption on 100% of the statutory income for a further period of 5 years (from 16 February 2022 to 15 February 2027) in August 2022. On 18 January 2023, we received the approval-in-principle by MIDA, subject to the gazettement of the relevant tax exemption provisions by the Government. Our Group has provided for the income tax payable of RM2.3 million and the relevant penalties of RM0.2 million in FYE 2022.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal, or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9.

12.11 IMPACT OF INFLATION

During FYE 2019 to 2022, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

12.12.1 Impact of foreign exchange rates

Our Group's financial results for FYE 2019 to 2022 were not affected by fluctuations in foreign exchange rates as our Group's revenue are entirely denominated in RM. As such, we are currently not exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation would not affect our business operations and financial performance.

12.12.2 Impact of interest rates

Our Group's financial results for FYE 2019 to 2022 were not affected by fluctuations in interest rates as our Group does not have any bank borrowings (excluding lease liabilities) throughout FYE 2019 to 2022. However, any major increase in interest rates would raise the cost of our future borrowings and our finance costs, if incurred, which may have an adverse effect on the financial performance of our Group.

12.12.2 Impact of commodity prices

As at LPD, our Group is not affected by fluctuations in commodity prices.

12.13 ORDER BOOK

Our Group derives its revenue by rendering its services to our Clients based on the contracts secured with them. As at LPD, we have 19 contracts, with 18 contracts' tenures expiring between FYE 2023 to 2025 (1 contract of which is renewable at our Group or our client's option for an additional 1 year while the remaining 17 contracts are not renewable) and 1 contract which expired in FYE 2022 (which are in the process of being renewed).

Separately, with regards to the 18 contracts with tenures expiring between FYE 2023 and 2025, 5 of these contracts have a remaining contract value of RM66.7 million, of which RM27.0 million to be recognised in FYE 2023, RM31.1 million to be recognised in FYE 2024 and RM8.6 million to be recognised in FYE 2025, whereas the remaining 13 contracts do not have a contract value.

However, these contracts do not have a fixed sum stipulated, but provide for the rate of compensation for services rendered by our Group. We generally bill our Clients on a monthly basis based on the service levels rendered. As such, our Group does not maintain an order book.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) our revenue will remain sustainable with an upward growth trend as set out in the IMR Report in Section 8;

(b) our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.18; and

(c) our capital resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

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

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Section 7.9, 12.10, 12.11 and 12.12;

(b) Material commitments for capital expenditure save as disclosed in Section 12.6;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.9, 9 and 12.13;

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

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

    (ii) interruption to business and operations due to COVID-19 as set out in Section 7.8 of this Prospectus; and

    (iii) business strategies and prospects as set out in Section 7.18 of this Prospectus.

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.9. 12.10, 12.11, 12.12.

Our Board is optimistic about the prospects of our Group given the positive outlook of the GBS industry as set out in the IMR Report in Section 8 of this Prospectus, our Group's competitive strengths set out in Section 7.16 of this Prospectus and our Group's intention to implement the business strategies as set out in Section 7.18 of this Prospectus.

12.16 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. However, it is the intention of our Board to retain adequate reserves for our future growth as well as to reward our shareholders with participation in the profits of our Group.

As we are a holding company, our ability to pay dividends will depend on the dividends or other distributions that we receive from our subsidiaries. The payment of dividend by our subsidiaries is dependent on their distributable profits, financial performance and cash flow requirements for operations and capital expenditures as well as other factors.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, when recommending the actual dividends for approval by shareholders or when declaring any interim dividend, our Board will also consider, among others:

(a) the level of our cash, gearing, return on equity and retain profits;

(b) our expected financial performance;

(c) our working capital requirement;

(d) our projected levels of expenditure and other investment plans;

(e) any restrictive covenants contained in our future financing arrangements; and

(f) any material impact of tax laws and other regulatory requirements.

There is no dividend restriction imposed on our subsidiaries as at LPD.

During FYE 2019 to 2022 and up to LPD, we declared and paid the following dividends:

	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**	**1 January 2023 up to LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Dividend declared	1,300	2,000	600	8,000	-
Dividends paid	1,300	2,000	600	8,000	-

The dividends declared and paid in FYE 2019 to FYE 2022 were funded via internally generated funds. We do not intend to declare and pay any dividends from the LPD up to the point of our Listing.

The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividend will be paid out in the future or on timing of any dividends that are paid in the future.

Any declaration or payment of dividends in the future will be at the discretion of our Board. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

12.17 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(a) Based on the latest unaudited financial information as at 30 April 2023; and

(b) After adjusting for the effects of Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds.

		I	II	III
	As at 30 April 2023	**After the Acquisitions**	**After I, Public Issue and Offer for Sale**	**After II and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Indebtedness				
Current				
Unsecured and unguaranteed:				
Lease liabilities	1,801	1,801	1,801	1,801
Non-current				
Unsecured and unguaranteed:				
Lease liabilities	8,657	8,657	8,657	8,657
Total indebtedness	**10,458**	**10,458**	**10,458**	**10,458**
Capitalisation				
Invested equity	2,000	-	-	-
Share capital	-	20,143	53,263	52,389
Total capitalisation	**2,000**	**20,143**	**53,263**	**52,389**
Total capitalisation and indebtedness	**12,458**	**30,601**	**63,721**	**62,847**
Gearing ratio [1] (times)	**5.2**	**0.5**	**0.2**	**0.2**

Note:

[1] Gearing ratio is calculated based on total indebtedness divided by total capitalisation.

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07 JUN 2023

The Board of Directors
Daythree Digital Berhad
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Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs/Madam,

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

Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (the "Group"), which comprise of the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 of the Group, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 7 to 90.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the combined financial positions of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

DAYTHREE DIGITAL BERHAD
(Incorporated in Malaysia)

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

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

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

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

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

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

DAYTHREE DIGITAL BERHAD
(Incorporated in Malaysia)

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

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

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

bakertilly

DAYTHREE DIGITAL BERHAD
(Incorporated in Malaysia)

Other Matter

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

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

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

Kuala Lumpur

Date: 0 7 JUN 2023

DAYTHREE DIGITAL BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **PAUL RAYMOND RAJ A/L DAVADASS** and **SYED IZMI BIN SYED KAMARUL BAHRIN**, being two of the directors of DAYTHREE DIGITAL BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and of its financial performance and cash flows for the financial years then ended.

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

……………………………………………………

PAUL RAYMOND RAJ A/L DAVADASS
Director

……………………………………………………

SYED IZMI BIN SYED KAMARUL BAHRIN
Director

Kuala Lumpur

Date: 07 JUN 2023

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DAYTHREE DIGITAL BERHAD
Accountants' Report

STATUTORY DECLARATION

I, **CALLIE TAN POH CHOO**, being the officer primarily responsible for the financial management of DAYTHREE DIGITAL BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying combined 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.

……………………………………
CALLIE TAN POH CHOO
(MIA Membership No: 43818)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on
0 7 JUN 2023

Before me,

PESURUHJAYA SUMPAH
W 761
HADINUR MOHD SYARIF
16.01.2022 - 31.12.2024
MALAYSIA

……………………………………
Commissioner for Oaths

CHAMBERS TWENTY - FIVE
NO 25, JALAN TUNKU, BUKIT TUNKU
50480 KUALA LUMPUR

DAYTHREE DIGITAL BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
		As at 31 December			
ASSETS					
Non-current assets					
Plant and equipment	**5**	3,452	3,321	3,973	5,147
Right-of-use assets	**6**	5,268	6,817	7,484	7,727
Goodwill	**7**	-	-	-	-
Total non-current assets		**8,720**	**10,138**	**11,457**	**12,874**
Current assets					
Trade and other receivables	**8**	7,360	6,518	9,757	15,456
Contract assets	**9**	5,419	4,509	6,621	6,202
Cash and short-term deposits	**10**	2,198	8,763	11,862	11,582
Total current assets		**14,977**	**19,790**	**28,240**	**33,240**
TOTAL ASSETS		**23,697**	**29,928**	**39,697**	**46,114**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	**11**	2,000	2,000	2,000	2,000
Exchange reserve	**12**	-	-	(1)	1
Retained earnings		13,548	17,197	26,227	24,474
TOTAL EQUITY		**15,548**	**19,197**	**28,226**	**26,475**
Non-current liability					
Borrowings	**13**	4,937	6,334	6,789	6,818
Total non-current liability		**4,937**	**6,334**	**6,789**	**6,818**
Current liabilities					
Borrowings	**13**	587	918	1,267	5,522
Current tax liabilities		-	-	19	2,266
Trade and other payables	**14**	2,344	3,479	3,396	4,487
Contract liabilities	**9**	281	-	-	546
Total current liabilities		**3,212**	**4,397**	**4,682**	**12,821**
TOTAL LIABILITIES		**8,149**	**10,731**	**11,471**	**19,639**
TOTAL EQUITY AND LIABILITIES		**23,697**	**29,928**	**39,697**	**46,114**

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

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	15	37,463	47,713	58,133	65,105
Cost of sales		(29,832)	(37,825)	(42,970)	(48,704)
Gross profit		**7,631**	**9,888**	**15,163**	**16,401**
Other income	16	85	135	149	210
Administrative expenses		(3,638)	(3,966)	(5,090)	(7,541)
Other operating expenses		(10)	(41)	(181)	(164)
Operating profit		**4,068**	**6,016**	**10,041**	**8,906**
Finance cost	17	(230)	(367)	(370)	(361)
Profit before tax	18	**3,838**	**5,649**	**9,671**	**8,545**
Income tax expense	20	-	-	(41)	(2,298)
Profit for the financial year		**3,838**	**5,649**	**9,630**	**6,247**
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		-	-	(1)	2
Other comprehensive (loss)/income for the financial year		-	-	(1)	2
Total comprehensive income for the financial year		**3,838**	**5,649**	**9,629**	**6,249**
Profit attributable to:					
Owners of the Group		3,838	5,649	9,630	6,247
Non-controlling interests		-	-	-	-
		3,838	**5,649**	**9,630**	**6,247**
Total comprehensive income attributable to:					
Owners of the Group		3,838	5,649	9,629	6,249
Non-controlling interests		-	-	-	-
		3,838	**5,649**	**9,629**	**6,249**
Earnings per share (RM)					
- Basic and diluted	21	1.92	2.82	4.82	3.12

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

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Group			
	Note	Invested equity RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019		**2,000**	**-**	**11,010**	**13,010**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	3,838	3,838
Transactions with owners					
Effect of shares of combining entity	**11**	*	-	-	*
Dividends paid on shares	**22**	-	-	(1,300)	(1,300)
Total transactions with owners		*	-	(1,300)	(1,300)
At 31 December 2019		**2,000**	**-**	**13,548**	**15,548**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	5,649	5,649
Transaction with owners					
Dividends paid on shares	**22**	-	-	(2,000)	(2,000)
At 31 December 2020		**2,000**	**-**	**17,197**	**19,197**
Total comprehensive (loss)/income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	9,630	9,630
Exchange differences on translation of foreign operation		-	(1)	-	(1)
Total comprehensive (loss)/income		-	(1)	9,630	9,629
Transactions with owners					
Reorganisation reserve	**11**	(*)	-	-	(*)
Dividends paid on shares	**22**	-	-	(600)	(600)
Total transactions with owners		(*)	-	(600)	(600)
At 31 December 2021		**2,000**	**(1)**	**26,227**	**28,226**

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Group			
	Note	Invested equity RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022		**2,000**	**(1)**	**26,227**	**28,226**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,247	6,247
Exchange differences on translation of foreign operation		-	2	-	2
Total comprehensive income		-	2	6,247	6,249
Transactions with owners					
Shares issued upon incorporation	**11**	*	-	-	*
Dividends paid on shares	**22**	-	-	(8,000)	(8,000)
Total transactions with owners		*	-	(8,000)	(8,000)
At 31 December 2022		**2,000**	**1**	**24,474**	**26,475**

* *Less than RM1,000*

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

COMBINED STATEMENTS OF CASH FLOWS

		FYE 31 December			
		2019	**2020**	**2021**	**2022**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
Profit before tax		3,838	5,649	9,671	8,545
Adjustments for:					
Bad debts written off		-	41	113	2
Depreciation of:					
- Plant and equipment		335	470	701	753
- Right-of-use assets		657	1,015	1,197	1,366
Unrealised gain on foreign exchange		-	(6)	-	(3)
Impairment loss on goodwill		-	-	46	-
Finance cost		230	367	370	361
Finance income		(68)	(129)	(114)	(195)
Operating profit before changes in working capital		**4,992**	**7,407**	**11,984**	**10,829**
Changes in working capital:					
Trade and other receivables		(179)	826	(3,441)	(5,705)
Contract assets		384	910	(2,112)	419
Trade and other payables		(2,763)	1,128	(111)	1,088
Contract liabilities		281	(281)	-	546
Net cash generated from operations		**2,715**	**9,990**	**6,320**	**7,177**
Income tax paid		-	-	(22)	(51)
Net cash from operating activities		**2,715**	**9,990**	**6,298**	**7,126**
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	**1(a)(i)**	-	-	23	-
Purchase of plant and equipment	**5**	(1,670)	(339)	(1,353)	(1,927)
Change in pledged deposits		-	-	(4,407)	955
Interest received		68	129	114	195
Net cash used in investing activities		**(1,602)**	**(210)**	**(5,623)**	**(777)**

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cash flows from financing activities	**(a)**				
Proceeds from issuance of ordinary shares		-	-	-	*
Proceeds from issuance of ordinary shares of combining entity		*	-	-	-
Drawdown of trade finance		-	-	-	4,000
Payment of lease liabilities		(514)	(836)	(1,060)	(1,325)
Net changes in amount owing by holding company		(10)	(15)	32	-
Net changes in amount owing by a related party		(10)	(10)	-	-
Net changes in amount owing by/to a director		(10)	7	15	7
Dividend paid		(1,300)	(2,000)	(600)	(8,000)
Interest paid		(230)	(367)	(370)	(361)
Net cash used in financing activities		**(2,074)**	**(3,221)**	**(1,983)**	**(5,679)**
Net (decrease)/increase in cash and cash equivalents		**(961)**	**6,559**	**(1,308)**	**670**
Cash and cash equivalents at the beginning of the financial year		3,159	2,198	8,763	7,455
Effects of exchange rate changes		-	6	*	5
Cash and cash equivalents at the end of the financial year	**10**	**2,198**	**8,763**	**7,455**	**8,130**

* *Less than RM1,000*

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

	1.1.2019 RM'000	Cash flows RM'000	Non-cash Others RM'000	31.12.2019 RM'000
Lease liabilities	3,798	(514)	2,240	5,524
Amount owing to a director	12	(10)	-	2
Amount owing by holding company	(7)	(10)	-	(17)
Amount owing by a related party	(90)	(10)	-	(100)
	3,713	(544)	2,240	5,409

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Reconciliation of changes in liabilities arising from financing activities are as follows: (continued)

	1.1.2020 RM'000	Cash flows RM'000	Non-cash Others RM'000	31.12.2020 RM'000
Lease liabilities	5,524	(836)	2,564	7,252
Amount owing to a director	2	7	-	9
Amount owing by holding company	(17)	(15)	-	(32)
Amount owing by a related party	(100)	(10)	-	(110)
	5,409	(854)	2,564	7,119

	1.1.2021 RM'000	Cash flows RM'000	Non-cash Others RM'000	31.12.2021 RM'000
Lease liabilities	7,252	(1,060)	1,864	8,056
Amounts owing to/(by) a director	9	15	(31)	(7)
Amount owing by holding company	(32)	32	-	-
Amount owing by a related party	(110)	-	110	-
	7,119	(1,013)	1,943	8,049

	1.1.2022 RM'000	Cash flows RM'000	Non-cash Others RM'000	31.12.2022 RM'000
Lease liabilities	8,056	(1,325)	1,609	8,340
Trade finance	-	4,000	-	4,000
Amounts owing to/(by) a director	(7)	7	-	-
	8,049	2,682	1,609	12,340

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases as a lessee:

	Note	FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Included in net cash from operating activities:					
Payments relating to short-term leases	**18**	481	50	227	127
Payments relating to leases of low-value assets	**18**	34	41	111	312
Included in net cash used in financing activities:					
Payments of lease liabilities		514	836	1,060	1,325
Interest expense of lease liabilities	**17**	230	367	370	361
Total cash outflows for leases		**1,259**	**1,294**	**1,768**	**2,125**

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Daythree Digital Berhad ("Daythree" or the "Company") was incorporated on 11 August 2022 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 28 September 2022. The registered office of the Company is located at 5-9A, the Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Level 8, Tower 7, UOA Business Park, No. 1, Jalan Pengaturcara U1/51A, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The details of the operating entities for the purposes of the listing on the ACE Market of Bursa Malaysia Securities Berhad are as follows:

Operating entities	Principal place of business/ country of incorporation	Principal activities
Daythree Business Services Sdn. Bhd. ("Daythree Services")	Malaysia	Engaged in the business of operating a global business services ("GBS") centre; rendering business process, information technology and knowledge process outsourcing services; and the provision of related services
Daythree Business Services Pte. Ltd. ("Daythree Services SG")	Singapore	Dormant. Intended for the provision of GBS services
Daythree Business Solutions Sdn. Bhd. ("Daythree Solutions")	Malaysia	Dormant. Intended for the provision of design of digital and process automation software and solutions and the provision of related services including Artificial Intelligence, Robotic process automation and Big Data

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

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 June 2023.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(a) Increase in equity interests by Daythree Services

(i) Acquisition of Daythree Services SG

FYE 31 December 2021

On 12 October 2021, Daythree Services acquired the entire equity interest, representing 10 ordinary shares in Daythree Services SG for a total purchase consideration of RM10.

(a) The fair value and the carrying amounts of the identifiable assets and liabilities of Daythree Services SG as at the date of acquisition were as follows:

	RM'000
Assets	
Bank balances	23
Other receivables	46
	69
Liabilities	
Other payable and accruals	(115)
Total identifiable net liabilities acquired	(46)
Goodwill arising on acquisition (Note 7)	46
Fair value of consideration transferred	*

(b) Effect of the acquisition on cash flows:

	RM'000
Consideration paid in cash	*
Less: Cash and cash equivalents of an operating entity acquired	(23)
Net cash inflows on acquisition	(23)

* *Less than RM1,000*

(ii) Acquisition of Daythree Solutions

FYE 31 December 2021

On 15 November 2021, Daythree Services acquired the entire equity interest, representing 2 ordinary shares in Daythree Solutions for a total purchase consideration of RM2.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

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

Entities Under Common Control	FYE 31 December			
	2019	2020	2021	2022
Daythree Digital Berhad	+	+	+	√, ^
Daythree Services	√, $	√, ^	√, ^	√, ^
Daythree Services SG	@	@	@	@
Daythree Solutions	√, #	√, #	√, ^	√, ^

\+ *No financial statements were available for Daythree Digital Berhad as the Company was incorporated on 11 August 2022.*

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

$ *The combined financial statements of the Group for the FYE 31 December 2019 have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

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

@ *Daythree Services SG was acquired on 12 October 2021, the combined financial statements of the Company for the FYE 31 December 2021 and 31 December 2022 have been prepared based on the unaudited financial statements for the purpose of inclusion into the combined financial statements of the Group.*

\# *Daythree Solutions was incorporated on 11 July 2019, the combined financial statements of the Company for the FYE 31 December 2019 and FYE 31 December 2020 have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

2.1 Statement of compliance

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

2.2 Changes in accounting policies

The Group has adopted MFRS 16 *Leases* which is effective for annual periods beginning on after 1 January 2019 and Amendment to MFRS 16 *Leases* which is effective for annual periods beginning on or after 5 June 2020 or/and 6 April 2021.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) MFRS 16 *Leases*

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

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

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

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

Definition of a lease

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) MFRS 16 *Leases* (continued)

Impact of the adoption of MFRS 16

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

(i) Classification and measurement

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

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

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

For leases that were classified as operating lease under MFRS 117

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) MFRS 16 *Leases* (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as operating lease under MFRS 117 (continued)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117.

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

For leases that were classified as finance lease under MFRS 117

The Group had recognised the carrying amounts of the right-of-use assets and the lease liability at 1 January 2019 which determined at the carrying amount of the lease asset and finance lease liability under MFRS 117 immediately before the date of initial application.

For those leases, the Group accounts for the right-of-use assets and the lease liability applying this standard from the date of initial application.

(ii) Short-term lease and low value assets

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) MFRS 16 *Leases* (continued)

Impact of the adoption of MFRS 16 (continued)

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

	Carrying amount as at 31 December 2018 RM'000	Remeasurement RM'000	MFRS 16 carrying amount at 1 January 2019 RM'000
Right-of-use assets	-	3,685	3,685
Retained earnings	(11,123)	113	(11,010)
Lease liabilities	-	(3,798)	(3,798)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	Group RM'000
Operating lease commitments at 31 December 2018	1,182
Discounted operating lease commitments using the incremental borrowing rates as at 1 January 2019	1,131
Extension options reasonably certain to be exercised	2,667
Lease liabilities recognised at 1 January 2019	3,798

(b) Amendment to MFRS 16 Leases

The Group has early adopted the amendments to MFRS 16 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus Disease ("COVID-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The Group elected the practical expedient not to assess whether a rent concession received from landlord is a lease modification. The change in above accounting policy does not have any significant impact on the financial statements of the Group.

NOTES TO THE COMBINED 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 has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operation	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
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#/ 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
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	January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Consequential amendments as a result of MFRS 17 Insurance Contracts

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

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.

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.

NOTES TO THE COMBINED 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 plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 101 Presentation of Financial Statements (continued)

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.

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.

NOTES TO THE COMBINED 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)

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

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of combination

The combined financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the combined 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 combined 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 merger method of accounting.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(a) Subsidiaries and business combination (continued)

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

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.

The accounting policy for goodwill is set out in Note 3.6.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(a) Subsidiaries and business combination (continued)

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 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.

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 a 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 subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the combined statements 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(c) Transactions eliminated on consolidation

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

3.2 Foreign currency transactions and operations

(a) 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 the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operations (continued)

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non- controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.3 Financial instruments

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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 FVPL.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

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

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

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

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

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

Debt instruments (continued)

- **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 the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

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

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

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:
- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition

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

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined 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.

3.4 Plant and equipment

(a) Recognition and measurement

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

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

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

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

(b) Subsequent costs

The cost of replacing a part of an item of 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment (continued)

(c) Depreciation

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

	Useful lives (years)
Computer and software	5
Furniture and fittings	6.67
Office equipment	6.67
Renovation	5 - 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 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.

3.5 Leases

(a) Definition of a 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 the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(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 and lease liabilities as separate lines in the combined statements of financial position.

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 adjusted 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 depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

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 its 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

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 makes 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 "administrative expenses" in the combined statements of comprehensive income.

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 straight-line 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

3.7 Contract assets/(liabilities)

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

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers.

3.8 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, 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 change of value.

3.9 Impairment of assets

(a) Impairment of financial assets and contract assets

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

The Group measures loss allowance at an amount equal to lifetime expected credit 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 *Financial Instruments* 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 losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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

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

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

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

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

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

The amount of 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 combined statements of financial position.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated at each reporting date.

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"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or 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 exceed its recoverable amount, the carrying amount of 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 or groups of units on a pro-rata basis.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Share capital

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

3.11 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund, 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Provisions

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

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

3.13 Revenue and other income

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

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group measures revenue from sale of good or services at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

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 stand-alone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

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

<u>Financing components</u>
The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Shared services and outsourcing businesses

Revenue from shared services and outsourcing businesses are recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

(b) Interest income

Interest income is recognised using the effective interest method.

3.14 Government grants

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

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

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a 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.

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

3.16 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 amounts in the combined 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, unused 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

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

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(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 combined statements of financial position.

3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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 Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair value measurements

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

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

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

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

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

3.20 Contingencies

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of combined 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 combined 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 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 combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Determination of lease term

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

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

The carrying amounts of the Group's lease liabilities are disclosed in Note 13.

(b) Impairment of financial assets and contract assets

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

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

The information about the impairment losses on the Group's financial assets and contract assets are disclosed in Note 23(b).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PLANT AND EQUIPMENT

	Note	Computer and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Construction in progress RM'000	Total RM'000
Cost							
At 1 January 2019		799	77	345	45	1,135	2,401
Additions		383	36	139	-	1,112	1,670
Reclassification		-	-	-	1,135	(1,135)	-
At 31 December 2019		1,182	113	484	1,180	1,112	4,071
Accumulated depreciation							
At 1 January 2019		181	18	73	12	-	284
Depreciation charge for the financial year	**18**	180	13	62	80	-	335
At 31 December 2019		361	31	135	92	-	619
Carrying amount							
At 1 January 2019		618	59	272	33	1,135	2,117
At 31 December 2019		821	82	349	1,088	1,112	3,452

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PLANT AND EQUIPMENT (CONTINUED)

	Note	Computer and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Construction in progress RM'000	Total RM'000
Cost							
At 1 January 2020		1,182	113	484	1,180	1,112	4,071
Additions		168	22	26	-	123	339
At 31 December 2020		1,350	135	510	1,180	1,235	4,410
Accumulated depreciation							
At 1 January 2020		361	31	135	92	-	619
Depreciation charge for the financial year	**18**	257	20	73	120	-	470
At 31 December 2020		618	51	208	212	-	1,089
Carrying amount							
At 1 January 2020		821	82	349	1,088	1,112	3,452
At 31 December 2020		732	84	302	968	1,235	3,321

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PLANT AND EQUIPMENT (CONTINUED)

	Note	Computer and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Construction in progress RM'000	Total RM'000
Cost							
At 1 January 2021		1,350	135	510	1,180	1,235	4,410
Additions		268	6	261	818	-	1,353
Reclassification		-	-	-	1,235	(1,235)	-
At 31 December 2021		1,618	141	771	3,233	-	5,763
Accumulated depreciation							
At 1 January 2021		618	51	208	212	-	1,089
Depreciation charge for the financial year	**18**	282	21	98	300	-	701
At 31 December 2021		900	72	306	512	-	1,790
Carrying amount							
At 1 January 2021		732	84	302	968	1,235	3,321
At 31 December 2021		718	69	465	2,721	-	3,973

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PLANT AND EQUIPMENT (CONTINUED)

	Note	Computer and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Construction in progress RM'000	Total RM'000
Cost							
At 1 January 2022		1,618	141	771	3,233	-	5,763
Additions		182	87	61	119	1,478	1,927
At 31 December 2022		1,800	228	832	3,352	1,478	7,690
Accumulated depreciation							
At 1 January 2022		900	72	306	512	-	1,790
Depreciation charge for the financial year	**18**	269	24	114	346	-	753
At 31 December 2022		1,169	96	420	858	-	2,543
Carrying amount							
At 1 January 2022		718	69	465	2,721	-	3,973
At 31 December 2022		631	132	412	2,494	1,478	5,147

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS

Information about leases for which the Group is a lessee are presented below:

		As at 31 December			
		2019	**2020**	**2021**	**2022**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Buildings					
Cost					
At 1 January		4,189	6,379	8,794	10,658
Additions		2,240	2,564	1,864	1,377
Adjustment due to lease modification		-	-	-	(655)
Derecognition*		(50)	(149)	-	-
At 31 December		6,379	8,794	10,658	11,380
Accumulated depreciation					
At 1 January		504	1,111	1,977	3,174
Depreciation charge for the financial year	**18**	657	1,015	1,197	1,366
Adjustment due to lease modification		-	-	-	(887)
Derecognition*		(50)	(149)	-	-
At 31 December		1,111	1,977	3,174	3,653
Carrying amount					
At 31 December		5,268	6,817	7,484	7,727

* Derecognition of the right-of-use assets during the financial year was a result of termination of certain leases.

The Group leases buildings for its operation. The leases for the buildings have lease terms of 2 to 9 years.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. GOODWILL

	As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cost				
At beginning of the financial year	-	-	-	46
Additions	-	-	46	-
At end of the financial year	-	-	46	46
Less: Accumulated impairment losses				
At beginning of the financial year	-	-	-	(46)
Impairment loss	-	-	(46)	-
At end of the financial year	-	-	(46)	(46)
Carrying amount				
At end of the financial year	-	-	-	-

During the financial year 31 December 2021, the Group recognised an impairment loss of RM46,154 in respect of the goodwill arising from consolidation. The goodwill relates to an operating entity which is dormant.

8. TRADE AND OTHER RECEIVABLES

		As at 31 December			
	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Trade					
Trade receivables	**(a)**	6,091	4,515	8,732	13,469
Non-trade					
Other receivables		115	342	7	9
Government grant receivable		-	-	-	180
Amount owing by holding company	**(b)**	17	32	-	-
Amount owing by a director	**(b)**	-	-	7	-
Amount owing by a related party	**(b)**	100	110	-	-
Deposits		508	1,372	659	861
Prepayments		529	147	352	937
		1,269	2,003	1,025	1,987
Total trade and other receivables		7,360	6,518	9,757	15,456

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 60 days to 90 days (2021, 2020 and 2019: 60 days to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

(b) Amount owing by holding company, a director and a related party

Amount owing by holding company, a director and a related party are non-trade in nature, unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

The information about the credit exposures are disclosed in Note 23(b)(i).

9. CONTRACT ASSETS/(LIABILITIES)

	As at 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Contract assets relating to rendering of services	5,419	4,509	6,621	6,202
Contract liabilities relating to rendering of services	(281)	-	-	(546)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Significant changes in contract balances

	FYE 31 December							
	2019		2020		2021		2022	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	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 liabilities at the beginning of the financial year	-	-	-	281	-	-	-	-
Increase due to value of services billed in advance to customer, but revenue not recognised	-	(281)	-	-	-	-	-	(546)
Increase due to revenue recognised for unbilled services transferred to customers	5,419	-	4,509	-	6,621	-	6,202	-
Transfer from contract assets recognised at the beginning of the financial year to receivables	(5,803)	-	(5,419)	-	(4,509)	-	(6,621)	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Revenue recognised in relation to contract balances

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	281	-	-

10. CASH AND SHORT-TERM DEPOSITS

	As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cash in hand	*	*	*	*
Cash at bank	198	2,792	1,520	7,095
Short-term deposits	2,000	5,971	10,342	4,487
	2,198	8,763	11,862	11,582

* *Less than RM1,000*

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

	As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Short-term deposits	2,000	5,971	10,342	4,487
Less: Pledged deposits	-	-	(4,407)	(3,452)
	2,000	5,971	5,935	1,035
Cash and bank balances	198	2,792	1,520	7,095
	2,198	8,763	7,455	8,130

Included in the deposits placed with licensed banks of the Group, RM3,451,922 (2021: RM4,407,475, 2020 and 2019: RM Nil) is pledged for credit facilities granted to the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. INVESTED EQUITY

	Number of ordinary shares				Amount			
	2019 Unit'000	2020 Unit'000	2021 Unit'000	2022 Unit'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Issued and fully paid-up (no par value):								
At beginning of the financial year	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shares issued upon incorporation	-	-	-	*	-	-	-	*
Effect of shares of combining entity	*	-	-	-	*	-	-	-
Adjustment pursuant to merger accounting	-	-	(*)	-	-	-	(*)	-
At end of the financial year	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

* *Less than RM1,000*

For the purpose of this report, the invested equity as at 31 December 2019 and 31 December 2020 represent the aggregate number of issued shares of all combining entities within the Group. The invested equity as at 31 December 2021 and 31 December 2022 represent the share capital of Daythree and Daythree Services, which the share capital of Daythree Solutions had been eliminated against the investment in subsidiary of Daythree Services.

The Company issued 3 ordinary shares at RM1 per ordinary share on the date of incorporation for a total cash consideration of RM3.

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. EXCHANGE RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

13. BORROWINGS

		As at 31 December			
		2019	2020	2021	2022
	Note	RM'000	RM'000	RM'000	RM'000
Non-current:					
Lease liabilities	(a)	4,937	6,334	6,789	6,818
		4,937	6,334	6,789	6,818
Current:					
Lease liabilities	(a)	587	918	1,267	1,522
Trade finance	(b)	-	-	-	4,000
		587	918	1,267	5,522
Total borrowings:					
Lease liabilities	(a)	5,524	7,252	8,056	8,340
Trade finance	(b)	-	-	-	4,000
		5,524	7,252	8,056	12,340

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. BORROWINGS (CONTINUED)

(a) Lease liabilities

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

	As at 31 December			
	2019 **RM'000**	**2020** **RM'000**	**2021** **RM'000**	**2022** **RM'000**
Minimum lease payments:				
- Not later than one year	844	1,248	1,611	1,890
- Later than one year and not later than five years	3,482	4,884	6,224	6,358
- Later than five years	2,325	2,434	1,388	1,139
	6,651	8,566	9,223	9,387
Less: Future finance charges	(1,127)	(1,314)	(1,167)	(1,047)
Present value of minimum lease payments	5,524	7,252	8,056	8,340
Present value of minimum lease payment:				
- Not later than one year	587	918	1,267	1,522
- Later than one year and not later than five years	2,772	4,039	5,457	5,709
- Later than five years	2,165	2,295	1,332	1,109
	5,524	7,252	8,056	8,340
Less: Amount due within twelve months	(587)	(918)	(1,267)	(1,522)
Amount due after twelve months	4,937	6,334	6,789	6,818

(b) Trade finance

The trade finance of the Group bears interest at base lending rate minus 1.00% per annum and is secured and supported as follows:
(i) Legal charge over the fixed deposits as disclosed in Note 10;
(ii) Corporate guarantee by the holding company; and
(iii) Personal guarantee by a director of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER PAYABLES

	Note	As at 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Trade					
Trade payables	**(a)**	57	66	83	360
Non-trade					
Other payables		402	115	97	559
Amount owing to a director	**(b)**	2	9	-	-
Deposit		-	-	351	-
Accruals		1,270	2,310	1,621	2,140
Sales and services tax payable		613	979	1,244	1,428
		2,287	3,413	3,313	4,127
Total trade and other payables		2,344	3,479	3,396	4,487

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group is 60 days (2021, 2020 and 2019: 60 days).

(b) Amount owing to a director

Amount owing to a director is non-trade in nature, unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanation on the Group's liquidity risk management processes, refer to Note 23(b)(ii).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. REVENUE

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue from contract customers:				
Over time:				
Shared services and outsourcing businesses	37,463	47,713	58,133	65,105

16. OTHER INCOME

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest income	68	129	114	195
Realised gain on foreign exchange	17	-	-	4
Unrealised gain on foreign exchange	-	6	-	3
Others	-	-	35	8
	85	135	149	210

17. FINANCE COST

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest expense on:				
- Lease liabilities	230	367	370	361

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

18. PROFIT BEFORE TAX

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	Note	FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Auditors' remuneration					
- current year		23	33	33	55
- prior years		4	(13)	-	3
Depreciation of:					
- Plant and equipment	**5**	335	470	701	753
- Right-of-use assets	**6**	657	1,015	1,197	1,366
Employee benefits expense	**19**	30,273	37,962	42,895	49,072
Expenses relating to short-term lease		481	50	227	127
Expenses relating to lease of low value assets		34	41	111	312
Realised loss on foreign exchange		-	3	4	-
Bad debts written off		-	41	113	2
Impairment loss on goodwill		-	-	46	-

19. EMPLOYEE BENEFITS EXPENSE

	FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Salaries, allowances and bonuses	26,663	33,299	37,567	42,887
Defined contribution plans	3,163	4,088	4,677	5,431
Other staff related benefits	447	575	651	754
	30,273	37,962	42,895	49,072

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

	FYE 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Directors of the Company				
Executive Director:				
Salaries and other emoluments	460	422	506	493
Defined contribution plans	55	50	61	59
	515	472	567	552
Non-executive Director:				
Fees	25	26	29	40
Total directors' remuneration	540	498	596	592

20. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	FYE 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Combined statements of comprehensive income				
Current income tax:				
- Current income tax charge	-	-	19	2,290
- Adjustment in respect of prior year	-	-	22	8
	-	-	41	2,298

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

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below and annual sales less than RM50,000,000 (2021 and 2020: RM50,000,000 and 2019: Nil) is subject to the statutory income tax rate of 17% (2021, 2020 and 2019: 17%) on chargeable income up to RM600,000 (2021 and 2020: RM600,000 and 2019: RM500,000). For chargeable income in excess of RM600,000 (2021 and 2020: RM600,000 and 2019: RM500,000), statutory income tax rate of 24% is still applicable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expenses are as follows:

	FYE 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Profit before tax	3,838	5,649	9,671	8,545
Tax at Malaysian statutory income tax rate of 24%	921	1,356	2,321	2,051
SME tax savings	(5)	(42)	(8)	-
Adjustments:				
- Income not subject to tax	(945)	(1,358)	(2,423)	(174)
- Non-deductible expenses	29	44	129	362
- Adjustment in respect of current income tax of prior year	-	-	22	8
- Deferred tax assets not recognised on previously unrecognised temporary differences	-	-	-	51
Income tax expense	-	-	41	2,298

The Group had been granted Malaysia Digital ("MD") status (*formerly known as Multimedia Super Corridor status*) by Multimedia Development Corporation Sdn. Bhd. By virtue of the MD status, the Group has been granted pioneer status and the business income is exempted from income tax up to 15 February 2022. The Group has subsequently applied for extension of the pioneer status for the second 5 years tax exemption (from 16 February 2022 to 15 February 2027). The application is still pending for approval up to the date of the report.

<u>Unrecognised deferred tax assets</u>
Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	FYE 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Property, plant and equipment	-	-	(31)	183

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial years attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Profit attributable to owners of the Group	3,838	5,649	9,630	6,247
Weighted average number of ordinary shares for basic and diluted earnings per share ^	2,000	2,000	2,000	2,000
Basic and diluted earnings per share (RM)	1.92	2.82	4.82	3.12

^ For the purpose of calculating the earnings per ordinary share for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, the weighted average number of ordinary shares is the aggregate share capital of the combining entities constituting the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. DIVIDENDS

	FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Recognised during the financial year:				
Dividends on ordinary shares:				
- Single-tier dividend of RM4.00 per ordinary share in respect of the financial year ended 31 December 2022, paid on 26 October 2022	-	-	-	4,000
- Single-tier dividend of RM4.00 per ordinary share in respect of the financial year ended 31 December 2022, paid on 26 August 2022	-	-	-	4,000
- Single-tier dividend of RM0.30 per ordinary share in respect of the financial year ended 31 December 2021, paid on 15 December 2021	-	-	600	-
- Single-tier dividend of RM1.00 per ordinary share in respect of the financial year ended 31 December 2020, paid on 21 October 2020	-	2,000	-	-
- Single-tier dividend of RM0.65 per ordinary share in respect of the financial year ended 31 December 2019, paid on 8 July 2019	1,300	-	-	-
	1,300	2,000	600	8,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Carrying amount RM'000	Amortised cost RM'000
At 31 December 2019		
Financial assets		
Trade and other receivables, less prepayments	6,831	6,831
Cash and short-term deposits	2,198	2,198
	9,029	9,029
Financial liabilities		
Lease liabilities	(5,524)	(5,524)
Trade and other payables, less sales and services tax payable	(1,731)	(1,731)
	(7,255)	(7,255)
At 31 December 2020		
Financial assets		
Trade and other receivables, less prepayments	6,371	6,371
Cash and short-term deposits	8,763	8,763
	15,134	15,134
Financial liabilities		
Lease liabilities	(7,252)	(7,252)
Trade and other payables, less sales and services tax payable	(2,500)	(2,500)
	(9,752)	(9,752)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Carrying amount RM'000	Amortised cost RM'000
At 31 December 2021		
Financial assets		
Trade and other receivables, less prepayments	9,405	9,405
Cash and short-term deposits	11,862	11,862
	21,267	21,267
Financial liabilities		
Lease liabilities	(8,056)	(8,056)
Trade and other payables, less sales and services tax payable	(2,152)	(2,152)
	(10,208)	(10,208)
At 31 December 2022		
Financial assets		
Trade and other receivables, less prepayments	14,519	14,519
Cash and short-term deposits	11,582	11,582
	26,101	26,101
Financial liabilities		
Borrowings	(12,340)	(12,340)
Trade and other payables, less sales and services tax payable	(3,059)	(3,059)
	(15,399)	(15,399)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does 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 Group's senior management.

(i) Credit risk

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

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 the carrying amounts in the combined 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.

<u>Credit risk concentration profile</u>
At the end of the reporting periods, the Group has a significant concentration of credit risk in the form of four (4) (2021, 2020 and 2019: five (5)) trade receivables, representing approximately 80% (2021: 86%, 2020: 89% and 2019: 77%) of the Group's total trade receivables.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

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

		Trade receivables					
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	> 90 days past due RM'000	Total RM'000
At 31 December 2019							
Gross carrying amount at default	5,419	4,879	872	56	-	284	6,091
Impairment losses	-	-	-	-	-	-	-
Net balance	5,419	4,879	872	56	-	284	6,091

DAYTHREE DIGITAL BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables					
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	> 90 days past due RM'000	Total RM'000
At 31 December 2020							
Gross carrying amount at default	4,509	3,774	240	217	73	211	4,515
Impairment losses	-	-	-	-	-	-	-
Net balance	4,509	3,774	240	217	73	211	4,515

DAYTHREE DIGITAL BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables					
	Contract assets RM'000	**Current RM'000**	**1 to 30 days past due RM'000**	**31 to 60 days past due RM'000**	**61 to 90 days past due RM'000**	**> 90 days past due RM'000**	**Total RM'000**
At 31 December 2021							
Gross carrying amount at default	6,621	8,178	323	225	-	6	8,732
Impairment losses	-	-	-	-	-	-	-
Net balance	6,621	8,178	323	225	-	6	8,732

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables					
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	> 90 days past due RM'000	Total RM'000
At 31 December 2022							
Gross carrying amount at default	6,202	10,314	1,619	1,308	138	90	13,469
Impairment losses	-	-	-	-	-	-	-
Net balance	6,202	10,314	1,619	1,308	138	90	13,469

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. 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 minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

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

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than credit terms in making a contractual payment.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Refer to Note 3.9(a) for the Group's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

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

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

<u>Maturity analysis</u>
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		← Contractual cash flows →			
	Carrying amount RM'000	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
At 31 December 2019					
Trade and other payables, less sales and services tax payable	1,731	1,731	-	-	1,731
Lease liabilities	5,524	844	3,482	2,325	6,651
	7,255	2,575	3,482	2,325	8,382

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (continued)

		← Contractual cash flows →			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2020					
Trade and other payables, less sales and services tax payable	2,500	2,500	-	-	2,500
Lease liabilities	7,252	1,248	4,884	2,434	8,566
	9,752	3,748	4,884	2,434	11,066
At 31 December 2021					
Trade and other payables, less sales and services tax payable	2,152	2,152	-	-	2,152
Lease liabilities	8,056	1,611	6,224	1,388	9,223
	10,208	3,763	6,224	1,388	11,375
At 31 December 2022					
Trade and other payables, less sales and services tax payable	3,059	3,059	-	-	3,059
Trade finance	4,000	4,000	-	-	4,000
Lease liabilities	8,340	1,890	6,358	1,139	9,387
	15,399	8,949	6,358	1,139	16,446

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

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

The foreign currencies in which these transactions are denominated are United States Dollar ("USD") and Singapore Dollar ("SGD").

The Group's unhedged financial assets that are not denominated in their functional currencies are as follows:

	As at 31 December			
	2019 **RM'000**	**2020** **RM'000**	**2021** **RM'000**	**2022** **RM'000**
Financial assets not held in functional currencies:				
Cash and short-term deposits				
USD	123	261	4	5
SGD	-	-	57	60
	123	261	61	65
Trade receivables				
USD	-	-	-	33
SGD	-	-	-	5
	-	-	-	38

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure relates mainly to USD and SGD.

No sensitivity analysis foreign currency risk is prepared at the end of the reporting period as the Group does not have significant exposure to foreign currency risk.

(c) Fair value measurement

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

There have been no material transfers between Level 1, Level 2 and Level 3 during the financial years.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. CAPITAL COMMITMENTS

The Group has made commitments for the following capital expenditures:

	As at 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Approved and contracted for				
- Plant and equipment	-	-	-	495

25. RELATED PARTIES

(a) Identity 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) Holding company; and
(ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

(b) Significant related party transactions

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

	FYE 31 December			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Dividend to holding company	1,300	2,000	600	4,000
Dividend to corporate shareholders	-	-	-	4,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

There is no compensation of key management personnel other than as disclosed in Note 19.

Significant outstanding balances with related parties at the end of the reporting periods are disclosed in Notes 8 and 14.

26. CAPITAL MANAGEMENT

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

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The Group's policy is to keep the gearing ratio within reasonable levels. The gearing ratio as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

		As at 31 December			
	Note	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Borrowings	**13**	5,524	7,252	8,056	12,340
Total equity		15,548	19,197	28,226	26,475
Gearing ratio (times)		0.36	0.38	0.29	0.47

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

The Group is required to maintain a gearing ratio of not more than 1.5 to comply with a bank covenant. The Group has not breached this covenant during the financial year.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS

(a) COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

The Group has performed assessments on the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

(b) Acquisition of Daythree Services

The Company had on 29 September 2022, entered into a conditional share sale agreement with Dayspring Capital Sdn. Bhd., Cloud Marshal Sdn. Bhd. and RHB Trustees Berhad to acquire the entire issued share capital of Daythree Services comprising 2,000,000 ordinary shares for a total purchase consideration of RM20,143,200. The acquisition of Daythree Services is to be wholly satisfied by the issuance of 369,599,997 new shares of the Company at an issue price of RM0.05 per share. The Acquisition of Daythree Services was completed on 9 May 2023.

(c) Acquisition of Daythree Solutions

The Company had on 27 September 2022, entered into a conditional share sale agreement with Daythree Services to acquire the entire issued share capital of Daythree Solutions comprising 2 ordinary shares for a cash consideration of RM2.00. The Acquisition of Daythree Solutions was completed on 9 May 2023.

(d) Acquisition of Daythree Services SG

The Company had on 27 September 2022, entered into a conditional share sale agreement with Daythree Services to acquire the entire issued share capital of Daythree Services SG comprising 10,000 ordinary shares for a cash consideration of SGD1.00. The Acquisition of Daythree Services SG was completed on 9 May 2023.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the Group is organised into business units based on the type of customers for its services.

The Group is organised into five (5) main reportable customer segments as follows:

(a) Energy & utilities
(b) Telecommunications & media
(c) Fintech & financial services
(d) Construction
(e) Others [1]

Note:
(1) Others consist of e-commerce & retail, healthtech and travel & hospitality.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Energy & utilities RM'000	Telecommunications & media RM'000	Fintech & financial services RM'000	Construction RM'000	Others RM'000	Total RM'000
31 December 2019						
Revenue:						
Revenue from external customers	14,623	17,592	2,202	1,891	1,155	37,463
Segment profit	**1,382**	**3,857**	**947**	**934**	**511**	**7,631**
Other income						85
Unallocated expenses						(3,648)
Finance cost						(230)
Profit for the financial year						**3,838**
Results:						
Included in the measure of segments profit are:						
Employee benefits expense						30,273
Depreciation of plant and equipment						335
Depreciation of right-of-use assets						657

DAYTHREE DIGITAL BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Energy & utilities RM'000	**Telecommunications & media RM'000**	**Fintech & financial services RM'000**	**Construction RM'000**	**Others RM'000**	**Total RM'000**
31 December 2020						
Revenue:						
Revenue from external customers	19,606	16,203	6,842	2,264	2,798	47,713
Segment profit	**4,096**	**3,818**	**1,462**	**817**	**(305)**	**9,888**
Other income						135
Unallocated expenses						(4,007)
Finance cost						(367)
Profit for the financial year						**5,649**
Results:						
Included in the measure of segments profit are:						
Employee benefits expense						37,962
Depreciation of plant and equipment						470
Depreciation of right-of-use assets						1,015
Bad debts written off						41

DAYTHREE DIGITAL BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Energy & utilities RM'000	Telecommunications & media RM'000	Fintech & financial services RM'000	Construction RM'000	Others RM'000	Total RM'000
31 December 2021						
Revenue:						
Revenue from external customers	24,471	18,568	7,906	2,475	4,713	58,133
Segment profit	**4,902**	**6,010**	**2,182**	**541**	**1,528**	**15,163**
Other income						149
Unallocated expenses						(5,271)
Finance cost						(370)
Income tax expense						(41)
Profit for the financial year						**9,630**
Results:						
Included in the measure of segments profit are:						
Employee benefits expense						42,895
Depreciation of plant and equipment						701
Depreciation of right-of-use assets						1,197
Bad debts written off						113
Impairment loss on goodwill						46

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Energy & utilities RM'000	Telecommunications & media RM'000	Fintech & financial services RM'000	Construction RM'000	Others RM'000	Total RM'000
31 December 2022						
Revenue:						
Revenue from external customers	31,840	15,236	10,003	2,474	5,552	65,105
Segment profit	**6,883**	**5,005**	**2,984**	**202**	**1,327**	**16,401**
Other income						210
Unallocated expenses						(7,705)
Finance cost						(361)
Income tax expense						(2,298)
Profit for the financial year						**6,247**
Results:						
Included in the measure of segments profit are:						
Employee benefits expense						49,072
Depreciation of plant and equipment						753
Depreciation of right-of-use assets						1,366
Bad debts written off						2

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates solely in Malaysia, hence, no geographical segment is presented.

Information about major customers

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

	2019 RM'000
Customer A	14,623
Customer B	7,925
Customer C	5,955

	2020 RM'000
Customer A	19,606
Customer B	10,581
Customer C	4,811

	2021 RM'000
Customer A	18,017
Customer B	12,792
Customer C	5,663
Customer D	6,454

	2022 RM'000
Customer A	18,882
Customer B	11,958
Customer D	12,958
Customer E	6,700

bakertilly

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07 JUN 2023

The Board of Directors
Daythree Digital Berhad
Level 8, Tower 7, UOA Business Park
No. 1, Jalan Pengaturcara U1/51A
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

DAYTHREE DIGITAL BERHAD ("Daythree" or the "Company")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of Daythree Digital Berhad ("Daythree" or the "Company") and the combining entities, namely Daythree Business Services Sdn. Bhd., Daythree Business Solutions Sdn. Bhd. and Daythree Business Services Pte. Ltd. ("Group") for which the directors of Daythree are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 December 2022 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Daythree have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma combined statements of financial position of the Group has been compiled by the directors of Daythree, for illustrative purposes only, for inclusion in the prospectus of Daythree ("Prospectus") in connection with the initial public offering of the IPO Shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of Daythree on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma combined financial position of the Group as at 31 December 2022 adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES
Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 December 2022 Included in a Prospectus

As part of this process, information about the Group's pro forma combined financial position has been extracted by the directors of Daythree from the audited combined financial statements of the Group for the Financial Year Ended ("FYE") 31 December 2022, on which a reporting accountants' report dated 7 June 2023 has been issued.

The audited combined financial statements of the Group for the FYE 31 December 2022 were reported by us to the members without any modifications.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The directors of Daythree are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the directors of Daythree based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Daythree have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES
Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 December 2022 Included in a Prospectus

Reporting Accountants' Responsibilities (Continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Daythree in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.2 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

(a) The pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 31 December 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2022; and

(b) Each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

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

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES
Reporting Accountants' Report on the Compilation of the
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as at 31 December 2022 Included in a Prospectus

Opinion

In our opinion:

(a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited financial statements of the Group for the FYE 31 December 2022 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its financial statements for the FYE 31 December 2022; and

(b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

Other matter

This report has been prepared for inclusion in the Prospectus of Daythree in connection with the IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

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

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

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. **INTRODUCTION**

The pro forma combined statements of financial position of Daythree Digital Berhad ("Daythree" or the "Company") and its combining entities, namely Daythree Business Services Sdn. Bhd. ("Daythree Services"), Daythree Business Solutions Sdn. Bhd. ("Daythree Solutions") and Daythree Business Services Pte. Ltd. ("Daythree Services SG") (hereinafter collectively referred to as the "Group") has been compiled by the directors of Daythree, for illustrative purposes only, for inclusion in the prospectus of Daythree in connection with the listing of and quotation for the entire enlarged issued share capital of RM53,263,203 comprising 480,000,000 ordinary shares in Daythree ("Shares(s)") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 In conjunction with the admission of Daythree to the Official List and Listing, Daythree had undertaken the following transactions:

1.2 **Listing Scheme**

1.2.1 **Acquisitions**

Acquisition of Daythree Services

On 29 September 2022, Daythree entered into a conditional share sale agreement to acquire the entire issued share capital of Daythree Services of RM2.00 million comprising 2,000,000 ordinary shares from Daythree Services Vendors for a total purchase consideration of approximately RM20.14 million. The said total purchase consideration was satisfied entirely by the issuance of 369,599,997 new Shares at an issue price of RM0.05 per Share.

The purchase consideration for the Acquisition of Daythree Services of approximately RM20.14 million was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Daythree Services as at 31 December 2021 of RM28.16 million, less RM8.00 million dividend declared on 29 June 2022.

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.1 **Acquisitions (Continued)**

Acquisition of Daythree Solutions

On 27 September 2022, Daythree entered into a conditional share sale agreement to acquire the entire issued share capital of Daythree Solutions of RM2.00 comprising 2 ordinary shares from Daythree Services for a total purchase consideration of RM2.00.

The purchase consideration for the Acquisition of Daythree Solutions of RM2.00 was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited net liabilities of Daythree Solutions as at 31 December 2021 of RM13,010.

Acquisition of Daythree Services SG

On 27 September 2022, Daythree entered into a conditional share sale agreement to acquire the entire issued share capital of Daythree Services SG of SGD10,000 comprising 10,000 ordinary shares from Daythree Services for a total purchase consideration of SGD1.00.

The purchase consideration for the Acquisition of Daythree Services SG of SGD1.00 was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the net liabilities of Daythree Services SG of SGD16,706 (equivalent to RM51,543 based on closing rate of approximately SGD1 : RM3.0853) as at 31 December 2021.

Upon the completion of the Acquisitions, the issued share capital of Daythree increased to approximately RM20.14 million comprising 369,600,000 Shares.

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DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

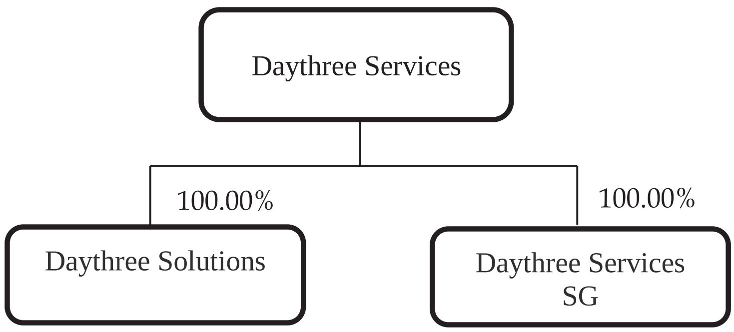
1. (Continued)

1.2 (Continued)

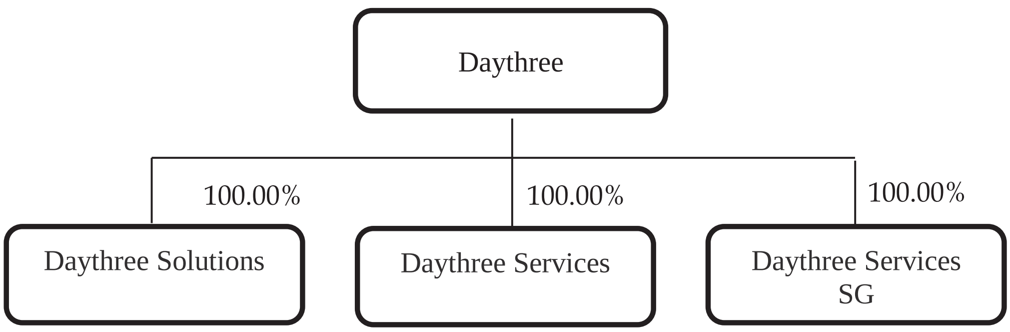
1.2.1 **Acquisitions (Continued)**

The Group structure before and after the Acquisitions are illustrated below:

<u>As at 31 December 2022</u>



<u>After the Acquisitions</u>



DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.2 **Public Issue**

The Public Issue of 110,400,000 new Daythree Shares at the Issue/Offer price of RM0.30 per Share ("IPO Price"), representing approximately 23.0% of the enlarged share capital of Daythree, will be allocated in the following manner:

(i) 24,000,000 new shares to be issued under the Public Issue ("Issue Share(s)"), representing approximately 5.0% of enlarged share capital, will be offered to the Malaysian Public by way of balloting, of which at least 50% will be set aside for Bumiputera public investors;

(ii) 12,000,000 Issue Shares, representing approximately 2.5% of enlarged share capital, will be made available for application by the eligible Directors and employees of the Group; and

(iii) 74,400,000 Issue Shares, representing approximately 15.5% of enlarged share capital, will be made available for private placement to the selected investors.

(Collectively hereinafter referred to as "Public Issue").

1.2.3 **Offer for Sale**

A total of 12,000,000 existing shares to be offered under Offer for Sale, representing 2.5% of enlarged share capital, are offered by Dayspring Capital Sdn. Bhd. to selected investors by way of private placement at IPO Price.

1.2.4 **Listing**

Upon completion of the IPO, Daythree's entire enlarged issued share capital of approximately RM53.26 million comprising 480,000,000 Shares will be listed on the ACE Market of Bursa Securities.

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2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

2.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of the Group as at 31 December 2022, adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

2.2 The pro forma combined statements of financial position have been prepared based on the audited combined financial statements of the Group for the financial year ended ("FYE") 31 December 2022.

2.3 The audited combined financial statements of the Group for the FYE 31 December 2022 were reported by the auditors to the members without any modifications.

2.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.

2.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FYE 31 December 2022, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

3.1 The pro forma combined statements of financial position of the Group as set out below, for which the directors of Daythree are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statement of financial position of the Group as at 31 December 2022, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Combined Statements of Financial Position as at 31 December 2022# RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue and the Offer for Sale RM'000	Pro Forma III After Pro Forma II and the utilisation of proceeds RM'000
ASSETS				
Non-current assets				
Plant and equipment	5,147	5,147	5,147	5,147
Right-of-use assets	7,727	7,727	7,727	7,727
Total non-current assets	**12,874**	**12,874**	**12,874**	**12,874**
Current assets				
Trade and other receivables	15,456	15,456	15,456	15,136
Contract assets	6,202	6,202	6,202	6,202
Cash and short-term deposits	11,582	11,582	44,702	42,183
Total current assets	**33,240**	**33,240**	**66,360**	**63,521**
TOTAL ASSETS	**46,114**	**46,114**	**79,234**	**76,395**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	-	20,143	53,263	52,389
Invested equity	2,000	-	-	-
Exchange reserve	1	1	1	1
Reorganisation reserve	-	(18,143)	(18,143)	(18,143)
Retained earnings	24,474	24,474	24,474	22,509
TOTAL EQUITY	**26,475**	**26,475**	**59,595**	**56,756**

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DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Combined Statements of Financial Position as at 31 December 2022# RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue and the Offer for Sale RM'000	Pro Forma III After Pro Forma II and the utilisation of proceeds RM'000
Non-current liability				
Borrowings	6,818	6,818	6,818	6,818
Total non-current liability	**6,818**	**6,818**	**6,818**	**6,818**
Current liabilities				
Borrowings	5,522	5,522	5,522	5,522
Current tax liabilities	2,266	2,266	2,266	2,266
Trade and other payables	4,487	4,487	4,487	4,487
Contract liabilities	546	546	546	546
Total current liabilities	**12,821**	**12,821**	**12,821**	**12,821**
TOTAL LIABILITIES	**19,639**	**19,639**	**19,639**	**19,639**
TOTAL EQUITY AND LIABILITIES	**46,114**	**46,114**	**79,234**	**76,395**
Number of ordinary shares assumed to be in issue ('000)	-	369,600	480,000	480,000
NA^ (RM'000)	26,475	26,475	59,595	56,756
NA per ordinary share (RM)	-	0.07	0.12	0.12

^ attributable to owners of the Group

\# *Extracted from Group's audited combined financial statements for the financial year ended 31 December 2022.*

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DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

3. **PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma combined statements of financial position are as follows:

3.2.1 The pro forma combined statements of financial position of the Group, for which the directors of Daythree are solely responsible, have been prepared for illustrative purposes only, to show the effects on the combined audited statements of financial position of the Group as at 31 December 2022, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be used in the following manner:

Purpose	RM'000	%	Estimated timeframe for utilisation
Not reflected in pro forma combined statements of financial position			
Office expansion (1)	7,100	21.4	Within 24 months
Recruit industry experts to capture growth opportunities (1)	3,020	9.1	Within 24 months
Capital expenditure in networking infrastructure, IT hardware and software (1)	3,000	9.1	Within 12 months
Branding, marketing and promotional activities (1)	1,500	4.5	Within 12 months
Working capital	14,700	44.4	Within 12 months
Reflected in pro forma combined statements of financial position			
Estimated listing expenses	3,800	11.5	Within 1 month
Gross proceeds	33,120	100.0	

(1) As at the latest practicable date, the Group has yet to enter into any contractual binding agreement or issue any purchase order in relation to the office expansion, recruitment of industry experts, capital expenditure in networking infrastructure, IT hardware and software and branding, marketing and promotional activities. Accordingly, the utilisation of proceeds earmarked for the office expansion, recruitment of industry experts, capital expenditure in networking infrastructure, IT hardware and software and branding, marketing and promotional activities are not reflected in the pro forma combined statements of financial position.

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 The pro forma combined statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporate the effects of the Acquisitions as described in Note 1.2.1 on the audited combined statements of financial position of the Group as at 31 December 2022.

Acquisition of Daythree Services

The reorganisation reserve arising from the Acquisition of Daythree Services are as below:

	RM'000
Purchase consideration	20,143
Less: Share capital of combining entity	(2,000)
Reorganisation reserve	18,143

The Acquisitions will have the following impact on the audited combined statements of financial position of the Group as at 31 December 2022:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Share capital	-	20,143
Invested equity	-	(2,000)
Reorganisation reserve	-	(18,143)
	-	-

3. **PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Public Issue and the Offer for Sale as described in Notes 1.2.2 and 1.2.3 respectively.

The Public Issue and Offer for Sales will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2022:

	Increase	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Cash and short-term deposits	33,120	-
Share capital	-	33,120
	33,120	33,120

(c) **Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM33.12 million after netting off RM3.80 million of estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM29.32 million will be used in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for the office expansion, recruitment of industry experts, capital expenditure in networking infrastructure, IT hardware and software, branding, marketing and promotional activities and Group's working capital purposes of RM29.32 million will be included in the Cash and Short-Term Deposits Account.

As at 31 December 2022, out of the RM3.80 million for listing expenses, RM1.28 million has been incurred of which RM0.96 million is charged to the Retained Earnings Account and RM0.32 million has been recognised as prepayment. The RM0.32 million is recognised as prepayment as this is direct attributable expenses relating to the new issuance of Shares which will be capitalised as Share Capital Account upon Listing.

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DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(c) **Pro Forma III (Continued)**

Out of the remaining estimated listing expense to be incurred of RM2.52 million, RM1.97 million will be charged to Retained Earnings Account and RM0.55 million is recognised in Share Capital Account as this is directly attributable expenses relating to the new issuance of Shares. Together with the amount previously recorded as prepayment of RM0.32 million, a total of RM0.87 million will be capitalised under Share Capital Account.

The utilisation of proceeds will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2022:

	Decrease	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Cash and short-term deposits	(2,519)	-
Trade and other receivables	(320)	-
Share capital	-	(874)
Retained earnings	-	(1,965)
	(2,839)	(2,839)

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Invested equity RM'000	Exchange reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000
Combined statements of financial position of the Group as at 31 December 2022	-	2,000	1	-	24,474
Arising from the Acquisitions	20,143	(2,000)	-	(18,143)	-
Per Pro Forma I	20,143	-	1	(18,143)	24,474
Arising from the Public Issue and the Offer for Sale	33,120	-	-	-	-
Per Pro Forma II	53,263	-	1	(18,143)	24,474
Arising from the defrayment of estimated listing expenses in relation to the Listing	(874)	-	-	-	(1,965)
Per Pro Forma III	52,389	-	1	(18,143)	22,509

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Combined statements of financial position of the Group as at 31 December 2022	11,582
Arising from the Acquisitions	-
Per Pro Forma I	11,582
Arising from the Public Issue and the Offer for Sale	33,120
Per Pro Forma II	44,702
Arising from the defrayment of estimated listing expenses in relation to the Listing	(2,519)
Per Pro Forma III	42,183

DAYTHREE DIGITAL BERHAD AND ITS COMBINING ENTITIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Daythree Digital Berhad in accordance with a resolution dated 07 JUN 2023

……………………………………………… ………………………………………………
Paul Raymond Raj A/L Davadass
Director

Syed Izmi Bin Syed Kamarul Bahrin
Director

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15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) Save for the Pink Form Allocations as disclosed in Section 4.3.2,

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save for the new Shares issued for the Acquisitions as disclosed in Sections 6.2 and to be issued for the Public Issue as disclosed in Section in 4.3.1, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

15.2.1 Daythree Services

Daythree Services' share capital as at LPD is RM2,000,000 comprising 2,000,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	**No. of shares allotted**	**Consideration / Type of issue**	**Cumulative share capital**
			RM
24 May 2006	2	RM2 / Subscribers' share	2
15 January 2007	98	RM98 / Cash	100
1 June 2016	200	RM200 / Cash	300
1 August 2016	1,999,700	RM1,999,700 / Cash	2,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Daythree Services. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 Daythree Services SG

Daythree Services SG's share capital as at LPD is SGD10,000 comprising 10,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital
			SGD
1 July 2014	10,000	SGD10,000 / Cash	10,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Daythree Services SG. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 Daythree Solutions

Daythree Solutions' share capital as at LPD is RM2 comprising 2 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital
			RM
11 July 2019	2	RM2 / Subscribers' share	2

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Daythree Solutions. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

15.3.1 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Article 19.1 – Fees and benefit for Directors

The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company annually in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

(a) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;

(b) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

(c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

(d) fees payable to Directors shall not be increased except pursuant to an Ordinary Resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Article 19.2 – Reimbursement of expenses

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of Directors.

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors , the Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

Article 24.2 – Remuneration of Managing Director

The remuneration of a Managing Director or Managing Directors shall be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

Article 23.1 – Appointment or removal of an alternate Director

Any Director (other than an alternate Director) may appoint any person to be an alternate Director provided that:

(a) such person is not a Director of the Company;

(b) such person does not act as an alternate for more than one Director of the Company;

(c) the appointment is approved by a majority of the other members of the board of Directors and may remove from office an alternate Director so appointed by him; and

(d) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Any appointment or removal of an alternate Director may be made by cable, telegram, facsimile, telex or in any other manner approved by the Board. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.

15.3.2 Voting and Borrowing Powers of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Article 22.5 – Chairman to have a casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a decision of the Board and PROVIDED ALWAYS that in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote. However, in the case of an equality of votes and where 2 Directors form a quorum, the chairman of a meeting at which only such a quorum is present or at which only 2 Directors are competent to vote on the question at issue, shall not have a casting vote.

Article 21.2 – The Board's borrowing powers

The Board may exercise all the powers of the Company to borrow or raise money for the purpose of the Company's or any of its related companies' businesses on such terms as they think fit and may secure the repayment of the same by mortgage or charge upon the whole of the Company's undertaking, property (both present and future) including its uncalled or unissued capital, or any part thereof and to issue bonds, debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries but the Directors shall not borrow any money or mortgage or charge any of the Company's or any of the Company's subsidiary companies' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 22.7 – Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by Applicable Laws. Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Article 22.8 – Power to vote

Subject to Article 22.7 hereof, a Director may vote in respect of:

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

15.3.3 Changes in Share Capital and Variation of Class Rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Article 4.1 – Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, all Applicable Laws, and the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:

(a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;

(b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;

(c) every issue of shares or options to employees and/or Directors of the Company and/or its subsidiaries under an employee share option scheme shall be approved by the Members in general meeting; and

(d) no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Article 4.2 – Issue of new securities

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with the SICDA, in which event it shall so similarly be exempted from compliance with the Listing Requirements. For this purpose, the Company must notify Bursa Depository of the names of the allottees and all such particulars required by Bursa Depository, to enable Bursa Depository to make the appropriate entries in the securities accounts of such allottees. The Company shall allot securities and despatch notices of allotment to the allottees and make an application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.

Article 4.3 – Rights of preference shareholders

Subject to all Applicable Laws, any preference shares may with the sanction of an Ordinary Resolution be issued on any terms and features, including redemption features, as the Directors deem fit and proper in the best interest of the Company. The Company shall have the power to issue preference shares ranking equally with, or in priority to, over preference shares already issued. The Board may, subject to all Applicable Laws, redeem such shares on such terms and in such manner as they may think fit.

A holder of preference shares must have a right to vote at any general meeting convened in each of the following circumstances:

(a) on a proposal to reduce the Company's share capital;

(b) on a proposal that affects the rights attached to the preference shares; and

(c) on a proposal to wind up the Company.

Article 13.1 – Power to increase capital

Subject to all Applicable Laws, the Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Article 14.1 – Power to alter capital

The requirements contained in the Act relating to the Company's power to alter its capital shall not apply to the Company. The Company may by Ordinary Resolution and subject to all Applicable Laws:

(a) consolidate and divide all or any of its share capital into shares, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(b) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of the Shares from which the subdivided Share is derived;

(c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) subject to the provisions of this Constitution and Applicable Laws, convert and/or re-classify any class of shares into any other class of shares.

Article 14.2 – Power to reduce capital

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Article 5.1 – Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to all Applicable Laws, be varied or abrogated with the consent in writing of the holders of 3/4 of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of this Constitution relating to meetings of Members shall mutatis mutandis apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy at least 1/3 of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the relevant provisions of the Act shall apply with such adaptations as are necessary.

Article 5.2 – Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

15.3.4 Transfer of Shares

The provisions in our Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Article 9.1 – Transfer of listed securities of Company is by way of book entry

The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding the relevant provisions of the Act, but subject to any other provisions in the Act and any exemption that may be made from compliance with the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

Article 9.5 – Prohibited transfer

No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 34.8 – Dividends due may be retained until registration

The Board may retain the dividends payable upon shares in respect of which any person is under the provision as to the transmission of shares herein before contained entitled to become a Member or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

Article 9.2 – Transferor's Right

Subject to all Applicable Laws, the instrument of transfer of any security that is not deposited with Bursa Depository shall be in writing and in any usual or common form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members thereof.

Article 9.3 – Refusal to register

Bursa Depository may refuse to register any transfer of the Deposited Security that does not comply with the SICDA and the Rules.

Article 9.7 – Suspension of registration

Subject to all Applicable Laws, the registration of transfer of any securities may be suspended at such times and for such periods as the Board may from time to time determine not exceeding in the whole 30 days in any year. At least 10 Market Days' notice of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the reason for which the Register is being closed. At least 3 Market Days before the notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors.

Article 9.4 – No liability for fraudulent transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

15.4 POLICIES ON FOREIGN INVESTMENTS, TAXATION AND FOREIGN EXCHANGE CONTROLS

The relevant policies on foreign investments, taxation and foreign exchange controls in Singapore in relation to the distribution of dividends, repatriation of capital and remittance of profits by or to our Group as at LPD are set out below.

15.4.1 Singapore

(a) Exchange controls

Subject to Daythree Services SG adhering to the applicable provisions of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"), there are no significant restrictions on the remittance of profits, dividend and the return of capital by Daythree Services SG to our Company. Under the laws of Singapore, Daythree Services SG may repatriate capital and/or remit profits to our Company by way of:

(i) share buy-backs;

(ii) capital reduction;

(iii) distribution of assets on a winding-up; and

(iv) declaration of dividends.

(b) Dividend distribution

Subject to the Singapore Companies Act, the constitution of Daythree Services SG, and the payment of applicable taxes under the laws of Singapore:

(i) dividends may be paid only out of profits available for distribution. The constitution of Daythree Services SG provides for the declaration of dividends upon our Company's approval by ordinary resolution in a general meeting, but any dividend declared must not exceed the amount recommended by the directors of Daythree Services SG. There are no restrictions on payment of dividends to our Group provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism;

(ii) the directors of Daythree Services SG may from time to time pay to our Company such interim dividends as appear to the directors to be justified by the profits of Daythree Services SG; and

(iii) capital may not be returned to our Company unless a capital reduction exercise is carried out.

(c) Withholding tax

Dividends received in respect of the ordinary shares of Daythree Services SG by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax, even if paid to non-Singapore tax resident shareholders.

Currently, subject to certain transitional rules, Singapore has adopted the "One-Tier" Corporate Tax System ("**One-Tier System**"). Under this One-Tier System, the tax collected from corporate profits is the final tax and Daythree Services SG can pay tax exempt (1-tier) dividends which are tax exempt in the hands of our Company, regardless of the tax residence status or the legal form of our Company.

15.5 GENERAL INFORMATION

(a) Save for the dividends paid to our shareholders in FYE 2019 to 2022 and up to LPD and Directors' remuneration as disclosed in Sections 12.16 and 5.2.4 respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.

(b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.

(d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.6 CONSENTS

(a) The written consents of our Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(c) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15.7 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(a) Our Constitution;

(b) Audited financial statements of Daythree from the date of incorporation up to FYE 2022;

(c) Audited financial statements of Daythree Services and Daythree Solutions for FYE 2019 to 2022;

(d) Accountants' Report as set out in Section 13;

(e) Reporting Accountants' Report relating to our pro forma combined financial information as set out in Section 14;

(f) IMR Report as set out in Section 8;

(g) Material contracts as set out in Section 6.5; and

(h) Letters of consent as set out in Section 15.5.

15.8 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M & A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 21 June 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 11 July 2023

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.2.2 Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(a) You must be one of the following:

(i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:

(i) White Application Form; or

(ii) Electronic Share Application; or

(iii) Internet Share Application.

16.3.3 Application by eligible Directors and employees of our Group

The eligible Directors and employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 740"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

So as to arrive not later than 5.00 p.m. on 11 July 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(a) reject Applications which:

- (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
- (ii) are illegible, incomplete or inaccurate; or
- (iii) are accompanied by an improperly drawn up or improper form of remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or eligible Directors and employees of our Group, subject to the clawback and reallocation as set out in 4.3.3 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.

(d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	**Parties to direct the enquiries**
Application Form	Issuing House Enquiry Services Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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