Thailand, Malaysia and Indonesia are the top producers and exporters of durian globally. Malaysia is a net exporter of durian. Malaysia's exports of durian exports rose from USD10.20 million (13.20 thousand metric tonnes) in 2014 to USD29.30 million (23.40 thousand metric tonnes) in 2018. In comparison, Malaysia's imports of durians rose from USD4.30 million to USD4.80 million during the same period.

In the past, China had primarily imported durians from Thailand. Nonetheless, in recent years, China has begun shifting its demand for durians to Malaysia, specifically for the Musang King variety. Following Government negotiations, China approved the import of frozen whole durians from Malaysia in May 2019, in time for the durian season from June to September 2019. Though Malaysia has been exporting frozen durian pulp to China since 2011, this new agreement will allow the whole fruit to be shipped to China commencing August 2019, where premium durians are rapidly gaining popularity. Many local orchards in Malaysia have started to ramp up their production of durians, recognising this as a growth opportunity.

The Government of Malaysia is leading the charge for the large-scale farming of durians, in hopes of achieving a 50% rise in exports for the fruit by 2030 and boosting the country's declining agricultural industry. In August 2019, the Federal Agricultural Marketing Authority (FAMA) announced its intentions to cultivate durian on idle endowment land especially on the fringes of towns and isolated areas nationwide. Further, the private sector-led, multi-stakeholder Electronic World Trade Platform (eWTP) initiative provides resources for local durian suppliers in Malaysia to enter the Chinese market to sell its frozen whole Musang King durians.

The potential growth opportunities for Malaysia's durian industry is expected to encourage farmers and durian plantation companies to take a more professional approach to crop management for the long term sustainability of the durian crop. As such, there are opportunities for the adoption of a structured plantation management solutions for durian plantation operations that can collect, analyse and disseminate information such as soil and agronomic conditions that will allow management to make informed decisions on improving farm operations. This will thus benefit industry players that are involved in the development and delivery of plantation management solutions that can be customised for durian plantation operations.

Malaysia's position as a leading rubber producer globally presents opportunities for the adoption of plantation management solutions

Rubber is Malaysia's second largest commodity crop, after oil palm. The large scale planting of natural rubber started in Malaysia in the late 1800s. The rubber industry in Malaysia has since evolved through the years and has transformed into an integrated industry with established mid and downstream supporting industries in Malaysia. Between 2010 and 2019, the planted area for natural rubber increased from 1.02 million hectares to 1.08 million hectares. From the 1.08 million hectares of rubber planted areas, smallholdings comprised 93.2% (1.01 million hectares) while estates comprised the remaining 6.8% (0.07 million hectares). In 2019, Malaysia was the world's fifth largest producer of natural rubber with a production volume of 0.64 million tonnes behind Thailand (4.90 million tonnes), Indonesia (3.10 million tonnes), Vietnam (1.22 million tonnes) and China (0.77 million tonnes). Malaysia's exports of natural rubber contributed RM6.06 billion in terms of trade receipts in 2019, with major importing nations being China, Germany and Finland. Globally, Malaysia was the fourth largest exporter of natural rubber in 2019.

Rubber plantations require considerable investment. In order to maximise investments in plantation operations, plantation companies would invariably practise crop management techniques to improve yield. Thus, there are opportunities for the adoption of plantation management solutions that can support management in making informed decisions that can contribute to better estate operations.

3 PROSPECTS AND OUTLOOK

The industry for ERP solutions in Malaysia comprises industry players that offer ERP software solutions in the form of software license subscriptions, as well as value added services such as ERP software customisation, installation, support and maintenance. The ERP solutions industry in Malaysia grew from RM1.09 billion in 2018 to an estimated RM1.28 billion in 2019 at a CAGR of 17.4%. In 2019, software license subscriptions comprised approximately 64.8% of the ERP solutions industry, while the remaining 35.2% comprised services. The ERP solutions industry in Malaysia is forecast to grow from an estimated RM1.28 billion in 2019 to RM2.48 billion in 2025, at a CAGR of 11.7%.

More recently in late 2019 and early 2020, there was an outbreak of COVID-19 which has since been categorised as a global pandemic as it spread widely worldwide including Malaysia. Following a high number of COVID-19 infections amongst the population in Malaysia, the Government of Malaysia announced the imposition of the MCO effective 18 March 2020 to 3 May 2020 to curb the spread of the COVID-19, followed by the CMCO (4 May 2020 to 9 June 2020) and subsequently RMCO (10 June 2020 to 31 December 2020). Under the MCO period, companies involved in the production of non-essential products and services were required to cease operations, before gradual relaxations were introduced under the CMCO and RMCO period to allow the resumption of non-essential business activities and for citizens to conduct their daily activities.

Despite the economic stimulus that is being rolled out by the Government of Malaysia, PROVIDENCE anticipates that spending on IT by enterprises will be affected in the short term in 2020 as enterprises, particularly SMEs, may opt to defer or minimise selected expenses as they focus on sustaining their cash flows. However, the COVID-19 pandemic has created a case for the adoption of ERP solutions by organisations in terms of addressing work-from-home policies to managing swings in demand and uncertain supply chains. The COVID-19 pandemic has highlighted an aspect of ERP that is not as distinctly apparent in more normal times – business continuity. While the ability of ERP solutions to mitigate abrupt business changes has been noted in the past, the extensive reliance on ERP solutions to maintain widespread, fundamental business continuity, as we are seeing today, has never been experienced on such a large scale. During the COVID-19 response, organisations have relied on their ERP solutions to sustain business operations through remote access, automated reporting, electronic data exchange, and real-time factory controls. While enterprise IT spending is expected to be subdued in 2020 as companies focus on cost-cutting measures, PROVIDENCE anticipates that the demand for ERP solutions will improve over the long term as organisations acknowledge the role of ERP solutions in the continuity of business activities. Further, higher levels of digital adoption and internet penetration will continue to support the adoption of ERP solutions over the long term in Malaysia.

The increasing demand for ERP software from SMEs is one of the major reasons behind the growth of the ERP solutions market. ERP solutions have become essential for enterprises across all industries as they help in improving operations and business process efficiency. ERP solutions offer advantages such as better planning and resource management, regulating operational costs, streamlining of data under one platform, enhanced decision-making, and increased sales. As a result, SMEs are shifting from using standalone applications for each of their business functions to ERP solutions that allow the integration of multiple functions into a single application.

A method of ensuring and maintaining sustainable practices in agriculture is through digitisation. Digital management of agriculture through the adoption of plantation and mill management solutions help plantations become more efficient, easy to supervise and less dependent on manual labour. A digital agriculture management platform should be able to increase productivity, profitability and sustainability of the plantation companies and agricultural stakeholders. The aim should be to digitise processes that can be customised according to the requirements of plantation and milling organisations. Apart from agricultural data, plantation and mill management solutions also help in finance and accounting. The right plantation and mill management solution can support an organisation to achieve higher efficiency, higher yields, higher profitability and complete traceability.

5. INDUSTRY OUTLOOK (cont'd)

PROVIDENCE
STRATEGIC PARTNERS

Malaysia's planted area of oil palm has grown over the years, rising from 5.39 million hectares in 2014 to 5.85 million hectares in 2018. Between 2014 and 2018, the supply of FFB increased from 96.10 million metric tonnes to 98.40 million tonnes. In 2019, the planted area of oil palm increased to 5.90 million hectares while FFB supply increased to 99.10 million tonnes. Between 2014 and 2019, CPO production rose from 19.67 million tonnes to 19.86 million tonnes while CPKO production hovered at 2.30 million tonnes. Malaysia is the world's second largest producer of CPO after Indonesia. At the end of 2019, there were 452 FFB mills and 43 palm kernel crushers in Malaysia processing CPO and CPKO, as well as 51 refineries and 21 oleochemical plants producing downstream palm products for domestic consumption and export.

Rubber is Malaysia's second largest commodity crop, after oil palm. Between 2010 and 2019, the planted area for natural rubber increased from 1.02 million hectares to 1.08 million hectares. In 2019, Malaysia was the world's fifth largest producer of natural rubber with a production volume of 0.64 million tonnes behind Thailand (4.90 million tonnes), Indonesia (3.10 million tonnes), Vietnam (1.22 million tonnes) and China (0.77 million tonnes). Malaysia's exports of natural rubber contributed RM6.06 billion in terms of trade receipts in 2019, with major importing nations being China, Germany and Finland.

In Malaysia, the durian has been highlighted as one of the nine selected premium fruits under the Malaysian National Agro-food Policy (2011 – 2020). This fruit has also been identified as a new source of agricultural wealth for Malaysia. Malaysia's planted area of durian crops witnessed a decline from 73.74 thousand hectares in 2014 to 72.40 thousand hectares in 2017 before moderating at 73.74 thousand hectares in 2018. Nonetheless durian production rose from 351.52 thousand metric tonnes in 2014 to peak at 368.27 thousand metric tonnes in 2015 before dipping to a low of 210.87 thousand metric tonnes in 2017. In 2018, the production of durians saw improvement and rose to 341.33 thousand metric tonnes, registering a year-on-year growth rate of 61.9% compared to the production volume of 210.87 thousand metric tonnes in 2017. According to the Department of Agriculture Malaysia, durian production in 2019 is estimated to reach 348.17 thousand metric tonnes from an estimated planted area of 72.54 thousand hectares.

The growth of oil palm, rubber and durian plantations will provide more opportunities for industry players that are involved in the development and delivery of plantation management solutions that can be customised for oil palm, rubber and durian plantation operations.

PROVIDENCE believes that the prospects of OneTech Group's third party enterprise software solutions business will be supported by the growing demand for ERP software from SMEs, the inherent benefits of ERP solutions to organisations, emergence of cloud-based ERP solutions, growing number of enterprises and supportive government policies. PROVIDENCE believes that the prospects of OneTech Group's proprietary enterprise software solutions business will be supported by the rising awareness on the benefits of adopting structured plantation and mill management solutions, growing popularity of precision agriculture, and the drive to enhance profitability and sustainability of the palm oil sector in Malaysia and Indonesia, as well as growing durian industry.

6. RISK FACTORS

THE RISK FACTORS WHICH MAY MATERIALLY AFFECT OUR BUSINESS, INDUSTRY IN WHICH WE OPERATE AND YOUR INVESTMENT IN OUR COMPANY AS SET OUT IN THIS SECTION ARE NOT MEANT TO BE AN EXHAUSTIVE LIST OF ALL CURRENT AND POTENTIAL RISKS THAT WE FACE. NOTWITHSTANDING OUR PROSPECTS OUTLINED IN THIS INFORMATION MEMORANDUM, YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS, IN ADDITION TO OTHER MATTERS SET FORTH IN THIS INFORMATION MEMORANDUM BEFORE YOU ARRIVE AT AN INVESTMENT DECISION.

6.1 Risks relating to our business and the industry in which we operate

6.1.1 Any risk of spread of outbreak or threatened outbreak of any severe contagious or virulent diseases may adversely affect our business, results of operations and financial condition

Different regions in the world have from time to time experienced outbreaks of various viral or bacterial diseases. The spread of outbreak or threatened outbreak of any severe infectious diseases could negatively affect the growth of both global and Malaysian economies.

In late 2019 and early 2020, the emergence and wide-spread of the infectious disease COVID-19, caused by the virus named as severe acute respiratory syndrome coronavirus 2 (commonly known as SARS-CoV-2), took place globally and led to public health crises worldwide. The pandemic has caused state of emergencies being declared in various countries, travel restrictions being imposed, quarantines been established and various institutions and companies being requested to halt operations. Effective vaccines have yet to be readily available as at the LPD.

In response to the COVID-19 pandemic, the Government of Malaysia has since invoked the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 to implement a nationwide Movement Control Order which was effective from 18 March 2020 until 31 December 2020. In the event the outbreak of COVID-19 in Malaysia is intensified, prolonged or reoccurs, a stricter phase of Movement Control Order may be imposed again and as a result, our Group may be unable to carry on its normal business activities to comply with such order.

While we have taken precautionary measures in light of the COVID-19 virus outbreak, our business operations will be disrupted if any one of our employees is suspected of having contracted this virus, since government regulations require these employees to be quarantined and our offices to be shut down and disinfected. Likewise any of our customers' business operations could be disrupted in order to comply with government regulations. Consequently, this may result in material disruptions to our operations and delays in meeting our customers' demand, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We believe modern communication tools such as teleconferencing technology, remote access capabilities and messaging applications improves our ability to adapt and reduce such impact on our operations and performance. However, there is no assurance that we will be able to fully mitigate the effects this risk.

The impact of COVID-19 on our Group is set out in Section 4.11.

6.1.2 We operate in a competitive industry and compete against present and future competitors

The enterprise software solutions industry that we operate in is competitive. We face competition from existing and prospective competitors of various business scale who are capable of offering similar solutions. Our Group's existing competitors may in the future achieve greater market acceptance and recognition and gain a larger market share. If existing or potential competitors develop or offer software solutions and services at a better price and quality over those offered by us, our business, results of operations and financial condition would be negatively affected.

There can be no assurance that the competition in the enterprise software solutions industry will not increase in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business prospects and financial performance may be materially and adversely affected.

6.1.3 Our business is characterised by rapid changes in technology and customer preferences

The enterprise software solutions industry is characterised by rapidly changing technology, changing customer preferences and frequent introduction of new IT products and services. Our future success will depend, in part, on our ability to (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advances and changes; (iii) continuously improve the features and functionalities of the software solutions and services; and (iv) identify new suppliers of software and IT solutions and/or develop new proprietary enterprise software solutions that can broaden our portfolio of software solutions and services to meet the requirements and preferences of our customers.

If we fail to keep up with the future development trends or keep updated on IT technological changes, our ability to respond effectively to customer demands may be negatively affected, which may have an adverse impact on our Group's business and financial performance. The development of new or enhanced enterprise software solutions is a complex and uncertain process that may or may not lead to a commercially viable product for the market. Unsuccessful development activities may negatively impact our financial performance.

6.1.4 We are dependent on our major supplier, Supplier A

We rely on Supplier A with whom we have worked closely in supporting our business activities. Oracle Corporation, the holding company of Supplier A, owns the trademarks and intellectual properties to the JD Edwards ERP. Hence, a termination of contract with Supplier A would result in us ceasing to be a member of the Modern OPN and we would not be able to procure from Supplier A or its authorised distributors the JD Edwards ERP licenses and maintenance support for our customers. As our revenue from licensing fee and maintenance support fee from JD Edwards ERP contributes substantially to our Group's revenue (i.e. 34.6%, 42.0% and 60.5% in FYE 31 December 2018, FYE 31 December 2019 and FPE 31 July 2020 respectively), a termination of contract with Supplier A could negatively impact our Group's financial performance.

Any disruption of this relationship will have a negative impact on our Group as well as services to our customers if we could not renew our contract with Supplier A. Nonetheless, as at the LPD, we have renewed our contract with Supplier A without interruption since we joined the OPN in 2015. Although our Group seeks to mitigate this risk by continuously maintaining good relationship with Supplier A to ensure minimal disruptions to our solutions offerings and our operations, any future changes in the relationship with Supplier A may have an adverse impact on our business.

6.1.5 Our business could be adversely affected if we are unable to protect our intellectual property rights

Our trademarks and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality and non-compete, invention assignment and license agreements with our employees, and third parties with whom we have relationships, to protect our intellectual property rights.

However, effective protection of trademarks, domain names and other intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. Our protection of our intellectual property rights also depends in part on our agreements with employees and third parties, which contain invention assignment to us, restrictions on the use and disclosure of such intellectual property.

Notwithstanding, these agreements may be insufficient or may be breached, either of which could potentially result in the unauthorised use or unauthorised disclosure of our trade secrets and other intellectual property, including to our competitors.

In addition, we are unable to prevent functionality of our proprietary enterprise software solutions from being copied by third parties and there can be a possibility that third parties have and/or will manage to independently develop enterprise software solutions with the same or similar functionality as the Group's proprietary enterprise software solutions without infringing our intellectual property rights. As a result, there can be no guarantee that such competing enterprise software solutions would not materially and adversely affect the profitability and prospects of our Group.

6.1.6 Other software developers could claim that we infringe upon their intellectual property

Although we believe that our proprietary software does not infringe the intellectual property rights of others, and that we have all the rights necessary to utilise the intellectual property employed in our business, we are subject to the risks of claims alleging infringement of third-party intellectual property rights. These claims could require us to spend significant sums in litigation costs, pay damages, expend significant management resources, enter into royalty or licensing agreements on unfavourable terms, suspend or discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. Therefore, these claims could have a material adverse effect on our business, operating results and financial condition.

6.1.7 We rely on our key management and technical personnel

The continuing success of our Group is dependent, to a significant extent, on the efforts, commitment and abilities of our management team who play a significant role in the day-to-day administrative, financial and operational control as well as implementation of our business strategies. We attribute our continuing success to the leadership and continued contributions of our management team, led by our Managing Director, Lau King Yew and Executive Director, Operations and R&D, Tan Yuh Pei. We believe that our continued and future success is therefore dependent on our ability to retain our senior management, who are responsible for spearheading the daily operations in their respective areas of function. As such, any loss of senior management at the same time or within a short time without suitable and timely replacement may adversely impact our operations.

Our Group's continuing success also depends, to a significant extent, on our ability to attract as well as retain competent and experienced personnel who are able to support our enterprise software solutions business. If we are unable to retain or recruit new technical personnel to implement our business strategies, this may adversely impact our future financial performance.

6.1.8 We may not be able to comply with our customers' specifications

The third party and proprietary enterprise software solutions that we offer must conform to and perform according to our customers' specifications and other contractual obligations imposed on us by our customers. In the event that we are unable to deliver solutions and service levels based on pre-agreed specifications, we will have to remedy or rectify such issues at our own cost, which may result in reduced profitability and tarnish our reputation in the markets in which we operate.

6.1.9 We may not continue to be profitable in the future or achieve increasing or consistent levels of profitability

Our ability to maintain or increase our profitability is subject to the following risks:

(i) Absence of long-term contracts

We do not have any long-term contracts with our customers as our Group's sales are based on purchase orders. This is due to the nature of our business and the prevailing industry practice, where orders from customers are usually secured on a project-by-project basis. Licensing based sales and project based sales specifications vary from order to order depending on our customers' requirements and hence, depending on the project specifications, number and value of orders secured and implemented by us in a particular year, our Group's revenue may fluctuate from year to year and such fluctuations may have a material adverse impact on our business operations and financial performance.

Notwithstanding the absence of long-term contracts, we believe that our competitive strengths as set out in **Section 4.4** of this Information Memorandum have enabled us to secure:-

(a) approximately 90% of our orders, in terms of value, from multinational corporations, public listed companies or large local companies during FYE 2018 and FYE 2019;
(b) foreign sales contribution of 35.3% and 32.5% to our Group's revenue over FYE 2018 and FYE 2019 respectively; and
(c) retainer based contracts for software maintenance support that contributed 33.0% and 42.2% to our Group's revenue over FYE 2018 and FYE 2019 respectively.

It is on this premise that we believe we are competitive both locally and internationally. However, no assurance can be given that the foregoing efforts would continue to generate business opportunities.

(ii) Our income from the provision of enterprise software solutions is generally project-based and any decrease in the number of projects and/or demand of enterprise software solutions would affect our operations and financial results

Our income comprises licensing based sales, professional services and maintenance support sales. Apart from the maintenance support sales which are recurring, our engagements with our customers are generally project-based. There is no assurance that we can conclude similar number of projects, and projects with similar sales amount in the future. In the event that we are unable to secure new projects, our business and future revenue will be adversely affected.

Once a project is completed, our customers may subsequently engage us for maintenance support services, typically on a yearly basis, for enhancement or upgrades to the enterprise software solutions. However, there is no assurance that our customers will continue to engage us with new business after completion of a project and that our maintenance support sales contracts will be renewed upon its expiry.

6.1.10 We are exposed to credit risk mainly arising from the trade receivables collection

Despite a normal credit period of ranging 30 to 60 days has been granted by our Group to the customers, our operating cash flows or financial performance may be adversely affected by unsuccessful collection of trade receivables from our customers as and when they fall due.

Our Group has RM0.98 million of total trade receivables as at 31 December 2019 of which amounts owed by 5 customers constituted approximately 70% of our trade receivables at the end of the reporting period. As at LPD, we have collected RM0.93 million and recorded sales return to customers of RM0.01 million, representing 94.4% and 1.1% respectively of the total trade receivables as at 31 December 2019. In addition, the Board has decided to make a provision for impairment of RM0.04 million, representing 4.5% of the total trade receivables, which is long overdue and recovery is considered to be doubtful as of LPD.

As detailed in **Section 8.2.10** of this Information Memorandum, our consideration for granting credit period to customers including historical credibility of clients, length of business relationship, our sales and marketing strategy and working capital requirement. In addition, our Finance Manager actively monitors the receivables collection which have exceeded the normal credit period ranging 30 to 60 days.

However, there can be no assurance that we are able to fully collect the receivables which exceed credit terms in future. In the event that there is any default in payment by customers or delay in the collection, it could have an adverse impact on our business operation and financial performance.

6.1.11 We are exposed to foreign exchange transaction risks

Some of our software purchases are denominated in foreign currencies, namely USD and SGD, and hence, are subject to foreign currency exchange rate fluctuations. Any adverse movement in the foreign exchange rates markets may have an adverse impact on our business performance.

Although we do not have a formal hedging policy for our foreign exchange exposure, our management constantly monitors our Group's foreign currency exposure and reviews our Group's need to hedge. We enter into currency forward contracts with a financial institution to hedge certain foreign currency exposure and mitigate the risk arising from foreign currency fluctuation.

6.1.12 If our proprietary enterprise software solutions contain serious errors or defects, our clients may lose confidence in our products and services and we may incur significant costs defending or settling claims with our clients as a result of such serious errors or defects

Products and solutions within the IT industry may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite our internal testing and quality control procedures implemented, our proprietary enterprise software solutions may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner. As at LPD, we have not experienced any major errors or defects to our proprietary software solutions which we are unable to rectify.

Given that our clients use our proprietary software solutions and services in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue could result in losses to our clients. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our clients, would be enforceable, adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. This may result in revenue loss, significant expenditures incurred to defend ourselves, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business and financial performance.

6.1.13 Our Group's net profit might be adversely affected by the estimated listing expenses

It is expected that the estimated listing expenses, which are non-recurring in nature, will amount to approximately RM0.76 million, of which an estimated RM0.11 million is directly attributable to the issuance of new Shares pursuant to the Proposed Listing and to be accounted for as a deduction from equity upon completion of the Proposed Placement. The remaining estimated listing expenses of approximately RM0.65 million will be charged to the statement of profit or loss upon the Proposed Listing. Accordingly, the financial results of our Group for the financial year in which the Proposed Listing takes place are expected to be materially affected by the estimated expenses in relation to the Proposed Listing.

6.2 Risks relating to investment in our Shares

6.2.1 We may not be able to proceed with our Proposed Listing or may experience a delay for our Proposed Listing

The Proposed Listing is subject to Bursa Securities granting an approval-in-principle. If granted, we may not be able to proceed with or may experience a delay in our Proposed Listing due to the occurrence of any one or more of the following events, which is not exhaustive:-

(i) we are unable to meet the public shareholding spread requirements as determined by Bursa Securities, whereby at least 10% of our total number of issued shares must be held by public shareholders at the point of our Proposed Listing;
(ii) the revocation of approvals from the relevant authorities for our Proposed Listing and/or admission to the Official List of the LEAP Market for whatever reason; or
(iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Although we will endeavour to comply with the regulatory requirements for our successful Proposed Listing, there can be no assurance that the abovementioned factors or events will not cause a delay in or non-implementation of our Proposed Listing.

6.2.2 There may not be an active or liquid market for our Shares

The LEAP Market is limited mainly to Sophisticated Investors, therefore the potential liquidity level of the market is restricted. The listing of and quotation for our Shares on the LEAP Market does not guarantee that an active market for the trading of our Shares will develop. It may be more difficult for Sophisticated Investors to realise their investment on the LEAP Market.

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the price of our Shares could be materially and adversely affected by the risks described in this Information Memorandum and other potential risks. Accordingly, there can be no assurance that our Shares will trade at prices higher than the Indicative Placement Price.

6.2.3 We may not be able to pay dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Therefore, our ability to pay future dividends will largely depend on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

6.2.4 Control by our Promoters

Upon our Proposed Listing, our Promoters will collectively hold 61,532,676 Shares, representing approximately 80.0% of our enlarged issued shares. As a result, they will be able to effectively control the business direction and management of our Group. Our Promoters would also be able to influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations. Such matters may include but are not limited to issuance of Shares or other securities to raise funds and/or for acquisitions, which may dilute shareholders' equity interest and may, in a case of a rights issue, require additional investment by shareholders.

Nevertheless, we have appointed Yeoh Aik Cheong as our Independent Non-Executive Director and he will have a role in our Board to provide an independent perspective on the business direction, strategies and policies for the Company.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

7.1 Shareholdings of our Promoters, Substantial Shareholders, Directors and key management

The direct and indirect shareholdings of our Promoters, Substantial Shareholders, Directors and key management in our Company before and after our Proposed Listing are as follows:

			Before the Proposed Listing				After the Proposed Listing			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares	% (1)	No. of Shares	% (1)	No. of Shares	% (2)	No. of Shares	% (2)
Promoters, Substantial Shareholders, Directors and key management										
Lau King Yew	Managing Director	Malaysian	34,627,500	50.0	-	-	34,627,500	45.0	-	-
Tan Yuh Pei	Executive Director, Operations and R&D	Malaysian	26,905,176	38.8	-	-	26,905,176	35.0	-	-
Substantial Shareholder and Director										
Koh Kean Mum	Non-Independent Non-Executive Director	Malaysian	7,722,324	11.2	-	-	7,722,324	10.0	-	-
Director										
Yeoh Aik Cheong	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Key management										
Leong Yue Kwan	Finance Manager	Malaysian	-	-	-	-	-	-	-	-
Lian Ching Tee	Technical Manager	Malaysian	-	-	-	-	-	-	-	-
Lai Sin Wei	Product Innovation Manager	Malaysian	-	-	-	-	-	-	-	-

Notes:-
(1) Based on our existing issued share capital as at LPD comprising 69,255,000 Shares.
(2) Based on our enlarged issued share capital comprising 76,950,000 Shares after the Proposed Placement.

7.2 Profiles of our Promoters, Substantial Shareholders, Directors and key management

(i) Lau King Yew

Managing Director

Lau King Yew, a Malaysian, aged 51, was appointed to the Board on 27 December 2019. He graduated with a Diploma in Science from Tunku Abdul Rahman College, Malaysia and a Bachelor's Degree in Science from Campbell University, United States of America in 1992.

Upon graduation, he started his career at Malayan Flour Mills Bhd in 1992 as an IT System Support Executive until 1994 where his responsibilities included systems programming, administration of server and network, and IT solution implementation. In 1994, he joined Tan Chong Motor Holdings Bhd as an Information Systems Officer where his responsibilities included business analysis and software development of vehicle tracking system, billing system and insurance system. He then joined Perusahaan Otomobil Kedua Sdn Bhd in 1996 as a Database Analyst. During his tenure with the company, he was involved in business analysis and software development of manufacturing processes of the company's automotive business. In 1997, he joined Hong Leong Yamaha Motor Sdn Bhd as a System Analyst where he was involved in the implementation of the Baan ERP software as well as administration of the company's servers and networking to support the implementation of Baan ERP software. Subsequently in 1998, he joined J.D. Edwards (M) Sdn Bhd as a Senior Application Consultant. During his 8-year tenure with the company, he was involved in the study, implementation and provision of training on JD Edwards ERP software projects especially the manufacturing module as well as implementation of barcoded systems and manufacturing execution systems for clients across multiple industries and in various countries. From 2006 to 2008, he explored various opportunities that involved business development, sales and marketing activities in the areas of IT and ERP. Leveraging on his IT knowledge and experience in delivering ERP solutions, he founded LKY Consulting, a sole proprietorship, in 2008. LKY Consulting implemented ERP projects for multinational companies until the business registration expired in 2013. In 2012, Lau King Yew founded One ERP. In 2017, he acquired iTech Worldwide, a company that primarily provides IT consultancy services which include project management, custom software development, system integration, software reengineering and network engineering. He had on 20 January 2020 disposed his shareholdings in iTech Worldwide.

He is currently the Managing Director of OneTech and responsible for overseeing the sales and marketing activities, determining the strategic growth plan as well as spearheading strategies to drive business growth of our Group. He has more than 20 years of working experience in the IT industry, with a focus on the pre-sales consulting, sales management of enterprise software solutions and delivery of ERP solutions for clients in various industries and countries.

He does not hold any directorship in any other public listed companies.

(ii) Tan Yuh Pei

Executive Director, Operations and R&D

Tan Yuh Pei, a Malaysian, aged 44, was appointed to the Board on 27 December 2019. He graduated with a Diploma in Business Studies from Higher Education Learning Programme Institute in 1997 and a Bachelor's Degree in Information Technology majoring in Business Software Development from the University of Southern Queensland, Australia in 1999.

Tan Yuh Pei began his career in Sunway Business Applications Sdn Bhd as a Software Developer in 1999. He was subsequently promoted to the role of Assistant Manager of software development during his tenure with the company where he was responsible for IT system analysis and software programming for ERP projects until 2003. In 2004, he founded Simple Soft Enterprise, a sole proprietorship specialising in the implementation of

JD Edwards ERP software and actively operated Simple Soft Enterprise periodically in 2004 and 2005 as well as from 2012 to 2014. He ceased operating Simple Soft Enterprise in 2015 and its business registration expired in 2018. He co-founded Titanfour Solutions Sdn Bhd, a company which provided technical and application consultancy services for JD Edwards ERP solutions in 2006 and ceased to be a shareholder of this company in 2014. He also held the position of Operations Director at this company and oversaw the implementation of IT projects delivered by the company until 2012.

In 2012, he co-founded One ERP and was appointed as Executive Director, Operations and R&D. He is responsible for setting software product development and operational strategies as well as planning and coordinating operational activities. He has more than 21 years of working experience in the IT industry with experience in the implementation of ERP projects across countries in the Asia region. He is also familiar with configurable network computing installations and upgrades, as well as the design and development of ERP solutions.

He does not hold any directorship in any other public listed companies.

(iii) Koh Kean Mum
Non-Independent Non-Executive Director

Koh Kean Mum, a Malaysian, aged 50, is our Director. He was appointed to the Board on 27 December 2019. He contributes strategic views and provides business inputs to the Board of Directors. He graduated with a Higher Diploma in Computer Studies from Kolej Damansara Utama, Malaysia in 1993.

Upon graduation, Koh Kean Mum began his career as a Sales Executive with Scandata Systems Sdn Bhd from 1993 to 1995, where he was tasked with promoting the company's software and hardware products. He then joined ISC Technology Sdn Bhd in 1996 as a Sales Executive where he was responsible for promoting computer hardware and software solutions. He was subsequently promoted to Business Manager where he led a sales and technical team and was responsible for the sales and marketing of business software solutions. During this period, he was also involved in the marketing and implementation of business software solutions including ERP solutions for the manufacturing sector in Malaysia.

Koh Kean Mum then co-founded Jestell Sdn Bhd ("**Jestell**"), a software solutions provider specialising in ERP software, in 1997. Subsequently, he founded Global Soft (MSC) Sdn Bhd ("**Global Soft**") which took over the business operations, assets, and liabilities of Jestell in 2001. In 2003, Global Soft was successfully listed on the MESDAQ Market of Bursa Securities and he was appointed as managing director, a position he held until 2004. As managing director, he was responsible for mapping strategic plans of the company and oversaw the company's sales and marketing activities. Subsequent to 2004, he has been investing and managing a portfolio of real estate properties. In 2018, he was appointed as a Director of iTech Worldwide a company primarily providing IT consultancy services which include project management, custom software development, system integration, software reengineering and network engineering.

He is a director and shareholder in a private limited company. He does not hold any directorship in any other public listed companies.

(iv) Yeoh Aik Cheong
Independent Non-Executive Director

Yeoh Aik Cheong, a Malaysian, aged 48, is our Independent Non-Executive Director. He was appointed on the Board on 18 August 2020. He graduated with a Bachelor of Accounting (Honours) from the University of Malaya in 1997. He has been a Chartered Accountant with the Malaysian Institute of Accountants since 2001 and a Certified Public

Accountant with the Malaysian Institute of Certified Public Accountant since 2008. In 2015, he completed the Directors Certification Program and became a graduate member under the Thai Institute of Directors.

Upon graduation, Yeoh Aik Cheong joined BDO Binder, Public Accountants in 1997 where he was involved in audit and due diligence exercises for clients of the firm. In 2001, he joined Bausch and Lomb (M) Sdn Bhd as Business Analyst cum Accountant. He was promoted to the role of Finance Manager in the same year, and subsequently in 2003, was re-designated to Regional Finance Manager of Southeast Asia overseeing the company's regional finance and accounting operations. In 2004, he was promoted to the position of Financial Controller. In 2006, he joined Stryker Corporation (M) Sdn Bhd as Financial Controller, Southern Asia overseeing the finance and accounting functions of the company's businesses in Southeast Asia and India. He then re-joined Bausch and Lomb (M) Sdn Bhd in 2007 as Finance Director of Southeast Asia. He took on the additional roles of overseeing the company's Asia Pacific finance shared service center operations in 2008. In 2010, he joined Disposable Soft Goods (M) Sdn Bhd, a subsidiary of DSG International (Thailand) PLC, as Finance Director, overseeing the finance and accounting operations of this company. Subsequently in 2011, he was appointed as an Executive Director of DSG International (Thailand) PLC and also took on the role of Chief Financial Officer of Southeast Asia region. In 2019, he left DSG International (Thailand) PLC and founded SE Strategic Sdn Bhd, a boutique strategic management firm that provides strategic advisory and consulting services.

He also holds directorships and shareholdings in a number of private limited companies. He does not hold any directorship in any other public listed companies.

(v) Leong Yue Kwan
Finance Manager

Leong Yue Kwan, a Malaysian, aged 36, is our Finance Manager. She is responsible for the accounting and finance functions of our Group.

She graduated with a Diploma in Business Studies majoring in Accounting from Tunku Abdul Rahman College, Malaysia in 2004. She subsequently obtained an Advanced Diploma in Commerce majoring in Financial Accounting from Tunku Abdul Rahman College in 2006. In 2017, she became a member of the Association of Chartered Certified Accountants, UK and was accepted as a chartered accountant with the Malaysian Institute of Accountants.

She began her career in 2006 as an Accounts Assistant at Indah Jaya Development Sdn Bhd where she was tasked with generating monthly invoices, processing accounting entries and performing bank reconciliation. She then joined MJ Department Stores Sdn Bhd in 2007 as Senior Accounts Supervisor where her responsibilities included handling accounts payable for speciality stores under Metrojaya. In 2008, she joined Hickham Capital Management Sdn Bhd as Senior Finance Executive where she managed the accounts of the company's subsidiaries and performed in-house secretarial tasks. She then joined BGMC Holdings Berhad, a subsidiary of Hong Kong-listed BGMC International Limited, as Senior Accounts Executive from 2017 to 2019. During her tenure at this company, she led and managed a team of accounts personnel in the financial and management accounting function and was involved in the preparation of monthly financial statements and drafting of audited reports for the company's subsidiaries.

In 2019, Leong Yue Kwan joined One ERP as Finance Manager where she is responsible for the preparation of monthly financial statements, financial and taxation planning as well preparation of yearly budgets and forecast.

(vi) Lian Ching Tee
Technical Manager

Lian Ching Tee, a Malaysian, aged 41, is our Technical Manager. He is responsible for leading JD Edwards ERP solution implementation and barcoding system support projects.

He graduated with a Professional Diploma in Network-Centered Computing from the National Institute of Information Technology, Malaysia in 2001.

He started his career at Actron Technology Sdn Bhd as an IT Executive from 2000 to 2002 where his responsibilities included providing IT support, designing and developing accounting systems as well as administering and supporting the company's IT requirements. In 2002, he joined Integrated Warehouse Sdn Bhd as an Analyst Programmer and was involved in the design, development and support of a transportation tracking system and providing technical support and system backup to internal employees. He was promoted to Assistant IT Manager in 2006 where he was responsible for leading IT implementation and system support projects for the company's clients across multiple industries. In 2007, he joined Singapore-based Antalis Asia Pacific Pte Ltd as Assistant Application System Manager where he led IT implementation and system support projects for JD Edwards ERP for the company's operations in Malaysia, Singapore, Thailand, China, Japan and Australia. Subsequently, he joined Malconrep Depot (M) Sdn Bhd as IT manager in 2014 where he was responsible for leading IT implementation and system support projects for the company's clients and participated in system enhancement projects until 2015.

In 2016, he was engaged by One ERP as a consultant to perform first level support and lead project integration. Subsequently in 2017, he joined One ERP Solutions Sdn Bhd as Senior Application Consultant where he maintained his previous responsibilities. In 2020, he was promoted to the position of Technical Manager.

(vii) Lai Sin Wei
Product Innovation Manager

Lai Sin Wei, a Malaysian, aged 41, is our Product Innovation Manager. He is responsible for our Group's software solution innovation activities.

He graduated with a Diploma in Science from Tunku Abdul Rahman College in 2000. He subsequently graduated with a Bachelor's Degree in Science from Campbell University, United States of America in 2002.

Upon graduation, he joined Pustaka Pelajaran Harmonis from 2002 to 2004 as a Marketing Consultant where he was responsible for promoting the education courses of this company. In 2004, he joined Global Soft (R&D) Sdn Bhd as an Application Programmer where he involved in R&D on ERP system modules and developed a human resource module. He then joined BIS Technologies Sdn Bhd in 2005 as an Application Programmer where he was involved in ERP system implementation for the company's clients in various industries. In 2008, he joined CALMS Technologies Sdn Bhd as a Technical Manager and he oversaw the maintenance and enhancement of card management systems for clients of the company. Subsequently in 2013, he joined I-Logic Solution Sdn Bhd as an Application Developer where he was tasked with overseeing the maintenance and enhancement of theme park ticketing and finance systems.

In 2017, Lai Sin Wei joined iTech Worldwide as R&D Manager where he was responsible for the maintenance and enhancement of the eFLEX plantation and mill management solutions until the business assets of the company was disposed to iTech Plantation in 2019. In 2019, he joined iTech Plantation as Product Innovation Manager with the same responsibilities as his last position.

7.3 Relationships and/or associations

There are no family relationships (as defined under Section 197 of the Act) or association between or amongst our Promoters, Substantial Shareholders, Directors and key management as at LPD.

7.4 Directors' remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid to our Directors for services rendered in all capacities to our Group for the FYE 2018 and FYE 2019 are as follows:

	Remuneration band	
Director	**FYE 2018** (RM'000)	**FYE 2019** (RM'000)
Lau King Yew	150 – 200	200 – 250
Tan Yuh Pei	100 – 150	100 – 150
Koh Kean Mum ~	-	-
Yeoh Aik Cheong #	-	-

<u>*Note:-*</u>

~ *Appointed as Director of One ERP and OneTech on 22 July 2019 and 27 December 2019 respectively.*

\# *Appointed as Director of OneTech on 18 August 2020.*

7.5 Service agreements

Lau King Yew and Tan Yuh Pei has entered into service agreements with One ERP for a period of three (3) years commencing 1 August 2020. As at the LPD, there are no existing or proposed service agreements between our Group and our Directors and key management personnel which are not terminable by notice without payment or compensation.

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7.6 Involvement in business/ corporation outside our Group

Save as disclosed below, our Promoters, Substantial Shareholders, Directors and key management personnel do not have any other directorships in corporations or interests in any other principal business activities performed outside our Group for the past 3 years up to the LPD:

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
<u>Present involvement</u>							
Koh Kean Mum	Entrijaya Sdn Bhd	A property holding company	Director and shareholder	12 November 2004	99.0%	-	-
Yeoh Aik Cheong	Polysage Properties Sdn Bhd	Provision of real estate and other management consultancy services	Director and shareholder	1 December 2019	30.0%	-	-
Yeoh Aik Cheong	Plugins Network Sdn Bhd	Provision of investment holding and web portals advertising activities	Director and shareholder	1 December 2019	15.0%	-	-
Yeoh Aik Cheong	SE Strategic Sdn Bhd	Provision of business management consultancy services	Director and shareholder	27 December 2018	100.0%	-	-
Yeoh Aik Cheong	3Prop Sdn Bhd	Investment holding company (1)	Director and shareholder	13 February 2019	75.0%	-	-
Yeoh Aik Cheong	Mulia Jaguh Sdn Bhd	Petrol station operator	Director and shareholder	6 May 2019	45.0%	-	-
Yeoh Aik Cheong	Amanpuri Leisure Sdn Bhd	Provision of rental and operation of recreational water transport facilities	Director and shareholder	23 May 2019	24.0%	-	-
Yeoh Aik Cheong	Ikatan Ikhwan Sdn Bhd	Provision of consultancy management	Director and shareholder	3 June 2019	45.0%	-	-

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
Yeoh Aik Cheong	Brightgas Sdn Bhd	To carry on the business of retailers, suppliers and dealers of all kinds of petroleum product as well as to undertake the business of food & beverages and mini market	Director	7 September 2020	-	-	-
Yeoh Aik Cheong	Prestij Gemilang Sdn Bhd	Management, operation and maintenance of fuel, oil and petrol pumps, stations, retail and wholesale agencies, garages, service stations, workshops and repair shops	Director and shareholder	21 October 2020	40.0%	-	-
Yeoh Aik Cheong	Adelphi Real Estate Management Co., Ltd, a company in Thailand	Real estate investment trust management company	Shareholder	1 October 2019	5.0%	-	Yeoh Aik Cheong ceased to be a director of Adelphi Real Estate Management Co., Ltd on 7 October 2020. He is a shareholder of the company as at LPD.
Yeoh Aik Cheong	Flexiroam Limited, a company listed on Australian Securities Exchange	Telecommunications	Shareholder	-	1.2%	-	-

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
Past involvement							
Lau King Yew, Tan Yuh Pei	One ERP Technology Sdn Bhd	Dormant	Director and shareholder	Both were appointed on 30 May 2017	50.0%, 50.0%	-	Lau King Yew and Tan Yuh Pei ceased to be a director and shareholder of One ERP Technology Sdn Bhd upon striking-off of the company on 3 January 2020.
Lau King Yew, Tan Yuh Pei	One Soft Solutions Sdn Bhd	Provision of professional industrial solution in diversified industries.	Director and shareholder	Both were appointed on 12 March 2015	66.7%, 33.3%	-	Lau King Yew and Tan Yuh Pei ceased to be the directors of One Soft Solutions Sdn Bhd on 23 December 2019 and shareholders of One Soft Solutions Sdn Bhd on 10 February 2020.
Lau King Yew, Koh Kean Mum	iTech Worldwide and iTech Worldwide (Consulting) Sdn Bhd (collectively known as "**iTech Worldwide Group**")	Provision of IT consultancy services which include project management, custom software development, system integration, software reengineering and network engineering.	Director and shareholder	Both were appointed on 23 January 2017 and 16 November 2018 respectively	65.0%, 30.0%	-	Lau King Yew and Koh Kean Mum ceased to be the directors of iTech Worldwide Group on 23 December 2019 and shareholders of iTech Worldwide Group on 20 January 2020 when they disposed their shares to purchasers who are not Related Parties.

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
Koh Kean Mum	B.I.S R & D Sdn Bhd	Research & development in IT software and products.	Director and shareholder	10 May 2005	49.6%	-	Koh Kean Mum ceased to be a director of B.I.S R & D Sdn Bhd on 1 July 2009 and a shareholder of B.I.S R & D Sdn Bhd upon striking-off of the company on 8 June 2018.
Tan Yuh Pei	Simple Soft Enterprise	Provision of IT consultancy services	Sole proprietor	16 March 2004	-	-	The business registration of Simple Soft Enterprise expired on 17 June 2018.
Yeoh Aik Cheong	DSG (Malaysia) Sdn Bhd	Manufacturing, fabricating, purchase and selling of disposable baby diapers, adult incontinence and training pants products	Director	27 July 2010	-	-	Yeoh Aik Cheong resigned on 31 March 2019.
Yeoh Aik Cheong	Disposable Soft Goods (Malaysia) Sdn Bhd	Distribution of disposable baby diapers, adult incontinence and training pants products	Director	27 July 2010	-	-	Yeoh Aik Cheong resigned on 31 March 2019.
Yeoh Aik Cheong	Puncak Sentiasa Sdn Bhd	Wholesale of liquefied petroleum gas, petrol, diesel and lubricants	Director	3 October 2019	-	-	Yeoh Aik Cheong resigned on 3 February 2020.
Yeoh Aik Cheong	Disposable Soft Goods (S) Pte Ltd, a company in Singapore	Distribution of disposable baby diapers, adult incontinence and training pants products	Director	15 August 2013	-	-	Yeoh Aik Cheong resigned on 31 March 2019.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
Yeoh Aik Cheong	DSG International (Thailand) Plc Co., Ltd, a company in Thailand	Manufacturing, fabricating, purchase and selling of disposable baby diapers, adult incontinence and training pants products	Director	27 May 2011	-	-	Yeoh Aik Cheong resigned on 9 November 2018.
Yeoh Aik Cheong	DSG Management Services (Thailand) Co., Ltd, a company in Thailand	Providing management services	Director and shareholder	12 September 2013	#	-	Yeoh Aik Cheong ceased to be a director and shareholder of DSG Management Services (Thailand) Co., Ltd on 22 January 2019.
Yeoh Aik Cheong	PT DSG Surya Mas Indonesia, a company in Indonesia	Manufacturing, fabricating, purchase and selling of disposable baby diapers, adult incontinence and training pants products	Director	6 December 2010	-	-	Yeoh Aik Cheong resigned on 29 March 2019.
Yeoh Aik Cheong	PT DSG Surya Mas Trading Indonesia, a company in Indonesia	Distribution of disposable baby diapers, adult incontinence and training pants products	Director	31 May 2017	-	-	Yeoh Aik Cheong resigned on 29 March 2019.
Yeoh Aik Cheong	Teak Capital Co., Ltd, a company in Thailand	Investment holding company	Director and shareholder	23 September 2019	49.0%	-	Yeoh Aik Cheong ceased to be a director and shareholder of Teak Capital Co., Ltd upon dissolution of the company on 3 August 2020.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Entity	Principal Activities	Directorship and/or shareholder	Date of appointment	Shareholdings Direct (%)	Shareholdings Indirect (%)	Cessation of directorship and/or shareholder status
Lai Sin Wei	iTech Worldwide Group	Provision of IT consultancy services which include project management, custom software development, system integration, software reengineering and network engineering.	Shareholder	-	5.0%	-	Lai Sin Wei ceased to be a shareholder of iTech Worldwide Group on 20 January 2020 when he disposed his shares to a purchaser who is not a Related Party.

Note:
\# *Negligible*
(1) 3Prop Sdn Bhd does not have investment in other companies. The intended business activity of 3Prop Sdn Bhd is property investment.

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7.7 Declaration by our Directors

As at LPD, none of our Directors:

(i) are undischarged bankrupts nor are they subject to any bankruptcy proceedings within or outside Malaysia;

(ii) have ever had any charge proven against them for a criminal offence relating to dishonesty or fraud under securities laws, corporation laws or any other laws within or outside Malaysia;

(iii) have been prohibited from acting as a director of a company or taking part, directly or indirectly in the management of a company;

(iv) have ever had any action taken against them involving any breach for the listing requirements, rules or any other law or regulatory requirements of securities industry for the past 5 years; and

(v) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

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8. FINANCIAL INFORMATION

8.1 Historical combined financial information

The combined audited financial statements for FYE 2018 and FYE 2019 as well as the combined unaudited financial statements for FPE 2019 and FPE 2020 are included in **Appendix I and Appendix II** of this Information Memorandum. The combined audited financial statements for FYE 2018 and FYE 2019 have been prepared in accordance with MFRS and the requirements of the Act and have been audited by Messrs. Crowe Malaysia PLT in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

The combined financial information of our Group for FYE 2018 comprise only of financial information of One ERP as OneTech and iTech Plantation were incorporated in 2019 and did not have financial records prior to 2019. Accordingly, the combined financial information of our Group for FYE 2019, FPE 2019 and FPE 2020 comprise financial records of OneTech, One ERP and iTech Plantation.

Combined statements of profit or loss and other comprehensive income

The following table summarises our audited combined statements of profit or loss and other comprehensive income for FYE 2018 and FYE 2019 as well as unaudited combined statements of profit or loss and other comprehensive income for FPE 2019 and FPE 2020 as set out in **Appendix I and Appendix II** of this Information Memorandum and should be read in conjunction with the 'Management's Discussion and Analysis' in **Section 8.2** of this Information Memorandum:-

	Audited		**Unaudited**	
	FYE 2018 RM	**FYE 2019 RM**	**FPE 2019 RM**	**FPE 2020 RM**
Revenue	4,387,205	5,256,480	2,935,476	2,934,679
Cost of sales	(2,201,112)	(2,310,612)	(1,386,448)	(1,903,048)
GP	2,186,093	2,945,868	1,549,028	1,031,631
Other income	59,020	146,716	114,152	56,479
Administrative and selling expenses	(657,786)	(915,364)	(509,559)	(463,264)
Other expenses	(143,515)	(315,093)	(205,255)	(148,993)
Finance costs	(22,004)	(23,079)	(13,804)	(10,909)
PBT	**1,421,808**	**1,839,048**	**934,562**	**464,944**
Income tax expense	(336,484)	(565,973)	(278,963)	(114,791)
PAT, representing total comprehensive income attributable to owners of the Company	**1,085,324**	**1,273,075**	**655,599**	**350,153**
EBITDA [(1)]	***1,513,642***	***2,032,868***	***1,038,098***	***587,003***
GP margin [(2)] (%)	49.8%	56.0%	52.8%	35.2%
EBITDA margin [(3)] (%)	34.5%	38.7%	35.4%	20.0%
PBT margin [(4)] (%)	32.4%	35.0%	31.8%	15.8%
PAT margin [(5)](%)	24.7%	24.2%	22.3%	11.9%
Effective tax rate [(6)] (%)	23.7%	30.8%	29.8%	24.7%
Basic EPS [(7)] (sen)	1.57	1.84	0.95	0.51
Diluted EPS [(8)] (sen)	1.41	1.65	0.85	0.46

8. FINANCIAL INFORMATION (cont'd)

Notes:

(1) Computed based on PBT, finance costs, interest income, depreciation and amortisation of the combining entities as follows:-

	Audited		*Unaudited*	
	FYE 2018 ***RM***	**FYE 2019** ***RM***	**FPE 2019** ***RM***	**FPE 2020** ***RM***
PBT	***1,421,808***	***1,839,048***	***934,562***	***464,944***
Adjusted for:-				
Finance costs	*22,004*	*23,079*	*13,804*	*10,909*
Interest income	*(59,020)*	*(53,457)*	*(31,184)*	*(32,248)*
Depreciation	*128,850*	*205,748*	*112,716*	*129,048*
Amortisation	*-*	*18,450*	*8,200*	*14,350*
EBITDA	***1,513,642***	***2,032,868***	***1,038,098***	***587,003***

(2) Computed based on the GP over revenue of the combining entities.

(3) Computed based on the EBITDA over revenue of the combining entities.

(4) Computed based on the PBT over revenue of the combining entities.

(5) Computed based on the PAT over revenue of the combining entities.

(6) Computed based on the income tax expense over PBT of the combining entities.

(7) Computed based on PAT attributable to owners of OneTech of the combining entities divided by the issued share capital of 69,255,000 Shares as at LPD.

(8) Computed based on PAT attributable to owners of OneTech of the combining entities divided by the enlarged issued share capital of 76,950,000 Shares upon completion of the Proposed Listing.

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Combined statements of financial position

The following table summarises our audited combined statements of financial position for FYE 2018 and FYE 2019 as well as unaudited combined statements of financial position for FPE 2019 and FPE 2020 as set out in **Appendix I** and **Appendix II** of this Information Memorandum and should be read in conjunction with the 'Management's Discussion and Analysis' in **Section 8.2** of this Information Memorandum:-

	Audited		**Unaudited**	
	FYE 2018 RM	**FYE 2019 RM**	**FPE 2019 RM**	**FPE 2020 RM**
ASSETS				
NON-CURRENT ASSETS				
Equipment	453,195	164,424	183,921	143,383
Right-of-use assets	-	360,072	433,607	257,122
Intangible assets	-	391,550	331,800	405,200
	453,195	916,046	949,328	805,705
CURRENT ASSETS				
Trade receivables	1,000,600	984,022	1,282,428	937,234
Deposits and prepayments	501,551	742,862	582,938	819,463
Contract assets	773,664	-	-	-
Fixed deposits with licensed banks	1,056,050	536,646	1,073,308	1,156,936
Cash and bank balances	789,402	1,457,593	1,772,119	1,191,955
	4,121,267	3,721,123	4,710,793	4,105,588
TOTAL ASSETS	**4,574,462**	**4,637,169**	**5,660,121**	**4,911,293**
EQUITY				
Share capital	100,000	1,773,025	350,100	1,773,025
Retained profits	1,676,214	766,364	2,331,813	1,116,517
TOTAL EQUITY	**1,776,214**	**2,539,389**	**2,681,913**	**2,889,542**
LIABILITIES				
NON-CURRENT LIABILITIES				
Lease liabilities	-	300,510	358,952	244,316
Hire purchase payables	364,147	-	-	-
	364,147	300,510	358,952	244,316
CURRENT LIABILITIES				
Trade payables	11,200	207,460	44,854	-
Other payables and accruals (2)	129,564	173,888	413,972	122,445
Contract liabilities	1,503,219	1,069,619	1,561,534	1,313,422
Amount owing to directors	-	-	35,000	-
Amount owing to related parties	270,000	-	220,000	-
Lease liabilities	-	138,160	135,179	114,634
Hire purchase payables	71,168	-	-	-
Dividend payable	360,000	-	-	-
Current tax liabilities	88,950	208,143	208,717	226,934
	2,434,101	1,797,270	2,619,256	1,777,435
TOTAL LIABILITIES	**2,798,248**	**2,097,780**	**2,978,208**	**2,021,751**
TOTAL EQUITY AND LIABILITIES	**4,574,462**	**4,637,169**	**5,660,121**	**4,911,293**
No. of Shares in issue (units)	69,255,000(1)	69,255,000	69,255,000(1)	69,255,000
NA per Share (RM)	**0.03**	**0.04**	**0.04**	**0.04**
Total borrowings	435,315	438,670	494,131	358,950
Gearing (times)	**0.25**	**0.17**	**0.18**	**0.12**

8. FINANCIAL INFORMATION (cont'd)

Notes:-

(1) *Assuming the current Group structure (prior to the Proposed Placement and Proposed Listing) has been existing throughout FYE 2018 and FPE 2019.*

(2) *Other payables and accruals comprise statutory contributions in relation to payroll, service tax payables as well as other payables and accruals.*

Pro forma combined statement of financial position

The following table summarises our pro forma combined statement of financial position assuming the Proposed Placement and the Proposed Listing as well as utilisation of proceeds had been completed on 31 December 2019:-

	Audited	Pro Forma	
		(I)	(II)
	FYE 31 December 2019 RM	After Proposed Listing RM	After (I) and utilisation of proceeds RM
ASSETS			
NON-CURRENT ASSETS			
Equipment	164,424	164,424	164,424
Right-of-use assets	360,072	360,072	360,072
Intangible assets	391,550	391,550	391,550
	916,046	916,046	916,046
CURRENT ASSETS			
Trade receivables	984,022	984,022	984,022
Deposits and prepayments	742,862	742,862	742,862
Fixed deposits with licensed banks	536,646	536,646	536,646
Cash and bank balances	1,457,593	2,996,593 (1)	2,236,593 (2)
	3,721,123	5,260,123	4,500,123
TOTAL ASSETS	**4,637,169**	**6,176,169**	**5,416,169**
EQUITY			
Share capital	1,773,025	3,312,025 (1)	3,200,525 (2)
Retained profits	766,364	766,364	117,864 (2)
TOTAL EQUITY	**2,539,389**	**4,078,389**	**3,318,389**
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	300,510	300,510	300,510
	300,510	300,510	300,510
CURRENT LIABILITIES			
Trade payables	207,460	207,460	207,460
Other payables and accruals	173,888	173,888	173,888
Contract liabilities	1,069,619	1,069,619	1,069,619
Lease liabilities	138,160	138,160	138,160
Current tax liabilities	208,143	208,143	208,143
	1,797,270	1,797,270	1,797,270
TOTAL LIABILITIES	**2,097,780**	**2,097,780**	**2,097,780**
TOTAL EQUITY AND LIABILITIES	**4,637,169**	**6,176,169**	**5,416,169**
No. of Shares in issue (units)	69,255,000	76,950,000	76,950,000
NA per Share (RM)	**0.04**	**0.05**	**0.04**
Total borrowings	438,670	438,670	438,670
Gearing (times)	**0.17**	**0.11**	**0.13**

Notes:-

(1) Taking into account the gross proceeds of RM1.54 million raised from issuance of Issue Shares is fully credited to the share capital account.

(2) Taking into account the effects of the utilisation of proceeds for the estimated listing expenses as disclosed in ***Section 2.6*** *of this Information Memorandum. The estimated listing expenses of approximately RM0.11 million is to be written off against the share capital under the Act and the remaining estimated listing expenses of approximately RM0.65 million will be expensed off to profit or loss and this represents an one-off expenditure, in conjunction with the Proposed Placement and Proposed Listing of OneTech.*

8.2 Management's discussion and analysis

The ensuing sections pertaining to management's discussion and analysis of financial condition and results of operations are based on our audited combined financial statements for the FYE 2018 and FYE 2019 as well as unaudited combined financial statements for the FPE 2019 and FPE 2020. This management's discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those anticipated in the forward-looking statements due to a number of factors including, but are not limited to, those discussed in the ensuing sections or elsewhere in this Information Memorandum, particularly the risk factors discussed in **Section 6** of this Information Memorandum.

8.2.1 Overview

We are primarily an enterprise software solutions provider that offers our customers the following:

a) Third party software solutions :
   - **JD Edwards ERP** - an ERP software solution for use mainly by mid-size to large companies in diverse industries including manufacturing, construction, engineering and consumer goods industries.
   - **Sage X3 ERP** - an ERP software solution that includes integrated functionality for financial management, supply chain management and production management for mainly SMEs.
   - **RFgen** - a mobile data collection and warehouse automation software solution which can be used on standalone basis or complement with ERP software solutions such as JD Edwards ERP.

b) Proprietary software solutions :
   - **eFLEX Plantware** - a web-based integrated plantation management solution to assist oil palm plantation companies manage and improve plantation operations.
   - **eFLEX Fieldware** - a mobile data collection and management system that support and improve plantation operations.
   - **eFLEX Millware** - a web-based solution to help oil palm mills to monitor and manage milling operations.

In order to deliver these third party and proprietary enterprise software solutions, we provide software licensing and IT services which include IT consulting, training, system integration, software customisation and upgrade, implementation and maintenance support services based on our customers' needs.

Our Group's revenues are generated based on the following:-

(i) Professional services and maintenance support sales

Professional services sales are professional services fees for projects that we secure. Our professional services encompass IT consulting, training, system integration, software customisation and upgrade as well as software implementation of third party or proprietary enterprise software solutions. Revenue from professional services fees is recognised over time based on project milestones that are delivered and agreed by our customers based on contracts.

We also secure retainer based contracts that generate recurring revenue when our customers pay for software maintenance support. Revenue from retainer based contracts are recognised on a straight line basis over the period of time of the contract which are usually on an annual basis.

(ii) Licensing based sales

Licensing based sales generate licensing fees when customers acquire new software licenses for third party or proprietary enterprise software solutions. Licensing fees are recognised as revenue when the software license is activated with either our third party software vendors for third party enterprise software solutions or with us for our proprietary enterprise software solutions.

Please refer to **Section 4** of this Information Memorandum for further details of our business.

8.2.2 Revenue

(i) Revenue breakdown by category of products

As OneTech is an investment holding company, our revenue generated from provision of third party and proprietary enterprise software solutions are derived from One ERP and iTech Plantation respectively. The breakdown of our Group's revenue by product category for the Financial Years and Periods under Review is detailed in the following table:-

Revenue by products category	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Third party enterprise software solutions:								
• Professional services and maintenance support	3,977	90.7	4,664	88.8	2,499	85.2	2,128	72.5
• Licensing	410	9.3	311	5.9	297	10.1	650	22.1
	4,387	**100.0**	**4,975**	**94.7**	**2,796**	**95.3**	**2,778**	**94.6**
Proprietary enterprise software solutions								
• Professional services and maintenance support	-	-	281	5.3	139	4.7	148	5.1
• Licensing	-	-	-	-	-	-	9	0.3
	-	**-**	**281**	**5.3**	**139**	**4.7**	**157**	**5.4**
Total	**4,387**	**100.0**	**5,256**	**100.0**	**2,935**	**100.0**	**2,935**	**100.0**

Comparison between the FYE 2018 and FYE 2019

Our Group registered an increase in revenue of RM0.87 million or 19.8% from RM4.39 million recorded for the FYE 2018 to RM5.26 million for the FYE 2019. The increase in revenue was mainly due to higher professional services and maintenance support revenue, which comprise project-based revenue and retainer-based revenue as summarised in the table below:-

Project-based and retainer-based revenue	Audited FYE 2018 RM'000	Percentage of Total Revenue %	Audited FYE 2019 RM'000	Percentage of Total Revenue %	Growth RM'000	%
Project-based revenue						
Third party enterprise software solutions	2,530	57.7	2,635	50.2	105	
Proprietary enterprise software solutions	-	-	90	1.7	90	
Total project-based revenue	2,530	57.7	2,725	51.9	195	7.7
Retainer-based revenue						
Third party enterprise software solutions	1,447	33.0	2,029	38.6	582	
Proprietary enterprise software solutions	-	-	191	3.6	191	
Total retainer-based revenue	1,447	33.0	2,220	42.2	773	53.4
Total	**3,977**	**90.7**	**4,945**	**94.1**	**968**	**24.3**

Our professional services and maintenance support revenue increased by RM0.97 million or 24.3% from RM3.98 million for the FYE 2018 to RM4.95 million for the FYE 2019.

The growth was contributed mainly by the increase in retainer-based revenue of RM0.77 million or 53.4% from RM1.45 million for the FYE 2018 to RM2.22 million for the FYE 2019. The increase in retainer-based revenue was primarily due to:-

(i) higher value of software maintenance support contracts from local customers for third party enterprise software; and

(ii) contribution from our proprietary enterprise software which was established upon completion of the Acquisition of Business Assets on 30 April 2019. For FYE 2019, we registered a 8-month revenue of RM0.28 million from 12 customers for our plantation and mill management software solutions. These customers, which are located in Malaysia and Indonesia, generated retainer-based revenue of RM0.19 million for the FYE 2019.

In addition, completion of several JD Edwards ERP projects of higher value for our customers and professional services for our plantation and mill management software solutions contributed to the increase in project-based revenue of RM0.20 million or 7.7%, from RM2.53 million for the FYE 2018 to RM2.73 million for the FYE 2019.

Comparison between the FPE 2019 and FPE 2020

Our Group maintained a revenue of RM2.94 million for the FPE 2019 and FPE 2020. The revenue was sustained at RM2.94 million mainly due to the increase in licensing revenue but was offset by a lower professional services and maintenance support revenue.

Our licensing revenue grew by RM0.36 million or 121.9% from RM0.30 million for the FPE 2019 to RM0.66 million for the FPE 2020 mainly due to sales of third party enterprise software licenses to a local customer.

Project-based and retainer-based revenue	Unaudited FPE 2019 RM'000	Percentage of Total Revenue %	Unaudited FPE 2020 RM'000	Percentage of Total Revenue %	Growth RM'000	%
Project-based revenue						
Third party enterprise software solutions	1,302	44.4	951	32.4	-351	
Proprietary enterprise software solutions	82	2.8	17	0.6	-65	
Total project-based revenue	1,384	47.2	968	33.0	-416	-30.1
Retainer-based revenue						
Third party enterprise software solutions	1,197	40.8	1,177	40.1	-20	
Proprietary enterprise software solutions	57	1.9	131	4.5	74	
Total retainer-based revenue	1,254	42.7	1,308	44.6	54	4.3
Total	**2,638**	**89.9**	**2,276**	**77.6**	**-362**	**-13.7**

Our professional services and maintenance support revenue decreased by RM0.36 million or 13.7%, from RM2.64 million for the FPE 2019 to RM2.28 million for the FPE 2020. The decline was contributed mainly by the decrease in project-based revenue of RM0.42 million or 30.1%, from RM1.38 million for the FPE 2019 to RM0.97 million for the FPE 2020. The decrease in project-based revenue was primarily due to:-

(i) completion of several JD Edwards ERP projects of higher value for our customers during FPE 2019; and
(ii) the temporary suspension of our office operations from 18 March 2020 to 12 May 2020 due to the MCO implemented by Government of Malaysia has deferred the implementation of third party and proprietary enterprise software solutions.

(ii) Revenue breakdown by geographical location

The following table sets out the breakdown and analysis of our Group's revenue by geographical areas for the Financial Years and Periods under Review:

Geographical revenue	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local	2,839	64.7	3,547	67.5	1,862	63.4	2,428	82.7
Foreign [(1)]	1,548	35.3	1,709	32.5	1,073	36.6	507	17.3
Total	**4,387**	**100.0**	**5,256**	**100.0**	**2,935**	**100.0**	**2,935**	**100.0**

<u>*Notes:-*</u>
*(1) Please refer to **Section 4.3** of this Information Memorandum for more information on our overseas markets.*

Comparison between the FYE 2018 and FYE 2019

Our Group's revenue was predominantly generated from local customers who contributed 64.7% and 67.5% of our Group revenue for the FYE 2018 and FYE 2019 respectively. Our overseas sales for the years under review was primarily from our sales to customers based in Singapore, Mongolia, Vietnam, Indonesia, Myanmar and China.

(a) Local

Our local revenue grew by RM0.71 million or 24.9% from RM2.84 million for the FYE 2018 to RM3.55 million for the FYE 2019. The increase was mainly due to:

(i) a new software maintenance support contract from a local customer for third party enterprise software solutions; and
(ii) revenue contribution from professional services and software maintenance for our proprietary enterprise software solutions.

(b) Foreign

Our foreign revenue grew by RM0.16 million or 10.4% from RM1.55 million for the FYE 2018 to RM1.71 million for the FYE 2019. The increase was mainly due to contribution from our customers in Singapore for professional services and software maintenance support.

Comparison between the FPE 2019 and FPE 2020

Our Group's revenue was mainly generated from local customers who contributed 63.4% and 82.7% of our Group revenue for the FPE 2019 and FPE 2020 respectively. Our overseas sales for the 7-month financial periods under review was primarily from our sales to customers based in Singapore, Mongolia, Vietnam, Indonesia and Myanmar.

(a) Local

Our local revenue was higher by RM0.57 million or 30.4% from RM1.86 million for the FPE 2019 to RM2.43 million for the FPE 2020. The increase was mainly due to:

(i) increase in sales of licenses for third party enterprise software; and
(ii) higher contribution from professional services and maintenance support of proprietary enterprise software solutions.

(b) Foreign

Our foreign revenue declined by RM0.57 million or 52.7% from RM1.07 million for the FPE 2019 to RM0.51 million for the FPE 2020. The reduction of foreign revenue was mainly due to completion of projects in Singapore and Mongolia in FYE 2019 as well as deferment of project implementation of certain overseas projects in FPE 2020 due to the outbreak of COVID-19.

8. FINANCIAL INFORMATION (cont'd)

8.2.3 Cost of sales

(i) Cost of sales breakdown by cost items

	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Outsourced professional services [(1)]	314	14.3	182	7.9	68	4.9	133	7.0
Software maintenance [(2)]	1,015	46.1	1,223	52.9	692	49.9	756	39.7
Licensing fees [(3)]	242	11.0	220	9.5	209	15.1	486	25.6
Loss on foreign withholding tax	5	0.2	-	-	-	-	-	-
Direct labour	625	28.4	686	29.7	417	30.1	528	27.7
Total	**2,201**	**100.0**	**2,311**	**100.0**	**1,386**	**100.0**	**1,903**	**100.0**

Notes:

(1) Represents costs incurred for outsourced third party consultants' services. Such services are engaged to support our Group to meet its project deadlines.

(2) Represents maintenance fees charged by third party enterprise software solution vendors comprising mainly software update licences and support fees for enterprise software solutions.

(3) Represents licencing fees charged by third party enterprise software solution vendors for the initial year of installation of the software solution.

Comparison between the FYE 2018 and FYE 2019

For the FYE 2019, our Group recorded cost of sales amounting to RM2.31 million, representing an increase of RM0.11 million or 5.0% as compared to cost of sales of RM2.20 million for the FYE 2018, mainly due to:-

(a) Increase in software maintenance fees charged by third party enterprise software solutions suppliers of RM0.21 million or 20.5% which is attributable to higher software maintenance support sales;

(b) Direct labour cost increased by RM0.06 million or 9.8% mainly due to the additional headcount arising from the commencement of operations of iTech Plantation during the year. During the year, a product innovation manager and 2 software engineers were hired by iTech Plantation.

The increase in cost of sales was partially offset by reduction in cost of providing professional services of RM 0.13 million or 42.0% due to a reduction of outsourcing to third party IT professionals. We reduced the level of outsourcing to third party IT professionals mainly due to completion of projects during the year. Furthermore, our technical staff strength grew from 7 persons in FYE 2018 to 8 persons in FYE 2019 which enabled us to deliver more projects internally.

Comparison between the FPE 2019 and FPE 2020

For the FPE 2020, our Group recorded cost of sales amounting to RM1.90 million, representing an increase of RM0.52 million or 37.3% as compared to cost of sales of RM1.39 million for the FPE 2019, mainly due to:-

(a) Increase in outsourced professional services fees of RM0.07 million or 95.6% in order to meet the implementation deadline of certain professional projects;

(b) Increase in software maintenance fees charged by third party enterprise software solutions suppliers of RM0.06 million or 9.2% as a result of securing two new retainer-based contracts from a local customer to provide maintenance support from

August 2019 to August 2020, which incurred relatively higher software maintenance fees during FPE 2020;

(c) Increase in licensing cost of RM0.28 million or 132.5% in tandem with higher licencing revenue derived from third party enterprise software solutions; and

(d) Direct labour cost increased by RM0.11 million or 26.6% mainly due to the recognition of the 7-month operations of iTech Plantation during FPE 2020 as opposed to a 4-month recognition in FPE 2019.

8.2.4 GP and GP margin

The following table sets out the GP and GP Margin of each revenue item:-

	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
GP and GP margin	**GP RM'000**	**GP margin %**	**GP RM'000**	**GP margin %**	**GP RM'000**	**GP margin %**	**GP RM'000**	**GP margin %**
Professional services and maintenance support	2,018	50.7	2,854	57.7	1,462	55.4	859	37.7
Licensing	168	41.0	92	29.6	87	29.3	173	26.3
Total	**2,186**	**49.8**	**2,946**	**56.0**	**1,549**	**52.8**	**1,032**	**35.2**

Comparison between the FYE 2018 and FYE 2019

Our GP increased from RM2.19 million for the FYE 2018 to RM2.95 million for the FYE 2019 mainly in line with the increase in professional services and maintenance support revenue. In addition, we reduced our outsourcing of professional services to third party IT professionals as a result of completion of several projects during the FYE 2019.

Our GP margin increased from 49.8% for the FYE 2018 to 56.0% for the FYE 2019 mainly due to improvement in gross profit margins for our professional services and maintenance support which increased from 50.7% for the FYE 2018 to 57.7% for FYE 2019. The improvement was mainly due to:

(a) increased professional services projects from overseas customers secured by our Group. These overseas projects typically have higher man-day rates compared to local projects; and

(b) a lower outsourced professional services fee arising from a reduction of outsourcing to third party IT professionals due to completion of projects during the year.

Comparison between the FPE 2019 and FPE 2020

Our GP decreased from RM1.55 million for the FPE 2019 to RM1.03 million for the FPE 2020 mainly as a result of an increase in our Group cost of sales by RM0.52 million or 37.3% from RM1.39 million for the FPE 2019 to RM1.90 million for the FPE 2020.

Our GP margin decreased from 52.8% for the FPE 2019 to 35.2% for the FPE 2020 mainly due to:-

(a) higher direct labour cost resulting from increased number of technical staff from 7 persons to 8 persons whilst concurrently recording a lower project-based professional services revenue as a result of deferment of project implementation of certain overseas projects in FPE 2020. This was mainly due to the outbreak of COVID-19; and

(b) a higher contribution from licensing revenue from the sale of third party enterprise software, which has a relatively thinner margin compared to professional services and maintenance support.

8.2.5 Other income

The following table shows the breakdown of other income of our Group for the Financial Years and Periods under Review:-

	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Other income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income [(1)]	59	100.0	54	36.7	31	27.2	32	57.1
Gain on sale of hardware [(2)]	-	-	83	56.5	83	72.8	-	-
Reversal of impairment loss	-	-	10	6.8	-	-	-	-
Realised gain on foreign exchange	-	-	-	-	-	-	4	7.2
SOCSO wages subsidy [(3)]	-	-	-	-	-	-	20	35.7
Total	**59**	**100.0**	**147**	**100.0**	**114**	**100.0**	**56**	**100.0**

Notes:-

(1) consist of mainly the interest income on bank balances.

(2) non-recurring revenue relates to sale of hardware in order to facilitate the implementation of enterprise solutions.

(3) subsidy granted by Social Security Organization (SOCSO) Malaysia to employers who are economically impacted as a result of Covid-19 under the wage subsidy programme announced by Government of Malaysia.

Comparison between the FYE 2018 and FYE 2019

Other income for our Group increased by RM0.09 million or 149.2% from RM0.06 million in FYE 2018 to RM0.15 million in FYE 2019 primarily due to the sale of hardware in order to facilitate the implementation of enterprise solutions and reversal of impairment loss on non-trade advances to a related party.

Comparison between the FPE 2019 and FPE 2020

Other income for our Group decreased by RM0.06 million or 50.9% from RM0.11 million in FPE 2019 to RM0.06 million in FPE 2020 primarily due to absence of gain arising from the sale of hardware in order to facilitate the implementation of enterprise solutions.

8.2.6 Administrative and selling expenses, other expenses and finance cost

The following table shows the breakdown of administrative and selling expenses, other expenses and finance cost of our Group for the Financial Years and Periods under Review:-

	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Administrative and selling expenses	658	80.0	915	73.0	510	70.0	463	74.2
Other expenses	143	17.4	315	25.1	205	28.1	149	23.9
Finance cost	22	2.6	23	1.9	14	1.9	11	1.9
Total	**823**	**100.0**	**1,253**	**100.0**	**729**	**100.0**	**623**	**100.0**

(a) Administrative and selling expenses

The following table shows the breakdown of administrative and selling expenses of our Group for the Financial Years and Periods under Review:-

Administrative and selling expenses	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration	302	45.8	324	35.4	185	36.3	202	43.6
Staff costs and benefits (1)	63	9.6	190	20.8	121	23.7	156	33.7
Travelling and transportation	76	11.6	125	13.7	84	16.5	18	4.0
Marketing and selling expenses	11	1.7	-	-	-	-	-	-
Professional fees	87	13.2	139	15.2	41	8.0	13	2.8
Entertainment	19	2.9	14	1.5	11	2.2	3	0.6
Utilities and tele-communication	11	1.7	17	1.9	10	2.0	10	2.2
Maintenance and upkeep for offices and equipment	9	1.4	31	3.4	16	3.1	9	1.9
Membership fees	14	2.1	15	1.6	14	2.7	28	6.0
Stamping fees	2	0.3	13	1.4	1	0.2	1	0.2
Other administrative expenses (2)	64	9.7	47	5.1	27	5.3	23	5.0
Total	**658**	**100.0**	**915**	**100.0**	**510**	**100.0**	**463**	**100.0**

Notes:-
(1) Comprising salary, bonus, statutory contributions, insurance and staff welfare.
(2) Comprising commission, bank charges, donation and gift, postage, motor vehicle insurance, printing and stationaries, road tax and miscellaneous expenses.

Comparison between the FYE 2018 and FYE 2019

Our Group recorded an increase of RM0.26 million or 39.1% in our administrative and selling expenses from RM0.66 million in FYE 2018 to RM0.92 million in the FYE 2019. The increase in FYE 2019 was mainly due to:

(i) Increase in staff costs and benefits of RM0.13 million or 201.6% as a result of the increase in number of administrative staff from zero as at FYE 2018 to 2 as at FYE 2019. We outsourced the finance and accounting function as well as human resources and administrative function of the Group in FYE 2018. Subsequently, we recruited a finance manager to oversee and support the finance and accounting function of the Group as well as a human resources and administrative manager to handle the administration of the Group in FYE 2019;

(ii) Increase in travelling and transportation costs of RM0.05 million or 64.5% incurred by IT consultants for providing third party enterprise solutions professional services in line with higher sales. In addition, our Group started offering parking allowances to eligible employees in FYE 2019; and

(iii) Increase in professional fees of RM0.05 million or 59.8% arising from the payment of fees to various professionals pursuant to our Pre-IPO reorganisation as detailed in **Section 3.6** of this Information Memorandum.

Comparison between the FPE 2019 and FPE 2020

Our Group recorded a decrease of RM0.05 million or 9.2% in our administrative and selling expenses from RM0.51 million in FPE 2019 to RM0.46 million in the FPE 2020. The decrease in FPE 2020 was mainly due to:

(i) Decrease in the travelling and transportation costs of RM0.07 million or 78.6% as a result of the restrictions in travel due to the MCO implemented by Government of Malaysia to curb the spread of the COVID-19 infection in Malaysia;
(ii) Decrease in the professional fees of RM0.03 million or 68.3% as a result of the completion of our Pre-IPO reorganisation in FPE 2019 as detailed in **Section 3.6** of this Information Memorandum; and
(iii) Offset by an increase in staff costs and benefits of RM0.04 million arising from our recruitment of a finance manager in mid-April 2019.

(b) Other expenses

The following table shows the breakdown of other expenses of our Group for Financial Years and Periods under Review:-

	Audited				**Unaudited**			
	FYE 2018		**FYE 2019**		**FPE 2019**		**FPE 2020**	
Other expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation of equipment	129	90.2	40	12.7	20	9.8	26	17.4
Depreciation of right-of-use assets	-	-	166	52.7	93	45.4	103	69.1
Amortisation of intangible assets	-	-	18	5.7	8	3.9	14	9.4
Sales and service tax expenses	-	-	6	1.9	4	1.9	6	4.1
Impairment loss on amount owing by a related party	10	7.0	-	-	-	-	-	-
Realised loss on foreign exchange	4	2.8	15	4.8	10	4.9	-	-
Hardware procurement	-	-	70	22.2	70	34.1	-	-
Total	**143**	**100.0**	**315**	**100.0**	**205**	**100.0**	**149**	**100.0**

Comparison between the FYE 2018 and FYE 2019

Our Group recorded an increase of RM0.18 million or 120.3% in other expenses from RM0.14 million in FYE 2018 to RM0.32 million in the FYE 2019. The increase in FYE 2019 was mainly due to:

(i) Depreciation of right-of-use assets recognised from the application of MFRS 16, a new accounting standard which came into effect on 1 January 2019, on motor vehicles and office premises under leasing contracts of our Group entered into or changed after 1 January 2019;
(ii) Amortisation of intangible assets of RM0.02 million;
(iii) Increase in realised loss on foreign exchange of RM0.01 million or 275.0% arising from exchange rate differential between exchange rate (USD or SGD) stated in the invoice to customers and the exchange rate on date of payment in Malaysian Ringgit received by our Group; and

(iv) Cost of procuring hardware of RM0.07 million for our customers to facilitate the implementation of enterprise software solutions.

Comparison between the FPE 2019 and FPE 2020

Our Group recorded a decrease of RM0.06 million or 27.3% in other expenses from RM0.21 million in FPE 2019 to RM0.15 million in the FPE 2020. The decrease in FPE 2020 was mainly due to the absence of hardware procurement expenses on behalf of our customers to facilitate the implementation of enterprise software solutions during FPE 2020.

(c) Finance cost

The following table shows the breakdown of finance cost of our Group for Financial Years and Periods under Review:-

	Audited				Unaudited			
	FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Finance cost	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on hire purchase	22	100.0	18	78.3	11	78.6	9	81.8
Interest expense on right-of-use assets	-	-	5	21.7	3	21.4	2	18.2
Total	**22**	**100.0**	**23**	**100.0**	**14**	**100.0**	**11**	**100.0**

Comparison between the FYE 2018 and FYE 2019

Our Group recorded an increase of RM0.001 million or 4.5% in our finance cost from RM0.022 million in FYE 2018 to RM0.023 million in the FYE 2019. The increase in FYE 2019 was mainly due to interest expense recognised on lease liabilities arising from renting of office premises which was offset by a lower hire purchase interest for motor vehicles.

Comparison between the FPE 2019 and FPE 2020

Our Group recorded an decrease of RM0.003 million or 21.4% in our finance cost from RM0.014 million in FPE 2019 to RM0.011 million in the FPE 2020. The decrease in FPE 2020 was mainly due to lower hire purchase interest for motor vehicles.

8.2.7 PBT and PBT margin

Our PBT and PBT margin for the Financial Years and Periods under Review are illustrated in the table below:-

	Audited		Unaudited	
	FYE 2018	**FYE 2019**	**FPE 2019**	**FPE 2020**
PBT (RM'000)	1,422	1,839	935	465
PBT margin (%)	32.4%	35.0%	31.8%	15.8%

Comparison between the FYE 2018 and FYE 2019

Our Group achieved a PBT of RM1.84 million for the FYE 2019, which is RM0.42 million or 29.3% higher than the PBT of RM1.42 million during FYE 2018 on the back of higher revenue as stated in **Section 8.2.2** above and improved GP margin as stated in **Section 8.2.4** above.

Comparison between the FPE 2019 and FPE 2020

Our Group achieved a PBT of RM0.47 million for the FPE 2020, which is RM0.47 million or 50.3% lower than the PBT of RM0.94 million during FPE 2019 mainly due to lower GP margin achieved in FPE 2020 as stated in **Section 8.2.4** above.

8.2.8 Taxation

Our tax expense comprising income tax and deferred tax for the Financial Years and Periods under Review are illustrated in the table below:-

	Audited		Unaudited	
	FYE 2018	**FYE 2019**	**FPE 2019**	**FPE 2020**
Income tax expense (RM'000)	336	566	279	115
Effective tax rate (%)	23.7%	30.8%	29.8%	24.7%

Comparison between the FYE 2018 and FYE 2019

For the FYE 2019, One ERP and iTech Plantation were qualified for a lower tax rate of 17% (2018 - 18%) on the first RM0.50 million chargeable income and statutory tax rate of 24.0% on the balance chargeable income as both companies are SMEs.

Our Group tax expense for the FYE 2019 increased by approximately 68.2% from RM0.34 million for the FYE 2018 to RM0.57 million due to higher PBT and effective tax rate.

Our effective tax rate of 23.7% for the FYE 2018, which was lower than statutory tax rate of 24%, was mainly due to the tax savings arising from the lower tax rate for SMEs which was partially offset by non-deductible expenses and deferred tax asset not recognised during FYE 2018. The higher effective tax rate of 30.8% for the FYE 2019 was mainly due to non-deductible expenses, underprovision of taxation in prior year and deferred tax asset not recognised during FYE 2019.

Comparison between the FPE 2019 and FPE 2020

Our effective tax rate of 29.8% for the FPE 2019, which was higher than statutory tax rate of 24%, was mainly due to the underprovision of tax expenses for the FYE 2018 and the non-deductible expenses incurred during FPE 2019.

For the FPE 2020, our Group tax expense decreased by approximately 58.9% from RM0.28 million for the FPE 2019 to RM0.11 million mainly due to decline in PBT. The higher effective tax rate of 24.7% for the FPE 2020 was mainly due to higher non-deductible expenses during the 7-month period.

8.2.9 PAT and PAT margin

Our PAT and PAT margin for the Financial Years and Periods under Review are illustrated in the table below:-

	Audited		Unaudited	
	FYE 2018	**FYE 2019**	**FPE 2019**	**FPE 2020**
PAT (RM'000)	1,085	1,273	656	350
PAT margin (%)	24.7%	24.2%	22.3%	11.9%

The variances between PAT margins for the periods under review are a result of the reasons described in **Sections 8.2.7 PBT and PBT margin** and **8.2.8 Taxation** in this Information Memorandum.

8. FINANCIAL INFORMATION (cont'd)

8.2.10 Key financial ratios

The key financial ratios of our Group for the Financial Years and Periods under Review under Review are shown in the table below:-

	Audited		Unaudited	
Key financial ratio	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
Turnover period				
Trade receivables turnover period [(1)] (days)	55	69	47	40
Trade payables turnover period [(2)] (days)	5	17	2	7
Financial stability and liquidity				
Current ratio [(3)] (times)	1.69	2.07	1.80	2.31
Gearing ratio [(4)] (times)	0.25	0.17	0.18	0.12

Notes:-

(1) Computed based on average of the beginning and ending balances of trade receivables over total revenue for the respective financial year/ period, multiplied by number of days in the financial year/ period.

(2) Computed based on average of the beginning and ending balances of trade payables over total cost of sales for the respective financial year/ period, multiplied by number of days in the financial year/ period.

(3) Computed based on current assets over current liabilities as at the respective financial year/ period.

(4) Computed based on the interest bearing debt, being the hire purchase payables as at FYE 2018 and total lease liabilities as at FYE 2019, FPE 2019 and FPE 2020 over total equity as at the respective financial year/ period. The hire purchase payables have been represented as 'lease liabilities' following the application of MFRS 16 by the Group using the modified retrospective approach.

Turnover period

(i) Trade receivables turnover period

Trade receivables turnover stood at 55 and 69 days for the FYE 2018 and FYE 2019 respectively, while it stood at 47 and 40 days for FPE 2019 and FPE 2020 respectively, which did not vary significantly from the credit period range of 30 to 60 days granted to our customers. Trade receivables turnover period decreased from FYE 2019 to FPE 2020 due to active collection monitoring.

The credit period granted to our existing and new customers are assessed and approved on an individual case basis. In addition, we exercise flexibility in giving an extension of additional 30 days to the normal credit period to existing customers as and when required as a mean to maintain a good relationship with them. As part of our credit control policy, our Finance Manager actively monitors receivables collection which have exceeded the normal credit period ranging 30 to 60 days.

The assessment undertaken when granting credit period and the discretion of granting extension of credit period to customers are subject to various considerations as follows:-

(a) their credibility in the past;
(b) length of business relationship with us;
(c) our sales and marketing strategy; and
(d) working capital requirement

The table below shows the ageing analysis of our trade receivables as at 31 December 2019:-

Aging analysis of trade receivables	FYE 31 December 2019 RM'000	Subsequent collections and sales return up to LPD RM'000	Provision for impairment up to LPD RM'000	Total trade receivables taking into account of (b) and (c) RM'000
	(a)	(b)	(c)	(a)-(b)-(c)
Not past due (Credit period granted 30 – 60 days)	**211**	**211**	**-**	**-**
Past due but not impaired:-				
1 to 30 days	90	90	-	-
31 to 60 days	157	113	44	-
61 to 90 days	101	101	-	-
More than 90 days	425	425	-	-
Total	**984**	**940**	**44**	**-**

Our Group has RM0.98 million of total trade receivables as at 31 December 2019 of which amounts owed by 5 customers constituted approximately 70% of its trade receivables at the end of the reporting period. As at LPD, we have collected RM0.93 million and recorded sales return to customers of RM0.01 million, representing 94.4% and 1.1% respectively of the total trade receivables as at 31 December 2019.

In addition, the Board has decided to make a provision for impairment of RM0.04 million, representing 4.5% of the total trade receivables, which is long overdue and recovery is considered to be doubtful as of LPD. Nonetheless, our Group has not encountered any major disputes with our debtors for the Financial Years and Periods under Review.

(ii) Trade payables turnover period

Our trade payables turnover period stood at 5 days and 17 days for FYE 2018 and FYE 2019 respectively, while it stood at 2 days and 7 days for FPE 2019 and FPE 2020 respectively. Our trade payables turnover period has decreased from 17 days as at FYE 2019 to 7 days as at FPE 2020, which was within the credit terms granted to our Group by our suppliers of 30 days.

(iii) Inventories turnover period

Our Group does not have inventory as at Financial Years and Periods under Review due to our principal activities which are primarily service-based in nature.

<u>Financial stability and liquidity</u>

(iv) Current ratio

Our Group's current ratio as at FYE 2019 improved to 2.07 times from 1.69 times as at FYE 2018, showing an improvement in liquidity mainly due to an increase in cash and bank balances together with fixed deposits with license banks of RM0.15 million and a decline in current liabilities arising from a reduction of contract liabilities of RM0.43 million, repayment of amount owing to related parties of RM0.27 million and reduction of dividend payable of RM0.36 million.

Our Group's current ratio as at FPE 2020 further improved to 2.31 times from 2.07 times as at FYE 2019 mainly due to an increase in cash and bank balances together with fixed deposits with license banks of RM0.35 million and trade payables had been fully paid-off during FPE 2020.

(v) Gearing ratio

As at FYE 2019, our Group's gearing ratio decreased to 0.17 times from 0.25 times as at the preceding financial year due to the partial repayment of current hire purchase payables and increase in shareholders' funds of RM0.76 million in FYE 2019.

Our gearing ratio further decreased from 0.17 times as at FYE 2019 to 0.12 times as at FPE 2020 mainly due to the partial repayment of hire purchase payables and increase in retained profits of RM0.35 million.

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8.2.11 Cash Flow

The following table summarises our audited combined statements of cash flow for FYE 2018 and FYE 2019 as well as unaudited combined statements of cash flow for FPE 2019 and FPE 2020 and should be read in conjunction with the 'Management's Discussion and Analysis' in **Section 8.2** of this Information Memorandum:-

	Audited		**Unaudited**	
	FYE 2018 RM	**FYE 2019 RM**	**FPE 2019 RM**	**FPE 2020 RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
PBT	1,421,808	1,839,048	934,562	464,944
Adjustments for:-				
Amortisation of intangible assets	-	18,450	8,200	14,350
Depreciation of equipment	128,850	39,650	20,153	26,098
Depreciation of right-of-use assets	-	166,098	92,563	102,950
Impairment loss on amount owing by a related party	10,290	-	-	-
Reversal of impairment loss on amount owing by a related party	-	(10,290)	-	-
Interest income	(59,020)	(53,457)	(31,184)	(32,248)
Interest expenses	22,004	23,079	13,804	10,909
Operating profit before working capital changes	1,523,932	2,022,578	1,038,098	587,003
Changes in working capital:-				
Decrease/(Increase) in trade and other receivables	(741,058)	(224,733)	(363,215)	(29,813)
(Decrease)/Increase in trade and other payables	16,396	240,584	(41,938)	(258,903)
Decrease/(Increase) in contract assets	(460,764)	773,664	773,664	-
(Decrease)/Increase contract liabilities	778,351	(433,600)	58,315	243,803
Cash from operations	1,116,857	2,378,493	1,464,924	542,090
Income tax paid	(347,768)	(446,780)	(159,196)	(96,000)
Income tax refunded	18,262	-	-	-
Interest received	59,020	53,457	31,184	32,248
Interest paid	(22,004)	(23,079)	(13,804)	(10,909)
Net cash from operating activities	**824,367**	**1,962,091**	**1,323,108**	**467,429**
CASH FLOWS FOR INVESTING ACTIVITIES				
Purchase of equipment	(35,637)	(152,409)	(152,409)	(5,057)
Purchase of intangible assets	-	(246,000)	(246,000)	-
Development cost additions	-	(164,000)	(94,000)	(28,000)
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months	(547,733)	519,404	(17,258)	(620,290)
Repayment from a related party	-	10,290	-	-
Net cash for investing activities	**(583,370)**	**(32,715)**	**(509,667)**	**(653,347)**
Balance carried forward	240,997	1,929,376	813,441	(185,918)

8. FINANCIAL INFORMATION (cont'd)

	Audited		Unaudited	
	FYE 2018 RM	FYE 2019 RM	FPE 2019 RM	FPE 2020 RM
Balance brought forward	240,997	1,929,376	813,441	(185,918)
CASH FLOWS FOR FINANCING ACTIVITIES				
Advances from directors	-	-	35,000	-
Dividend paid	(517,700)	(1,120,000)	-	-
Repayment to a related party	(61,000)	(270,000)	(50,000)	-
Repayment of hire purchase obligations	(67,360)	-	-	-
Repayment of lease liabilities	-	(121,285)	(65,824)	(79,720)
Proceeds from issuance of ordinary shares	-	250,100	250,100	-
Net cash for financing activities	**(646,060)**	**(1,261,185)**	**169,276**	**(79,720)**
Net (decrease)/increase in cash and cash equivalents	**(405,063)**	**668,191**	**982,717**	**(265,638)**
Cash and cash equivalents at beginning of the financial year/period	1,194,465	789,402	789,402	1,457,593
Cash and cash equivalents at end of the financial year/period	**789,402**	**1,457,593**	**1,772,119**	**1,191,955**

(i) Net cash from operating activities

For the FYE 2018, our Group's net cash from operating activities was a net cash inflow of RM0.82 million which was contributed from cash inflows from our operating profit before working capital changes of RM1.52 million after adjusting for the following items:-

(a) cash outflow from net changes in working capital of RM0.41 million and net payment of tax of RM0.33 million; and
(b) cash inflow from net interest received of RM0.04 million.

For the FYE 2019, our Group's net cash from operating activities was a net cash inflow of RM1.96 million, which was contributed from cash inflows from operating profit before working capital changes of RM2.02 million as compared to FYE 2018 mainly due to higher PBT (as explained in Section 8.2.7) after adjusting for the following items:-

(a) net cash inflow from changes in working capital of RM0.36 million was mainly due to increase in trade and other payables of RM0.24 million as a result of billings from our suppliers for maintenance support near our year end and decrease in contract assets of RM0.77 million as a result of higher billings to customers for the professional services performed. The cash inflow was offset by cash outflow from an increase in trade and other receivables of RM0.22 million because of maintenance fees paid for third party enterprise software solutions that have not been recognised yet to match our future maintenance support revenue and decrease in contract liabilities of RM0.43 million as a result of increase in the Group's performance of maintenance support and professional services.

(b) cash outflow from income tax paid of RM0.45 million; and

(c) cash inflow from net interest received of RM0.03 million.

For the FPE 2019, our Group's net cash from operating activities was a net cash inflow of RM1.32 million, which was contributed from cash inflows from our unaudited operating profit before working capital changes of RM1.04 million after adjusting for the following items:-

(a) cash inflow from net changes in working capital of RM0.43 million and net interest received of RM0.02 million; and
(b) cash outflow from net payment of tax of RM0.16 million.

For the FPE 2020, our Group's net cash from operating activities was a net cash inflow of RM0.47 million, which was contributed from cash inflows from a lower unaudited operating profit before working capital changes of RM0.59 million as compared to FPE 2019 due to lower PBT (as explained in Section 8.2.7) after adjusting for the following items:-

(a) net cash outflow from changes in working capital of RM0.04 million was mainly due to decrease in trade and other payables of RM0.26 million as a result of dividend payable in FPE 2019. The cash outflow was offset by cash inflow from an increase in contract liabilities of RM0.24 million mainly as a result of reduction in the Group's performance of maintenance support and professional services;

(b) cash outflow from income tax paid of RM0.10 million; and

(c) cash inflow from net interest received of RM0.02 million.

(ii) Net cash for investing activities

For the FYE 2018, our Group recorded net cash outflows for investing activities amounting to approximately RM0.58 million, mainly due to placement of fixed deposits with tenure more than 3 months of approximately RM0.55 million.

For the FYE 2019, our Group recorded net cash outflows for investing activities amounting to RM0.03 million. Our Group incurred cash outflows mainly due to Acquisition of Business Assets of RM0.25 million, development cost paid of RM0.16 million, purchase of office equipment, computer hardware and furniture and fittings of RM0.06 million and office renovation of RM0.09 million. These outflows were offset by a withdrawal of fixed deposits of RM0.52 million.

For the FPE 2019, our Group recorded net cash outflows for investing activities amounting to approximately RM0.51 million, mainly due to Acquisition of Business Assets of RM0.25 million, development cost paid of RM0.09 million, purchase of office equipment, computer hardware and furniture and fittings of RM0.06 million and office renovation of RM0.09 million.

For the FPE 2020, our Group recorded net cash outflows for investing activities amounting to RM0.65 million mainly due to development cost paid of RM0.03 million and placement of fixed deposit with a tenure more than 3 months of RM0.62 million.

(iii) Net cash for financing activities

For the FYE 2018, our Group recorded net cash outflows for financing activities amounting to RM0.65 million, mainly due to the dividend paid of RM0.52 million.

For the FYE 2019, our Group recorded net cash outflows for financing activities amounting to RM1.26 million, mainly due to the following key items:

(a) dividend payment of RM1.12 million;
(b) repayment to a related party of RM0.27 million;
(c) repayment of lease liabilities of RM0.12 million and
(d) offset by proceeds from issuance of ordinary shares of RM0.25 million.

For the FPE 2019, our Group recorded net cash inflows for financing activities amounting to RM0.17 million, mainly due to proceeds from issuance of ordinary shares of RM0.25 million.

For the FPE 2020, our Group recorded net cash outflows for financing activities amounting to RM0.08 million, mainly due to repayment of lease liabilities.

Our Board are of the opinion that, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Information Memorandum by taking into account of our Group's existing cash and cash equivalents of RM1.5 million as at 31 December 2019, the expected funds to be generated from our continuing operations as well as the net proceeds to be raised from the Proposed Placement.

8.2.12 Impact of foreign currency exchange rates

Any significant change in foreign exchange rates may have impact on our financial result as part of our revenue and purchases are transacted in foreign currency encompasses USD and SGD.

We have not incurred any material loss arising from foreign currency exchange during the Financial Years and Periods under Review. Our net realised foreign exchange gains or loss for the Financial Years and Periods under Review are as follows:-

	Audited		Unaudited	
	FYE 2018	**FYE 2019**	**FPE 2019**	**FPE 2020**
Net gain/(loss) on foreign exchange (RM) [(1)]	(4,375)	(15,059)	(9,750)	4,432
% of PBT	0.3%	0.8%	1.0%	1.0%

Note:-
(1) Being the net outcome after offsetting realised gain with realised loss on foreign exchange.

8.2.13 Material capital commitments

As at LPD, Our Board is not aware of any material commitments incurred or known to be incurred by our Group that have not been provided for, which may substantially affect the financial result or position of our Group upon becoming enforceable.

8.2.14 Contingent liabilities

As at LPD, our Board is not aware of any material contingent liabilities, which may materially affect the financial results or position of our Group upon becoming enforceable.

8.3 Trend information and significant factors affecting our financial condition and results of operation

Due to the nature of our business and prevailing industry practice, we do not have long-term contracts with our customers as our sales are made based on purchase orders. We actively and continuously market our solutions and services in order to secure new customers. Our order book may change at any particular point in time as a result of additions, deferrals or rescheduling of our solutions and/or services. As at the LPD, our order book stood at approximately RM1.7 million. Nonetheless, in the past, we have experienced instances of additions, deferrals or rescheduling at the request of our customers.

We temporarily suspended our office operations from 18 March 2020 to 12 May 2020 in compliance with the Restriction of Movement Order introduced by the Government of Malaysia as a result of the COVID-19 outbreak. The outbreak has affected business and economic environment of our Group and hence, may impact our performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the government and various private corporations, the potential financial impact of the COVID-19 outbreak on our Group cannot be reasonably quantified at this juncture.

Nonetheless, based on our competitive strengths as at set out in **Section 4.4** and prospects of our Group as set out in **Section 4.17** of this Information Memorandum and barring unforeseen circumstances, our Board is optimistic of the long term business and prospects of our Group.

Investors should take cognisance of the risk factors detailed in **Section 6** of this Information Memorandum, which may affect our future revenue to a certain extent.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERST

9.1 Related party transactions

Pursuant to the Chapter 7 of Listing Requirements, a 'related party transaction' is a transaction entered between the listed corporation or its subsidiaries and a related party. A 'related party' of a listed corporation is:-

(i) A director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation;

(ii) A major shareholder who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, having an interest of 10% or more of the total number of all the voting shares in a corporation; or

(iii) A person connected with such director or major shareholder.

Save as disclosed below, there are no existing or presently proposed material related party transactions entered into by us which involves the interests, direct or indirect, of our Directors, Promoters, Substantial Shareholders and/or persons connected to them for the FYE 2019 and subsequent period up to the LPD:-

Company involved	Transacting Parties	Nature of the transaction	Actual value transacted FYE 2019 RM	Actual value transacted Up to LPD RM	Interests of Director, Promoter, Substantial Shareholder, and/or persons connected to them
OneTech	Lau King Yew, Tan Yuh Pei and Koh Kean Mum	Acquisition of 100% equity interest in One ERP from Lau King Yew, Tan Yuh Pei and Koh Kean Mum by OneTech [(1)]	1,772,925	-	Lau King Yew and Tan Yuh Pei are OneTech's Promoters, Substantial Shareholders, and Directors and Koh Kean Mum is OneTech's Substantial Shareholder and Director, who are also directors of One ERP. Lau King Yew, Tan Yuh Pei and Koh Kean Mum were the shareholders of One ERP until 23 December 2019.
iTech Plantation	iTech Worldwide [(2)]	Acquisition of certain business assets including customer contracts, trademarks, copyrights of source code, domain name and fixed assets from iTech Worldwide	250,000	-	Lau King Yew is OneTech's Promoter, Substantial Shareholder, and Director and Koh Kean Mum is OneTech's Substantial Shareholder and Director, who were also directors of iTech Worldwide until 23 December 2019. Lau King Yew and Koh Kean Mum collectively held 95% equity interest in iTech Worldwide until 20 January 2020.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERST (cont'd)

Notes:-

(1) Pursuant to the share sale agreement dated 20 September 2019 and a supplemental agreement dated 20 November 2019, the consideration was satisfied via the issuance of 69,254,900 Shares to the vendors.

(2) iTech Worldwide is primarily engaged in the provision of IT consultancy services which includes project management, custom software development, system integration, software reengineering and network engineering.

Upon the Proposed Listing, our Board will ensure that:-

(i) any proposed related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm’s length and are not detrimental to our minority shareholders;

(ii) any proposed related party transactions shall be considered by our independent Director as to the viability of the terms thereof and in accordance with the Listing Requirements, shall require the prior approval of shareholders in general meeting; and

(iii) the Directors, Substantial Shareholders and/or persons connected with a Director or Substantial Shareholder who have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or Substantial Shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or Substantial Shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or Substantial Shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or Substantial Shareholder will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transactions at the general meeting.

9.2 Transactions that are unusual in their nature or conditions

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during FYE 2018, FYE 2019 and subsequent period up to the LPD.

9.3 Outstanding loans

There are no outstanding loans, including guarantees of any kind made by us to or for the benefits of related parties during FYE 2018, FYE 2019 and subsequent period up to the LPD.

9.4 Interest in similar businesses

As at LPD, none of our Directors and Substantial Shareholders has any interest in other business similar to those of our Group.

As at LPD, none of our Directors and Substantial Shareholders has any interest in businesses of our clients and suppliers.

In the event of a potential conflict of interest situation, our Promoters, Substantial Shareholders, Directors and/or persons connected with them are obliged, if required by law or regulations, to abstain from voting on the resolutions relating to such matters or transactions that require the approval of the shareholders in respect of their direct and indirect interests.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERST (cont'd)

9.5 Declaration by our Advisers

(i) Approved Adviser, Placement Agent, Custodian and Continuing Adviser

cfSolutions confirms that there is no existing or potential conflict of interest that exists or is likely to exist in its capacity as the Approved Adviser, Placement Agent, Custodian and Continuing Adviser for the Proposed Listing as at LPD.

(ii) Due Diligence Solicitors

Teh & Lee Advocates & Solicitors confirms that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors for the Proposed Listing as at LPD.

(iii) Auditors and Reporting Accountants

Crowe Malaysia PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for the Proposed Listing as at LPD.

(iv) IMR

Providence confirms that there is no existing or potential conflict of interest in its capacity as the IMR for the Proposed Listing as at LPD.

(v) Internal Control and Risk Management Consultants

NGL Tricor Governance Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Internal Control and Risk Management Consultants for the Proposed Listing as at LPD.

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10. OTHER INFORMATION

10.1 Responsibility statements

Our Board and Promoters have seen and approved the contents of this Information Memorandum and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

cfSolutions as our Approved Adviser, Placement Agent, Custodian and Continuing Adviser acknowledges that, based on all available information as at LPD and to the best of its knowledge and belief, this Information Memorandum constitutes sufficient and accurate disclosure of all material facts concerning our Proposed Placement and Proposed Listing.

10.2 Material contracts

OneTech and its subsidiaries have not entered into any material contract (not being contracts entered into in the ordinary course of our business) within the 2 years preceding the date of this Information Memorandum, save for:-

(i) The sale and purchase of business assets agreement dated 1 April 2019 entered into between iTech Plantation and iTech Worldwide to acquire certain business assets including customer contracts, trademarks, copyrights of source code, domain name and fixed assets from iTech Worldwide for a cash consideration of RM250,000. The agreement was completed on 30 April 2019; and

(ii) The share sale agreement dated 20 September 2019 together with a supplemental agreement dated 20 November 2019 entered into between OneTech and the shareholders of One ERP, namely Lau King Kew, Tan Yuh Pei and Koh Kean Mum to purchase the entire issued shares of One ERP comprising 128,702 ordinary shares for RM1,772,925 to be paid by way of issuing and allotting 69,254,900 Shares. The agreement was completed on 23 December 2019.

10.3 Material litigation, claims or arbitration

OneTech and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, or any material claims against the our Company or subsidiaries, or material arbitration proceedings, which have a material effect on the business or financial position of our Company or subsidiaries and our Board does not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially affect the business or financial position of our Company or our subsidiaries as at date of this Information Memorandum.

10.4 Material commitments and contingent liabilities

As at LPD, our Board is not aware of any material commitments or contingent liabilities incurred or known to be incurred by our Company or subsidiaries, which may materially affect the financial results or position of our Company or our subsidiaries upon becoming enforceable.

10.5 Letters of consent

Our Approved Adviser, Placement Agent, Custodian, Continuing Adviser, Company Secretary, Due Diligence Solicitors, Share Registrar, Internal Control and Risk Management Consultants and Principal Banker as set out in the Corporate Directory of this Information Memorandum have given and have not subsequently withdrawn their written consent for the inclusion in this

10. OTHER INFORMATION (cont'd)

Information Memorandum of their names and all references thereto in the form and context in which it is contained in this Information Memorandum.

External Auditors and Reporting Accountants has given and has not subsequently withdrawn its written consent for the inclusion of its name and the Independent Auditors' Report, and all references thereto in the form and context in which it is contained in this Information Memorandum.

IMR has given and has not subsequently withdrawn its written consent for the inclusion of its name and the Independent Market Research Report, and all references thereto in the form and context in which it is contained in this Information Memorandum.

10.6 Documents available for inspection

Copies of this Information Memorandum are available for inspection at our registered office at 6-3A, 3rd Mile Square, No. 151, Jalan Kelang Lama, Batu 3 1/2, 58100 Kuala Lumpur, Wilayah Persekutuan during business hours from Mondays to Fridays (except Public Holidays), for at least 1 month after our Proposed Listing on the LEAP Market.

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APPENDIX I

AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FYE 2018 AND FYE 2019

Crowe

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
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04 SEP 2020

The Board of Directors
OneTech Solutions Holdings Berhad
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)
B-SG-36, Level SG, Block B,
Sunway Geo Avenue, Jalan Lagoon Selatan,
Sunway South Quay, Bandar Sunway,
47500 Subang Jaya,
Selangor Darul Ehsan.

Dear Sirs/Madam

ACCOUNTANTS' REPORT
ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

OPINION

We have audited the financial information of OneTech Solutions Holdings Berhad ("OneTech") and its subsidiaries (collectively known as the "Group"), which comprise the combined statement of financial position as at 31 December 2018 and 2019 and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2018 and 2019 and notes to the combined financial statements, including a summary of significant accounting policies as set out on pages 5 to 57.

OneTech was incorporated on 16 January 2019 as the listed vehicle hence the financial information of OneTech is not presented in this Report.

The historical financial information has been prepared for inclusion in the information memorandum of OneTech in connection with the initial public offering and listing of and quotation for the entire enlarged share capital of OneTech on the LEAP Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the LEAP Market Listing Requirements issued by the Bursa Securities (the "Listing Requirements") and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2018 and 2019, and of their financial performance and their cash flows for each of the financial years ended 31 December 2018 and 2019 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS OF 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 Accountant's Responsibilities for the Audit of the Financial Information section of our report.

Crowe

ACCOUNTANT'S REPORT
ONETECH SOLUTIONS HOLDINGS BERHAD (CONT'D)
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION

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

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

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

Crowe

ACCOUNTANT'S REPORT
ONETECH SOLUTIONS HOLDINGS BERHAD (CONT'D)
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Crowe

ACCOUNTANT'S REPORT
ONETECH SOLUTIONS HOLDINGS BERHAD (CONT'D)
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

OTHER MATTERS

The significant events during and subsequent to the end of the financial year ended 31 December 2019 have been disclosed in Note 27 to this report.

Restriction on Distribution and Use

We understand that this report will be used solely for the purpose of inclusion in the information memorandum of OneTech in connection with the listing of and quotation for the entire issued share capital of OneTech on the LEAP Market of Bursa Securities. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Crowe Malaysia PLT

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

Chan Kuan Chee
02271/10/2021 J
Chartered Accountant

Kuala Lumpur

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF FINANCIAL POSITION

	Note	Audited 31 December 2019 RM	Audited 31 December 2018 RM
ASSETS			
NON-CURRENT ASSETS			
Equipment	5	164,424	453,195
Right-of-use assets	6	360,072	-
Intangible assets	7	391,550	-
		916,046	453,195
CURRENT ASSETS			
Trade receivables	8	984,022	1,000,600
Deposits and prepayments	9	742,862	501,551
Contract assets	10	-	773,664
Fixed deposits with licensed banks	12	536,646	1,056,050
Cash and bank balances		1,457,593	789,402
		3,721,123	4,121,267
TOTAL ASSETS		4,637,169	4,574,462
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	1,773,025	100,000
Retained profits		766,364	1,676,214
TOTAL EQUITY		2,539,389	1,776,214
NON-CURRENT LIABILITIES			
Lease liabilities	14	300,510	-
Hire purchase payables	15	-	364,147
		300,510	364,147

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	Audited 31 December 2019 RM	Audited 31 December 2018 RM
CURRENT LIABILITIES			
Trade payables	16	207,460	11,200
Other payables and accruals	17	173,888	129,564
Contract liabilities	10	1,069,619	1,503,219
Amount owing to related parties	11	-	270,000
Lease liabilities	14	138,160	-
Hire purchase payables	15	-	71,168
Dividend payable	18	-	360,000
Current tax liabilities		208,143	88,950
		1,797,270	2,434,101
TOTAL LIABILITIES		2,097,780	2,798,248
TOTAL EQUITY AND LIABILITIES		4,637,169	4,574,462

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Audited 31 December 2019 RM	Audited 31 December 2018 RM
REVENUE	19	5,256,480	4,387,205
COST OF SALES		(2,310,612)	(2,201,112)
GROSS PROFIT		2,945,868	2,186,093
OTHER INCOME		146,716	59,020
		3,092,584	2,245,113
ADMINISTRATIVE AND SELLING EXPENSES		(915,364)	(657,786)
OTHER EXPENSES		(315,093)	(143,515)
FINANCE COSTS		(23,079)	(22,004)
PROFIT BEFORE TAXATION	20	1,839,048	1,421,808
INCOME TAX EXPENSE	21	(565,973)	(336,484)
PROFIT AFTER TAXATION		1,273,075	1,085,324
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,273,075	1,085,324
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-			
- Owners of OneTech		1,273,075	1,085,324

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital RM	Distributable Retained Profits RM	Total Equity RM
Balance at 1 January 2018		100,000	1,468,590	1,568,590
Profit after taxation/Total comprehensive income for the financial year		-	1,085,324	1,085,324
Distribution to owners of OneTech:				
- Dividends	22	-	(877,700)	(877,700)
Balance at 31December 2018/1 January 2019		100,000	1,676,214	1,776,214
Distribution to owners of OneTech:				
- Issuance of new shares		1,772,925	-	1,772,925
- Adjustment and merger deficit arising on the acquisition of One ERP Solutions Sdn. Bhd.		(99,900)	(1,422,925)	(1,522,825)
Total transactions with owners		1,673,025	(1,422,925)	250,100
Profit after taxation/Total comprehensive income for the financial year		-	1,273,075	1,273,075
Distribution to owners of OneTech:				
- Dividends	22	-	(760,000)	(760,000)
Balance at 31 December 2019		1,773,025	766,364	2,539,389

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF CASH FLOWS

	Note	Audited 31 December 2019 RM	Audited 31 December 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,839,048	1,421,808
Adjustments for:-			
Amortisation of intangible assets		18,450	-
Depreciation of equipment		39,650	128,850
Depreciation of right-of-use assets		166,098	-
Impairment loss on amount owing by a related party		-	10,290
Reversal of impairment loss on amount owing by a related party		(10,290)	-
Interest income		(53,457)	(59,020)
Interest expenses		23,079	22,004
Operating profit before working capital changes		2,022,578	1,523,932
Increase in trade and other receivables		(224,733)	(741,058)
Increase in trade and other payables		240,584	16,396
Decrease/(Increase) in contract assets		773,664	(460,764)
(Decrease)/Increase in contract liabilities		(433,600)	778,351
CASH FROM OPERATIONS		2,378,493	1,116,857
Interest paid		(23,079)	(22,004)
Interest received		53,457	59,020
Income tax paid		(446,780)	(347,768)
Income tax refunded		-	18,262
NET CASH FROM OPERATING ACTIVITIES		1,962,091	824,367
CASH FLOWS FOR INVESTING ACTIVITIES			
Purchase of equipment	23(a)	(152,409)	(35,637)
Purchase of intangible assets	23(a)	(246,000)	-
Development cost additions		(164,000)	-
Repayment from a related party		10,290	-
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months		519,404	(547,733)
NET CASH FOR INVESTING ACTIVITIES		(32,715)	(583,370)
BALANCE CARRIED FORWARD		1,929,376	240,997

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

COMBINED STATEMENT OF CASH FLOWS (CONT'D)

	Note	Audited 31 December 2019 RM	Audited 31 December 2018 RM
BALANCE BROUGHT FORWARD		1,929,376	240,997
CASH FLOWS FOR FINANCING ACTIVITIES			
Dividend paid		(1,120,000)	(517,700)
Repayment to a related party		(270,000)	(61,000)
Repayment of hire purchase obligations	23(b)	-	(67,360)
Repayment of lease liabilities	23(c)	(121,285)	-
Proceed from issuance of shares		250,100	-
NET CASH FOR FINANCING ACTIVITIES		(1,261,185)	(646,060)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		668,191	(405,063)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		789,402	1,194,465
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23(d)	1,457,593	789,402

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

OneTech was incorporated in Malaysia on 16 January 2019, as a private limited company with the registered office and principal place of business as disclosed below:-

Registered office	:	37-2, 2nd floor, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.
Principal place of business	:	B-SG-36, Level SG, Block B, Sunway Geo Avenue, Jalan Lagoon Selatan, Sunway South Quay, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

On 2 September 2020, OneTech converted from a private limited company to a public company limited by shares and assumed its present name, OneTech Solutions Holdings Berhad to embark on the listing of and quotation for the entire enlarged share capital of OneTech on the LEAP Market of Bursa Securities.

2. PRINCIPAL ACTIVITIES

The principal activity of OneTech is principally engaged in the business of investment holding and the principal activities of the subsidiaries are disclosed as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held 2019 %	2018 %	Principal Activities
One ERP Solutions Sdn. Bhd. ("One ERP")	Malaysia	100	-	Principally engaged in the business of providing enterprise software solutions and its related support services such as IT consulting, training, system integration, software customisation and upgrade, implementation and maintenance support services
iTech Plantation Soft Sdn. Bhd. ("iTech Plantation")	Malaysia	100	-	Principally engaged in the business of providing enterprise software solutions to the plantation industry

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION

The financial information of OneTech Solutions Holdings Berhad and its subsidiaries ("the Group") are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

For the purposes of inclusion of the financial information in the Information Memorandum of OneTech in connection with the listing and quotation for the entire issued and paid-up share capital on the LEAP Market of Bursa Securities, the financial information comprises the combined statement of financial position as at 31 December 2018 and 2019, combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2018 and 2019.

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

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

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

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

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

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

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All leases are required to recognize their lease assets and related lease obligations in the statement of financial position (with limited exceptions) as right-to-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statement of the Group upon its initial application of MFRS 16 are disclosed in Note 28 to the financial statements.

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty (Cont'd)

(a) Depreciation of Equipment and Right-of-use Assets

The estimates for the residual values, useful lives and related depreciation charges for the equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of equipment and right-of-use assets as at the reporting date are disclosed in Notes 5 and 6 to the financial statements.

(b) Amortisation of Development Costs

The estimates for the residual values, useful lives and related amortisation charges for the development costs are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised. The carrying amount of development costs as at the reporting date is disclosed in Note 7 to the financial statements.

(c) Impairment of Equipment and Right-of-use Assets

The Group determines whether its equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of equipment and right-of-use assets as at the reporting date are disclosed in Notes 5 and 6 to the financial statements.

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 8 and 10 to the financial statements.

(e) Impairment of Other Receivables

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

(f) Revenue Recognition for Maintenance and Professional Services

The Group recognises certain maintenance and professional services by reference to the development progress using the input method, determined based on the proportion of working days incurred for work performed todate over the estimated total working days. The total estimated working days are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in working days and working days to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 10 to the financial statements.

(g) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is RM208,143 (2018 - RM88,950).

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

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

Lease Terms

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

4.2 BASIS OF CONDOLIDATION

The combined financial statements include the financial statements of OneTech and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entites, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Under the merger method of accounting, the result of the subsidiary is presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debi or credit difference is classified as a non-distributable reserve.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONDOLIDATION (CONT'D)

(a) Merger Accounting for Common Control Business Combinations

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 the subsidiaries are presented as if the merger had been effected throughout the current financial year.

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. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties 'interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statues do not prohibit the use of such reserves. The results of the subsidiaries being merged are included for the full financial year.

(b) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONDOLIDATION (CONT'D)

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the combined statement of financial position, separately from the equity attributable to owners of OneTech. Profit or loss and each component of other comprehensive income are attributed to the owners of the OneTech and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

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

4.4 FINANCIAL INSTRUMENTS

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

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

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

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

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

Debt Instruments

(i) Amortised Cost

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

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

(ii) Fair Value through Other Comprehensive Income

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

(iii) Fair Value through Profit or Loss

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments

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

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

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

(b) Financial Liabilities

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

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

(ii) Other Financial Liabilities

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

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

Ordinary Shares

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

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

(d) Derecognition

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of OneTech, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 EQUIPMENT

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

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

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

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

Computer and peripherals	20%
Furniture and fittings	20%
Motor vehicles	20%
Office equipment	20%
Renovation	20%

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

(a) its ability to measure reliably the expenditure attributable to the asset under development;
(b) the product or process is technically and commercially feasible;
(c) its future economic benefits are probable;
(d) its intention to complete and the ability to use or sell the developed asset; and
(e) the availability of adequate technical, financial and other resources to complete the asset under development

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.8 LEASES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES (CONT'D)

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

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

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

Accounting Policies Applied Until 31 December 2018

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES (CONT'D)

(b) Operating Leases (Cont'd)

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

4.9 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

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

4.10 CASH AND CASH EQUIVALENTS

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

4.11 IMPAIRMENT

(a) Impairment of Financial Assets

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

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 IMPAIRMENT (CONT'D)

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

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

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

(b) Impairment of Non-financial Assets

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

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

4.14 INCOME TAXES

(a) Current Tax

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

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

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 INCOME TAXES (CONT'D)

(b) Deferred Tax (Cont'd)

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

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

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

4.15 FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(a) Sales of Goods

Revenue from sale of license is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

(b) Rendering of Maintenance and Professional Services

Revenue from maintenance and professional services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of working days incurred for work performed todate over the estimated total working days. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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

4.17 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Dividend Income

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

(b) Interest Income

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. EQUIPMENT

	< ------------ 1.1.2019	------------->				
	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM	Additions RM	Depreciation Charges RM	At 31.12.2019 RM
2019						
Carrying Amount						
Computer and peripherals	30,858	-	30,858	12,426	(13,357)	29,927
Furniture and fittings	10,621	-	10,621	37,873	(8,635)	39,859
Motor vehicles	401,530	(401,530)	-	-	-	-
Office equipment	7,933	-	7,933	11,000	(3,472)	15,461
Renovation	2,253	-	2,253	91,110	(14,186)	79,177
	453,195	(401,530)	51,665	152,409	(39,650)	164,424

	At 1.1.2018 RM	Additions RM	Depreciation Charges RM	At 31.12.2018 RM
2018				
Carrying Amount				
Computer and peripherals	29,623	12,444	(11,209)	30,858
Furniture and fittings	1,091	11,483	(1,953)	10,621
Motor vehicles	515,694	-	(114,164)	401,530
Office equipment	-	9,110	(1,177)	7,933
Renovation	-	2,600	(347)	2,253
	546,408	35,637	(128,850)	453,195

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2019			
Computer and peripherals	83,908	(53,981)	29,927
Furniture and fittings	51,469	(11,610)	39,859
Office equipment	20,110	(4,649)	15,461
Renovation	93,710	(14,533)	79,177
	249,197	(84,773)	164,424
2018			
Computer and peripherals	71,482	(40,624)	30,858
Furniture and fittings	13,596	(2,975)	10,621
Motor vehicles	570,823	(169,293)	401,530
Office equipment	9,110	(1,177)	7,933
Renovation	2,600	(347)	2,254
	667,611	(214,416)	453,195

In the last financial year, included in the equipment of the Group were motor vehicles with a total carrying amount of RM401,530, which were acquired under hire purchase terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 15 to the financial statements.

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6. RIGHT-OF-USE ASSETS

	< ------ 1.1.2019	------ >			
	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM	Depreciation Charges RM	At 31.12.2019 RM
2019					
Carrying Amount					
Office space	-	124,640	124,640	(51,933)	72,707
Motor vehicles	-	401,530	401,530	(114,165)	287,365
	-	526,170	526,170	(166,098)	360,072

Analysed by:-	
Cost	695,463
Accumulated depreciation	(335,391)
	360,072

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

The Group leases office space and motor vehicles of which the leasing activities are summarised below:-

(i) Office space: The Group has leased 2 office units that run for a period of 2 years, with an option to renew the lease after that date. The lease payment is based on prevailing market rental rate.

(ii) Motor vehicles: The Group has leased 4 motor vehicles under hire purchase arrangements with lease terms of 7 (2018 - 7) years. At the end of the lease term, the Group has the option to purchase the assets at an insignificant amount. The leases bear effective interest rates ranging from 2.28% to 3.12% (2018 - 2.28% to 3.12%) and are secured by the leased assets.

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7. INTANGIBLE ASSETS

	Development Costs RM	Copyrights RM	Customer Contracts RM	Domain RM	Trademarks RM	Total RM
Cost:-						
At 1 January	-	-	-	-	-	-
Additions during the financial year	164,000	200,000	6,000	10,000	30,000	410,000
At 31 December	164,000	200,000	6,000	10,000	30,000	410,000
Accumulated amortisation:-						
At 1 January	-	-	-	-	-	-
Amortisation during the financial year	-	(15,000)	(2,250)	(750)	(450)	(18,450)
At 31 December	-	(15,000)	(2,250)	(750)	(450)	(18,450)
	164,000	185,000	3,750	9,250	29,550	391,550

(a) The development costs are in respect of developing a software system that allow customer to perform order entry and inquire information. Their amortisation charges will be recognised in profit or loss once the developed product comes into use.

(b) Included in the intangible assets are copyrights, customer contracts, domain and trademarks acquired by iTech Plantation pursuant to the acquisition of business assets as disclosed in Note 27 to the financial statements.

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8. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 60 (2018 - 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

9. DEPOSITS AND PREPAYMENTS

	2019 RM	2018 RM
Deposits	18,800	10,250
Prepayments	724,062	491,301
	742,862	501,551

10. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	2019 RM	2018 RM
Contract Assets		
Contract assets relating professional and maintenance services	-	773,664
Contract Liabilities		
Contract liabilities relating professional and maintenance services	(1,069,619)	(1,503,219)

(a) The contract assets primarily relate to the Group's right to consideration for services performed but not yet billed as at the reporting date. The amount will be invoiced within 10 to 88 days for previous financial year.

(b) The contract liabilities primarily relates to advance considerations received from customers for maintenance and professional services of which the revenue will be recognised over the remaining contract term of the specific contract it relates to, ranging from 31 to 325 (2018 - 31 to 521) days.

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10. CONTRACT ASSETS/(CONTRACT LIABILITIES) (CONT'D)

(c) The changes to contract asset and contract liability balances during the financial year are summarised below:-

	2019 RM	2018 RM
At 1 January	(729,555)	(411,968)
Revenue recognised in profit or loss during the financial year	4,944,781	3,976,711
Billings to customers during the financial year	(5,284,845)	(4,294,298)
At 31 December	(1,069,619)	(729,555)
Represented by:-		
Contract assets	-	773,664
Contract liabilities	(1,069,619)	(1,503,219)
	(1,069,619)	(729,555)

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

	2019 RM	2018 RM
Amount Owing by A Related Party		
Non-trade balance	-	10,290
Allowance for impairment losses	-	(10,290)
	-	-
Allowance for impairment losses:-		
At 1 January	10,290	-
Addition during the financial year (Note 20)	-	10,290
Reversal during the financial year (Note 20)	(10,290)	-
At 31 December	-	10,290
Amount Owing to A Related Party		
Non-trade balance	-	(270,000)

The non-trade balance represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

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12. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank at the end of the reporting period bore effective interest rates of 3.75% (2018 - 3.85% to 4.00%) per annum. The fixed deposits have maturity periods of 12 (2018 - 6 to 12) months.

13. SHARE CAPITAL

	2019	2018	2019	2018
	Number of Shares		RM	RM
Issued and Fully Paid-up				
Ordinary Shares				
At 1 January/16 January 2019 (Date of incorporation)	100	-	100	-
Issuance of new shares	69,254,900	-	1,772,925	-
At 31 December	69,255,000	-	1,773,025	-

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by OneTech and are entitled to one vote per ordinary share at meetings of OneTech. The ordinary shares have no par value.

(b) During the financial year, OneTech increased its issued and paid up share capital from RM100 to RM1,773,025 by the allotment of 69,254,900 new ordinary shares of RM0.0256 each amounting to RM1,772,925 as full payment for the acquisition of One ERP Solutions Sdn. Bhd. The new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of OneTech.

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14. LEASE LIABILITIES

	2019 RM
At 1 January	
- As previously reported	-
- Initial application of MFRS 16	559,955
- As restated	559,955
Interest expense recognised in profit or loss (Note 20)	23,079
Repayment of principal	(121,285)
Repayment of interest expense	(23,079)
At 31 December	438,670

Analysed by:-	
Current liabilities	138,160
Non-current liabilities	300,510
	438,670

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

15. HIRE PURCHASE PAYABLES (SECURED)

	2018 RM
Minimum hire purchase payments:	
- not later than 1 year	89,364
- later than 1 year and not later than 5 years	268,092
- later than 5 years	133,555
	491,011
Less: Future finance charges	(55,696)
Present value of hire purchase payables	435,315

Analysed by:-	
Current liabilities	71,168
Non-current liabilities	364,147
	435,315

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

15. HIRE PURCHASE PAYABLES (SECURED) (CONT'D)

(a) The hire purchase payables have been represented as 'lease liabilities' as shown in Note 14 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.

(b) In the last financial year, the hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 5 to the financial statements. The hire purchase arrangements were expiring from 5 to 6 years.

(c) In the last financial year, the hire purchase of the Group at the end of the reporting period bore effective interest rates ranging from 2.28% to 3.12% per annum. The interest rates were fixed at the inception of the hire purchase arrangements.

16. TRADE PAYABLES

The normal trade credit terms granted to the Group is 30 (2018 - 30) days.

17. OTHER PAYABLES

	2019 RM	2018 RM
Other payables:-		
Third parties	31,443	11,947
Sales and services tax payable	66,203	7,181
	97,646	19,128
Accruals	76,242	110,436
	173,888	129,564

18. DIVIDEND PAYABLE

	2019 RM	2018 RM
Final interim dividend of approximately Nil (2018 - 360) sen per ordinary shares	-	360,000

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19. REVENUE

	2019 RM	2018 RM
Recognised at a point in time		
License fees	311,699	410,494
Recognised over time		
Maintenance fees	2,219,579	1,446,816
Professional services	2,725,202	2,529,895
	5,256,480	4,387,205

20. PROFIT BEFORE TAXATION

	2019 RM	2018 RM
Profit before taxation is arrived at after charging/(crediting):-		
Amortisation of intangible assets	18,450	-
Auditors' remuneration:		
- current financial year	52,000	45,000
Depreciation:		
- equipment (Note 5)	39,650	128,850
- right-of-use assets (Note 6)	166,098	-
Directors' non-fee emoluments: (Note 24)		
- salaries, bonuses and allowances	290,746	270,847
- defined contribution benefits	33,600	31,200
Impairment loss on amount owing by a related party (Note 11)	-	10,290
Interest expense on financial liabilities that are not at fair value through profit or loss:		
- hire purchase	-	22,004
- lease liabilities	23,079	-
Rental expense on:		
- premises	2,500	10,000
Staff costs:		
- salaries, wages, allowances and bonuses	701,993	555,190
- defined contribution plan	88,170	64,274
- other benefits	85,647	68,144
Realised loss on foreign exchange	15,059	4,375
Reversal of impairment loss on amount owing by a related party (Note 11)	(10,290)	-
Interest income on financial assets measured at amortised cost:		
- fixed deposits with a licensed bank	(26,914)	(39,173)
- others	(26,543)	(19,847)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

21. INCOME TAX EXPENSE

	2019 RM	**2018** RM
Current tax:		
- for the financial year	511,725	343,000
- underprovision in the previous financial year	54,248	84
	565,973	343,084
Deferred tax:		
- origination and reversal of temporary differences	-	(6,600)
	565,973	336,484

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:

	2019 RM	**2018** RM
Profit before taxation	1,839,048	1,421,808
Tax at the statutory tax rate of 24% (2018 - 24%)	441,372	341,234
Tax effects of:-		
Non-deductible expenses	91,040	6,429
Differential in tax rate	(35,000)	(30,000)
Non-taxable income	(2,470)	-
Deferred tax assets not recognised during the financial year	16,783	18,737
Underprovision in the previous financial year - current tax	54,248	84
Income tax expense for the financial year	565,973	336,484

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 24%) of the estimated assessable profit for the financial year.

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22. DIVIDENDS

	2019 RM	2018 RM
Dividends declared by subsidiary, One ERP Solutions Sdn. Bhd.:-		
First interim dividend of 590.5 (2018 - 317.7) sen per ordinary share in respect of the current financial year	760,000	317,700
Second interim dividend of Nil (2018 - 200) sen per ordinary share in respect of the current financial year	-	200,000
Final interim dividend of Nil (2018 - 360) sen per ordinary share in respect of the current financial year	-	360,000
	760,000	877,700

23. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of equipment and intangible assets are as follows:-

	2019 RM	2018 RM
Purchase of equipment (Note 5)	152,409	35,637
Purchase of intangible assets (excluding development cost) (Note 7)	246,000	-
Cash disbursed for the purchase of equipment and intangible assets	398,409	35,637

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Hire Purchase RM	Lease Liabilities RM	Total RM
2019			
At 1 January, as previously reported	435,315	-	435,315
Effects on adoption of MFRS 16	(435,315)	559,955	124,640
At 1 January, as restated	-	559,955	559,995
<u>Changes in Financing Cash Flows</u>			
Repayment of borrowing principal	-	(121,285)	(121,285)
Repayment of borrowing interests	-	(23,079)	(23,079)
	-	(144,364)	(144,364)
<u>Non-cash Changes</u>			
Finance charges recognised in profit or loss	-	23,079	23,079
At 31 December	-	438,670	438,670

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23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Hire Purchase RM
2018	
At 1 January	502,675
Changes in Financing Cash Flows	
Repayment of borrowing principal	(67,360)
Repayment of borrowing interests	(22,004)
	(89,364)
Non-cash Changes	
Finance charges recognised in profit or loss	22,004
At 31 December	435,315

(c) The total cash outflows for leases as a lessee are as follows:-

	2019 RM
Interest paid on lease liabilities	(23,079)
Payment on lease liabilities	(121,285)
At 31 December	(144,364)

(d) The cash and cash equivalents comprise the following:-

	2019 RM	**2018** RM
Fixed deposits with a licensed bank	536,646	1,056,050
Cash and bank balances	1,457,593	789,402
	1,994,239	1,845,452
Less: Fixed deposits with tenure of more than 3 months	(536,646)	(1,056,050)
	1,457,593	789,402

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel include executive directors and non-executive directors of the Group.

The key management personnel compensation during the financial year are as follows:-

	2019 RM	**2018** RM
Directors of the Group		
Short-term employee benefits:		
- salaries, bonuses and other benefits	290,746	270,847
- defined contribution benefits	33,600	31,200
	324,346	302,047

25. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year:-

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25. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

	2019 RM	2018 RM
Related parties:		
- Management fee	-	330,000

Other significant transactions with the related parties during the financial year are disclosed in Note 27 (a) and (b) to the financial statements respectively.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

26. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

26.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds bank balances denominated in foreign currencies for working capital purpose.

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	United States Dollar RM	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
2019				
Financial Assets				
Trade receivables	15,804	216,772	751,446	984,022
Fixed deposits with a licensed bank	-	-	536,646	536,646
Cash and bank bank balances	133,095	228,960	1,095,538	1,457,593
	148,899	445,732	2,383,630	2,978,261
Financial Liabilities				
Trade payables	(9,607)	-	(197,853)	(207,460)
Other payables and accruals	-	-	(107,685)	(107,685)
Lease liabilities	-	-	(438,670)	(438,670)
	(9,607)	-	(744,208)	(753,815)
Net financial assets	139,292	445,732	1,639,422	2,224,446
Less: Net financial liabilities denominated in the respective entities functional currencies	-	-	(1,639,422)	(1,639,422)
Currency exposure	139,292	445,732	-	585,024

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	United States Dollar RM	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
2018				
Financial Assets				
Trade receivables	48,925	455,251	496,324	1,000,600
Fixed deposits with a licensed bank	-	-	1,056,050	1,056,050
Cash and bank balances	70,482	133,297	585,623	789,402
	119,407	588,648	2,137,997	2,846,052
Financial Liabilities				
Hire purchase payables	-	-	(435,315)	(435,315)
Trade payables	-	-	(11,200)	(11,200)
Other payables and accruals	-	-	(122,383)	(122,383)
Amount owing to a related party	-	-	(270,000)	(270,000)
Dividend payable	-	-	(360,000)	(360,000)
	-	-	(1,198,898)	(1,198,898)
Net financial assets	119,407	588,648	939,099	1,647,154
Less: Net financial liabilities denominated in the respective entities functional currencies	-	-	(939,099)	(939,099)
Currency exposure	119,407	588,648	-	708,055

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		2019 RM	2018 RM
Effects On Profit After Taxation			
USD/RM	- strengthened by 10%	10,586	9,075
	- weakened by 10%	(10,586)	(9,075)
SGD/RM	- strengthened by 10%	33,876	44,737
	- weakened by 10%	(33,876)	(44,737)

(ii) Interest Rate Risk

The Group does not have any floating interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trader receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to amounts owing by 5 customers which constituted approximately 70% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of the financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (when applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets.

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Asset (Cont'd)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	Gross amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
2019			
Current (not past due)	211,405	-	211,405
1 to 30 days past due	90,579	-	90,579
31 to 60 days past due	156,590	-	156,590
61 to 90 days past due	100,700	-	100,700
More than 90 days past due	424,728	-	424,728
Trade Receivables	984,022	-	984,022
Contract Assets	-	-	-
	984,022	-	984,022

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Asset (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
2018			
Current (not past due)	233,104	-	233,104
1 to 30 days past due	498,983	-	498,983
31 to 60 days past due	244,536	-	244,536
61 to 90 days past due	13,062	-	13,062
More than 90 days past due	10,915	-	10,915
Trade Receivables	1,000,600	-	1,000,600
Contract Assets	773,664	-	773,644
	1,774,264	-	1,774,264

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 8 and 10 to the financial statements respectively.

Fixed Deposits with a Licensed Bank, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2019						
Non-derivative Financial Liabilities						
Trade payables	-	207,460	207,460	207,460	-	-
Other payables and accruals	-	107,685	107,685	107,685	-	-
Lease liabilities	2.28 - 3.12	438,670	478,646	155,364	323,282	-
		753,815	793,791	470,509	323,282	-

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.(Cont'd)

Maturity Analysis (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2018						
Non-derivative Financial Liabilities						
Hire purchase payables	2.28 - 3.12	435,315	491,011	89,364	268,092	133,555
Trade payables	-	11,200	11,200	11,200	-	-
Other payables and accruals	-	122,383	122,383	122,383	-	-
Amount owing to a related party	-	270,000	270,000	270,000	-	-
Dividend payable	-	360,000	360,000	360,000	-	-
		1,198,898	1,254,594	852,947	268,092	133,555

ONETECH SOLUTIONS HOLDINGS BERHAD
(Formerly known as OneTech Solutions Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 CAPITAL RISK MANAGEMENT

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholder or issuing new shares.

The Group monitors and maintains a prudent level of total debt to total equity ratio to optimise shareholders value and to ensure compliance with debt covenants and regulatory, if any.

There was no change in the Group's approach to capital management during the financial year.

26.3 CAPITAL RISK MANAGEMENT

	2019	**2018**
	RM	RM
Financial Asset		
Amortised Cost		
Trade receivables (Note 8)	984,022	1,000,060
Fixed deposits with licensed banks	536,646	1,056,050
Cash and bank balances	1,457,593	789,402
	2,978,261	2,846,052
Financial Liability		
Amortised Cost		
Trade payables (Note 16)	207,460	11,200
Other payables and accruals (Note 17)	107,685	122,383
Lease liabilities (Note 14)	438,670	-
Hire purchase payables (Note 15)	-	435,315
Amount owing by a related party (Note 11)	-	270,000
Dividend payable (Note 18)	-	360,000
	753,815	1,198,898

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 FAIR VALUE INFORMATION

The fair value of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amount due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			**Total Fair Value**	**Carrying Amount**
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
2018								
Financial Liabilities								
Hire purchase payables	-	-	-	-	435,315	-	435,315	435,315

The fair value of hire purchase payables that carrying fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2019 %	**2018** %
Hire purchase payables	-	2.28 - 3.12

ONETECH SOLUTIONS HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

27. SIGNIFICANT AND SUBSEQUENT EVENTS

Significant events during and subsequent to the financial year are as follow:-

(a) On 8 March 2019, OneTech incorporated a wholly-owned subsidiary, iTech Plantation Soft Sdn. Bhd. ("iTech Plantation") by subscribing for 100 ordinary shares representing the entire issued and paid up capital of iTech Plantation.

On 1 April 2019, iTech Plantation entered into a Sale and Purchase of Business Assets Agreement with iTech Worlwide Sdn. Bhd. to acquire certain business assets including customer contracts, trademarks, copyrights of source code, domain name and fixed assets for a cash consideration of RM250,000.

(b) On 20 September 2019, OneTech entered into a conditional Share Sale Agreement with the vendors of One ERP Solutions Sdn. Bhd. ("One ERP") to acquire the entire issued and paid-up share capital of One ERP of RM350,000 comprising 128,702 ordinary shares for a total purchase consideration of RM1,772,925 was wholly satisfied by the issuance and allotment of 69,254,900 new ordinary shares at an issue price of RM0.0256.

The purchase consideration of One ERP of RM1,772,925 was arrived after taking into consideration the net assets position of One ERP as at 31 December 2018 of RM1,776,214. The purchase consideration represents a price to book ratio of approximately 1.0 time.

The acquisition of One ERP was completed on 23 December 2019 and One ERP became a wholly-owned subsidiary of OneTech.

(c) The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the Company and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the governments and various private corporations, the potential financial impact of the COVID-19 outbreak on the Company's 2020 financial statements could not be reasonably quantified at this juncture.

28. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and has not restated the comparative information as permitted under the specific transition provisions in the standard.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of 5.57%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;

- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that where classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

There were no financial impacts to the Group's retained profits as at 1 January 2019.

APPENDIX I

STATEMENT BY DIRECTORS

We, Lau King Yew and Tan Yuh Pei, being two of the directors of OneTech Solutions Holdings Berhad (formerly known as OneTech Solutions Holdings Sdn. Bhd.), state that, in the opinion of the directors, the combined financial statements set out on pages 5 to 57 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and LEAP Market Listing Requirements issued by Securities Commission Malaysia so as to give a true and fair view of the combined financial position of OneTech Solutions Holdings Berhad (formerly known as OneTech Solutions Holdings Sdn. Bhd.) and its subsidiaries (collectively known as the "Group") as at 31 December 2018 and 2019 and of their financial performance and cash flows for the corresponding financial years ended on that date.

Signed in accordance with a resolution of the directors dated 04 SEP 2020

Lau King Yew

Tan Yuh Pei

APPENDIX II

UNAUDITED COMBINED FINANCIAL STATEMENTS FOR THE FPE 2019 AND FPE 2020

APPENDIX II

ONETECH SOLUTIONS HOLDINGS BERHAD
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

COMBINED UNAUDITED STATEMENT OF FINANCIAL POSITION

	Unaudited 1.1.2020 to 31.7.2020 RM	Unaudited 1.1.2019 to 31.7.2019 RM
ASSETS		
NON-CURRENT ASSETS		
Equipment	143,383	183,921
Right-of-use assets	257,122	433,607
Intangible assets	405,200	331,800
	805,705	949,328
CURRENT ASSETS		
Trade receivables	937,234	1,282,428
Deposits and prepayments	819,463	582,938
Fixed deposits with licensed banks	1,156,936	1,073,308
Cash and bank balances	1,191,955	1,772,119
	4,105,588	4,710,793
TOTAL ASSETS	4,911,293	5,660,121
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,773,025	350,100
Retained profits	1,116,517	2,331,813
TOTAL EQUITY	2,889,542	2,681,913
NON-CURRENT LIABILITY		
Lease liabilities	244,316	358,952
CURRENT LIABILITIES		
Trade payables	-	44,854
Other payables and accruals	122,445	413,972
Contract liabilities	1,313,422	1,561,534
Amount owing to related parties	-	220,000
Amount owing to directors	-	35,000
Lease liabilities	114,634	135,179
Current tax liabilities	226,934	208,717
	1,777,435	2,619,256
TOTAL LIABILITIES	2,021,751	2,978,208
TOTAL EQUITY AND LIABILITIES	4,911,293	5,660,121

APPENDIX II

ONETECH SOLUTIONS HOLDINGS BERHAD
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

COMBINED UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited	
	1.1.2020 to 31.7.2020 RM	**1.1.2019 to 31.7.2019 RM**
REVENUE	2,934,679	2,935,476
COST OF SALES	(1,903,048)	(1,386,448)
GROSS PROFIT	1,031,631	1,549,028
OTHER INCOME	56,479	114,152
	1,088,110	1,663,180
ADMINISTRATIVE AND SELLING EXPENSES	(463,264)	(509,559)
OTHER EXPENSES	(148,993)	(205,255)
FINANCE COSTS	(10,909)	(13,804)
PROFIT BEFORE TAXATION	464,944	934,562
INCOME TAX EXPENSE	(114,791)	(278,963)
PROFIT AFTER TAXATION	350,153	655,599
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	350,153	655,599
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-		
Owners of the Company	350,153	655,599
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-		
Owners of the Company	350,153	655,599

APPENDIX II

ONETECH SOLUTIONS HOLDINGS BERHAD
(Incorporated in Malaysia)
Registration No: 201901002105 (1311431 - K)

COMBINED UNAUDITED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM	Retained Profits RM	Total Equity RM
At 1.1.2019	100,000	1,676,214	1,776,214
Contributions by owners of the Company:			
- Issuance of new shares	1,772,925	-	1,772,925
- Adjustment and merger deficit arising on the acquisition of One ERP Solutions Sdn. Bhd.	(99,000)	(1,422,925)	(1,522,825)
Total transactions with owners	1,673,025	(1,422,925)	250,100
Profit after taxation/Total comprehensive income for the financial period	-	1,273,075	1,273,075
Distribution to owners of the Company:			
- Dividend	-	(760,000)	(760,000)
Balance at 31.12.2019/1.1.2020	1,773,025	766,364	2,539,389
Profit after taxation/Total comprehensive income for the financial period	-	350,153	350,153
Balance at 31.7.2020	1,773,025	1,116,517	2,889,542

ONETECH SOLUTIONS HOLDINGS BERHAD
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COMBINED UNAUDITED STATEMENT OF CASH FLOWS

	Unaudited	
	31.7.2020	**31.7.2019**
	RM	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	464,944	934,562
Adjustments for:-		
Amortisation of intangible assets	14,350	8,200
Depreciation of equipment	26,098	20,153
Depreciation of right-of-use assets	102,950	92,563
Interest expenses	10,909	13,804
Interest income	(32,248)	(31,184)
Operating profit before working capital changes	587,003	1,038,098
Increase in trade and other receivables	(29,813)	(363,215)
Decrease in trade and other payables	(258,903)	(41,938)
Decrease in contract assets	-	773,664
Increase in contract liabilities	243,803	58,315
CASH FROM OPERATIONS	542,090	1,464,924
Interest paid	(10,909)	(13,804)
Interest received	32,248	31,184
Income tax paid	(96,000)	(159,196)
NET CASH FROM OPERATING ACTIVITIES	467,429	1,323,108
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of equipment	(5,057)	(152,409)
Purchase of intangible assets	-	(246,000)
Development cost additions	(28,000)	(94,000)
Placement of fixed deposits with tenure more than 3 months	(620,290)	(17,258)
NET CASH FOR INVESTING ACTIVITIES	(653,347)	(509,667)

ONETECH SOLUTIONS HOLDINGS BERHAD
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COMBINED UNAUDITED STATEMENT OF CASH FLOWS (CONT'D)

	Unaudited	
	31.7.2020	**31.7.2019**
	RM	**RM**
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment to related party	-	(50,000)
Advances from directors	-	35,000
Repayment of lease liabilities	(79,720)	(65,824)
Proceed from issuance of shares	-	250,100
NET CASH FOR FINANCING ACTIVITIES	(79,720)	169,276
NET INCREASE IN CASH AND CASH EQUIVALENTS	(265,638)	982,717
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,457,593	789,402
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,191,955	1,772,119

ONETECH SOLUTIONS HOLDINGS BERHAD
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

1.1 The unaudited interim financial statements of OneTech Solutions Holdings Berhad ("the Company") and its subsidiaries ("the Group") have been prepared in accordance with MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB").

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this unaudited interim financial statements.

1.2 The accounting standards and/or interpretations adopted by the Group in this unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2019.

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

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022

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

ONETECH SOLUTIONS HOLDINGS BERHAD
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2. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group do not experience any material seasonality during the financial period ended 31 July 2020.

3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 July 2020.

4. CHANGES IN CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There were no material changes in critical accounting estimates and judgements during the financial period ended 31 July 2020.

5. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases or repayments of debt and equity securities during the financial period ended 31 July 2020.

6. DIVIDENDS PAID

There were no dividends paid during the current financial period ended 31 July 2020.

7. SEGMENTAL INFORMATION

7.1 Business Segments

The Group is principally engaged in the business of providing third party and proprietary enterprise software solutions and its related support services such as IT consulting, training, system integration, software customisation and upgrade, implementation and maintenance support services.

Please refer to Section 8.2.1 of the Information Memorandum for details of the Group's business segment during the financial period ended 31 July 2020.

7.2 Geographical Information

The Group's revenue is based on the customers who are located in Malaysia, Singapore, Vietnam, Mongolia and others comprising Myanmar, Indonesia, Sri Lanka and United States.

Please refer to Section 4.3 of the Information Memorandum for details of the Group's geographical information during the financial period ended 31 July 2020.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

8. PROFIT BEFORE TAXATION

Included in the profit before taxation are the following items:-

	Unaudited	
	1.1.2020 to 31.7.2020 RM	**1.1.2019 to 31.7.2019 RM**
Amortisation of intangible assets	14,350	8,200
Depreciation:		
- equipment	26,098	20,153
- right-of-use assets	102,950	92,563
Directors' non-fee emoluments:		
- salaries, bonuses and allowances	187,232	172,591
- defined contribution benefits	21,480	19,800
Interest expense on financial liabilities that are not at fair value through profit or loss:		
- lease liabilities	10,909	13,804
Staff costs:		
- salaries, bonuses and allowances	542,204	479,327
- defined contribution benefits	65,513	60,624
- others	68,597	61,611
Realised (gain)/loss on foreign exchange	(4,432)	9,750
Interest income on financial assets measured at amortised cost:		
- fixed deposits with a licensed bank	(20,290)	(17,258)
- others	(11,958)	(13,926)

9. VALUATION OF EQUIPMENT

There was no valuation on equipment during the financial period ended 31 July 2020.

10. CAPITAL COMMITMENTS

There were no material capital commitments.

11. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets and liabilities.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 July 2020.

ONETECH SOLUTIONS HOLDINGS BERHAD
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

13. RELATED PARTY TRANSACTIONS

There were no related party transactions during the financial period.

14. SIGNIFICANT EVENTS OCCURING AFTER THE FINANCIAL PERIOD

There were no material events after the financial period save for the proposed listing exercise as stated in the Information Memorandum.

15. REVIEW OF PERFORMANCE

During the financial period ended 31 July 2020, the Group's revenue is mainly derived from license fees, maintenance fees and professional services which is summarised as follows:-

	Unaudited	
	1.1.2020 to 31.7.2020 RM	**1.1.2019 to 31.7.2019 RM**
<u>Recognised at a point in time</u>		
License fees	659,569	296,831
<u>Recognised over time</u>		
Maintenance fees	1,307,599	1,253,790
Professional services	967,511	1,384,855
	2,934,679	2,935,476

Please refer to Section 8.2 of the Information Memorandum for details of the review of the Group's performance.

16. COMMENTARY ON PROSPECT

The Group is positive towards its prospects with the future plans set out in Section 4.16 of the Information Memorandum. Please refer to Section 4.17 of the Information Memorandum for details of the commentary on the Group's prospect.