

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE FIRST QUARTER ENDED 31 MARCH 2023⁽¹⁾**

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
Revenue	6,199	7,840	6,199	7,840
Other income	257	126	257	126
Employee benefits expense	(2,813)	(2,111)	(2,813)	(2,111)
Information technology expenses	(577)	(626)	(577)	(626)
Depreciation expenses	(345)	(276)	(345)	(276)
Other operating expenses	(824)	(714)	(824)	(714)
Operating profit	1,897	4,239	1,897	4,239
Finance income	311	15	311	15
Finance cost	(26)	(27)	(26)	(27)
Share of results of associate	–	(23)	–	(23)
Profit before tax	2,182	4,204	2,182	4,204
Tax expense	(543)	(1,116)	(543)	(1,116)
Profit and total comprehensive income for the financial period	1,639	3,088	1,639	3,088
Profit and total comprehensive income attributable to:				
Owners of the Company	1,639	3,088	1,639	3,088
Earnings per share attributable to owners of the Company:				
Basic (sen) ⁽²⁾	0.36	0.85	0.36	0.85
Diluted (sen) ⁽³⁾	0.36	0.68 ⁽⁴⁾	0.36	0.68 ⁽⁴⁾

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share is calculated based on the weighted average number of ordinary shares of the Company of 456,000,000 as at 31 March 2023 (31 March 2022: 364,605,000).
- (3) There are no dilutive instruments as at the end of the quarter ended 31 March 2023.
- (4) Diluted earnings per share of the Company for the individual quarter and cumulative quarter ended 31 March 2022 is calculated based on assumed number of shares in issue pursuant to the completion of the Initial Public Offering ("IPO") which is 456,000,000 shares. There are no dilutive instruments as at the end of the quarter ended 31 March 2022.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Unaudited 31.03.2023 RM'000	Audited 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,339	3,395
Investment properties	814	817
Investment in associate	–	–
Other investments	4,940	4,940
Deferred tax assets	300	300
Total non-current assets	9,393	9,452
Current assets		
Trade and other receivables	8,258	7,967
Contract assets	234	644
Other investments	4,187	4,099
Current tax assets	539	31
Cash and short-term deposits	63,908	69,087
Total current assets	77,126	81,828
TOTAL ASSETS	86,519	91,280
EQUITY AND LIABILITIES		
Equity		
Share capital	66,249	66,249
Reorganisation reserve	(20,649)	(20,649)
Retained earnings	33,681	37,970
Total equity attributable to owners of the Company	79,281	83,570
Non-current liabilities		
Loans and borrowings	992	883
Contract liabilities	124	94
Total non-current liabilities	1,116	977
Current liabilities		
Loans and borrowings	779	916
Current tax liabilities	–	24
Trade and other payables	2,117	3,218
Contract liabilities	3,226	2,575
Total current liabilities	6,122	6,733
TOTAL LIABILITIES	7,238	7,710
TOTAL EQUITY AND LIABILITIES	86,519	91,280
Net assets per share attributable to owners of the Company (sen) ⁽¹⁾	17.39	18.33

Note:

⁽¹⁾ Computed based on total equity attributable to owners of the Company divided by the number of ordinary shares of the Company of 456,000,000 as at 31 March 2023 (31 December 2022: 456,000,000).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2023⁽¹⁾**

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2023 (Audited)	66,249	(20,649)	37,970	83,570
Profit and total comprehensive income for the financial period	–	–	1,639	1,639
Transaction with owners: – Dividends paid	–	–	(5,928)	(5,928)
As at 31 March 2023 (Unaudited)	<u>66,249</u>	<u>(20,649)</u>	<u>33,681</u>	<u>79,281</u>
As at 1 January 2022 (Audited)	22,300	(20,649)	26,423	28,074
Profit and total comprehensive income for the financial period	–	–	3,088	3,088
As at 31 March 2022 (Unaudited)	<u>22,300</u>	<u>(20,649)</u>	<u>29,511</u>	<u>31,162</u>

Note:

- ⁽¹⁾ The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023⁽¹⁾**

	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
Cash flows from operating activities		
Profit before tax	2,182	4,204
Adjustments for non-cash items		
Depreciation	345	276
Other adjustments	(519)	50
Operating profit before changes in working capital	2,008	4,530
Net changes in working capital		
Trade and other receivables	(268)	493
Trade and other payables	(1,100)	(863)
Contract assets	410	–
Contract liabilities	681	350
Cash generated from operations	1,731	4,510
Income tax paid	(1,075)	(924)
Income tax refunded	–	20
Interest received	309	3
Net cash flows from operating activities	965	3,609
Cash flows from investing activities		
Purchase of property, plant and equipment	(214)	(105)
Proceeds from disposal of property, plant and equipment	645	75
Change in pledge deposits	–	11
Net change in amount due from an associate	3	24
Net cash flows from investing activities	434	5
Cash flows from financing activities		
Repayment of term loans	–	(590)
Payment of lease liabilities	(133)	(126)
Repayment of hire purchase payables	(523)	(65)
Dividends paid	(5,928)	–
Interest paid	(26)	(27)
Net cash used in financing activities	(6,610)	(808)
Net (decrease)/increase in cash and cash equivalents	(5,211)	2,806
Cash and cash equivalents at beginning of the financial period	68,971	19,221
Effect of exchange rate changes	32	–
Cash and cash equivalents at end of the financial period	63,792	22,027

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023⁽¹⁾ (CONT'D)**

	<u>Unaudited</u> <u>31.03.2023</u> <u>RM'000</u>	<u>Unaudited</u> <u>31.03.2022</u> <u>RM'000</u>
Analysis of cash and cash equivalents:		
Fixed deposits placed with licensed banks	2,771	2,673
Cash and bank balances	<u>61,137</u>	<u>19,484</u>
	63,908	22,157
Less: Pledged deposits	<u>(116)</u>	<u>(130)</u>
	<u>63,792</u>	<u>22,027</u>

Note:

- ⁽¹⁾ The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT**A1. Basis of preparation**

The interim financial report of LGMS Berhad (“**LGMS**” or the “**Company**”) and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report, except for the adoption of the following new MFRS and amendments/improvements to MFRS that have been issued but yet to be effective.

New MFRS and amendments/Improvements to MFRSs that are effective 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

Amendments to MFRS 112: *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The adoption of the above new MFRS and amendments/improvements to MFRSs does not have any significant effect on the financial statements of the Group.

Amendments/improvements to MFRSs that have been issued, but yet to be effective

	Effective Date
Amendments to MFRS 16: <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Presentation of Financial Statements – Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 101: <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies</i>	1 January 2024
Amendments to MFRS 10: <i>Consolidated Financial Statements</i>	Deferred
Amendments to MFRS 128: <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The initial application of the accounting standards, interpretations or amendments is not expected to have a material financial impact to the current period and prior period financial statements of the Group.

A3. Auditors’ report of preceding annual financial statements

The audited financial statements of the Group for the financial year ended 31 December 2022 were not subject to any qualification.

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**A4. Seasonal or cyclical factors**

The business operations of the Group were not materially affected by any seasonal or cyclical changes.

A5. Extraordinary and exceptional items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter under review.

A6. Changes in estimates of amounts reported previously

There were no material changes in estimates that would have a material effect in the current financial quarter under review.

A7. Changes in debts and equity securities

There was no issuance, cancellations, repurchases, resale or repayments of debt and equity securities during the current financial quarter under review.

A8. Dividends paid

On 28 February 2023, the Company declared a first and final single-tier dividend of 1.3 sen per ordinary share amounting to RM5,928,000 which was paid on 31 March 2023 in respect of the financial year ended 31 December 2022.

A9. Segmental reporting

The segmental analysis of the Group's revenue by business segments and geographical locations are as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	Unaudited	Unaudited	Unaudited	Unaudited
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
<u>Business Segments</u>				
Cyber risk prevention	4,926	5,028	4,926	5,028
Cyber risk management and compliance	973	1,939	973	1,939
Cyber threat and incident response	300	873	300	873
	6,199	7,840	6,199	7,840
<u>Geographical Locations</u>				
Malaysia	5,083	6,036	5,083	6,036
Overseas	1,116	1,804	1,116	1,804
	6,199	7,840	6,199	7,840

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**A10. Valuation of property, plant and equipment**

There was no revaluation of property, plant and equipment during the current financial quarter under review.

A11. Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter to the date of this announcement, which will materially affect the earnings or income of the Group.

A12. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter.

A13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets arising as at the end of the current quarter.

A14. Capital commitments

There were no material capital commitments as at the end of the financial period, save as disclosed for in Note B15.

A15. Related party transactions

There were no material related party transactions during the current financial quarter under review.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS**B1. Review of performance**

The Group recorded revenue of RM6.20 million for the current quarter of the financial period ended 31 March 2023, which shown a decrease of RM1.64 million or 20.92% as compared to the revenue recorded of RM7.84 million in the corresponding quarter ended 31 March 2022.

During the current quarter under review, the revenue was mainly derived from the cyber risk prevention segment and followed by cyber risk management and compliance segment which contributed 79.46% and 15.70% respectively to the total revenue of the Group for the current financial quarter under review.

The Group recorded a lower profit before tax and profit after tax of RM2.18 million and RM1.64 million respectively for the current financial quarter under review. The lower profit before tax is mainly due to lower revenue recorded in the current financial quarter under review and higher employee benefit expenses (due to the increase in headcounts for our business expansion) and other operating expenses incurred on marketing costs.

B2. Comparison of quarterly financial results with preceding quarter

	Current Quarter 31.03.2023 RM'000	Preceding Quarter 31.12.2022 RM'000
Revenue	6,199	8,996
Profit before tax	2,182	4,231

The Group recorded a decrease in revenue of RM2.80 million or 31.09% from RM9.00 million in the immediate preceding quarter compared to RM6.20 million in the current quarter. This was mainly due to the higher billings that arose from higher number of projects which were completed in the fourth quarter of the financial year ended 31 December 2022.

The profit before tax of RM2.18 million in the current financial quarter under review is lower compared to RM4.23 million in the preceding quarter. The decrease of RM2.05 million in profit before tax was mainly due to lower revenue recorded in the current quarter.

B3. Prospect and outlook

The demand for cybersecurity offerings had increased in recent years given the acceleration of the usage of internet and adoption of digital medium. The advancement of Internet of Things (IoT) technologies and growth in cloud infrastructures, data centres and smartphones have led to rapid advancements in cybersecurity threats. Looking ahead, the threat pool tends to continue and evolve as 5G coverage nurtures a growing proliferation of smart appliances/devices. Notwithstanding the increased digitalisation which spurs the rapid adoption of information technology ("IT") and the importance of having a critical IT infrastructure, the modern cyber attackers are also skilled at adapting to new technologies and developing new methods of breaching customers' IT networks and infrastructures as exemplified by the increase in the frequency and complexity of ransomware attacks.

In view of the above, the Group believes that the outlook and prospects of the cybersecurity market in Malaysia and neighbouring countries in Southeast Asia remain positive as corporations and businesses are moving towards digital transformation and prioritizing their capital expenditure on cybersecurity with the aim to safeguard their customer data and operations. The increasing demand for cybersecurity services will create opportunities to the cybersecurity market and by leveraging the Group's market position and branding, the Group is poised to benefit from the growing demands for such services.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B3. Prospect and outlook (cont'd)**

The Group, with the planned proceeds raised from its IPO, had also begun to explore opportunities as it aims to expand on its business locally and internationally to enhance its market position, branding and broaden the customer base of the Group as well as to expand its geographical footprints regionally. These are expected to contribute positively to the Group's financial performance moving forward.

B4. Profit forecast and profit guarantee

Not applicable as the Group did not announce any profit forecast or profit guarantee.

B5. Variance of actual profit from financial estimate, forecast profit or shortfall of profit guarantee

Not applicable as the Group did not announce any profit forecast or profit guarantee.

B6. Income tax expense

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
Income tax:	543	1,116	543	1,116
Effective tax rate (%)	24.89	26.55	24.89	26.55

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit before tax for the current financial quarter and current financial period.

B7. Unquoted investments and properties

There were no sales of unquoted investment or properties for the current financial quarter under review.

B8. Quoted securities

There were no sales of quoted securities for the current financial quarter and the financial period to date.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B9. Loans and borrowings**

	Unaudited 31.03.2023 RM'000	Audited 31.12.2022 RM'000
Non-current		
Lease liabilities	37	92
Hire purchase payables	955	791
	<u>992</u>	<u>883</u>
Current		
Lease liabilities	436	513
Hire purchase payables	343	403
	<u>779</u>	<u>916</u>
Total loans and borrowings	<u>1,771</u>	<u>1,799</u>

All the Group's borrowings are denominated in Ringgit Malaysia.

B10. Profit before tax

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

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
Depreciation of:				
– property, plant and equipment	342	273	342	273
– investment properties	3	3	3	3
Interest expense	26	27	26	27
Fair value (gain)/loss on other investments	(86)	90	(86)	90
Gain on disposal of property, plant and equipment	(89)	(75)	(89)	(75)
Interest income	(311)	(15)	(311)	(15)
	<u>(311)</u>	<u>(15)</u>	<u>(311)</u>	<u>(15)</u>

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements are not applicable.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B11. Earnings per share**

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 31.03.2023	Unaudited 31.03.2022	Unaudited 31.03.2023	Unaudited 31.03.2022
Profit attributable to owners of the Company (RM'000)	1,639	3,088	1,639	3,088
Weighted average number of ordinary shares in issue during the period ('000)	465,000	364,605	465,000	364,605
Basic earnings per share (sen) ⁽¹⁾	0.36	0.85	0.36	0.85
Diluted earnings per share (sen) ⁽²⁾	0.36	0.68 ⁽³⁾	0.36	0.68 ⁽³⁾

Notes:

- (1) Basic earnings per share is calculated based on the weighted average number of ordinary shares of the Company of 456,000,000 as at 31 March 2023 (31 March 2022: 364,605,000).
- (2) There are no dilutive instruments as at the end of the quarter ended 31 March 2023.
- (3) Diluted earnings per share of the Company for the individual quarter and cumulative quarter ended 31 March 2022 is calculated based on assumed number of shares in issue pursuant to the completion of the IPO which is 456,000,000 shares. There are no dilutive instruments as at the end of the quarter ended 31 March 2022.

B12. Material litigation

The Group does not have any outstanding litigation as at the date of this announcement.

B13. Dividend

On 28 February 2023, the Company declared a first and final single-tier dividend of 1.3 sen per ordinary share amounting to RM5,928,000 which was paid on 31 March 2023 in respect of the financial year ended 31 December 2022.

B14. Status of corporate proposal

There were no corporate proposals announced but not completed as at the date of this interim report.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B15. Utilisation of proceeds from IPO**

The total gross proceeds of approximately RM45.70 million raised from the Public Issue are intended to be utilised in the following manner:

<u>Details of utilisation</u>	<u>Proposed utilisation</u> <u>RM'000</u>	<u>Actual utilisation</u> <u>RM'000</u>	<u>Estimated timeframe for utilisation upon listing on 8 June 2022</u>
1. Business expansion			
i. Purchase of office	18,000	–	Within 12 to 24 months
ii. Expansion of workforce	6,500	315	Within 24 months
iii. Capital expenditure on equipment and tools	6,000	1,349	Within 24 months
iv. Strategic business expansion	7,698	–	Within 24 months
2. Working capital	3,500	1,082	Within 12 months
3. Estimated listing expenses	4,000	4,000	Within 3 months
	<u>45,698</u>	<u>6,746</u>	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 20 May 2022.

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board on 29 May 2023.