

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SECOND QUARTER ENDED 30 JUNE 2023⁽¹⁾**

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000
Revenue	9,006	8,298	15,205	16,138
Other income	759	56	1,016	182
Employee benefits expense	(3,048)	(2,780)	(5,861)	(4,891)
Information technology expenses	(805)	(573)	(1,382)	(1,199)
Depreciation expenses	(359)	(322)	(704)	(598)
Other operating expenses	(826)	(1,246)	(1,650)	(1,960)
Operating profit	4,727	3,433	6,624	7,672
Finance income	163	103	474	118
Finance cost	(34)	(24)	(60)	(51)
Share of results of associate	–	(42)	–	(65)
Profit before tax	4,856	3,470	7,038	7,674
Tax expense	(1,286)	(1,000)	(1,829)	(2,116)
Profit and total comprehensive income for the financial period	3,570	2,470	5,209	5,558
Profit and total comprehensive income attributable to:				
Owners of the Company	3,570	2,470	5,209	5,558
Earnings per share attributable to owners of the Company:				
Basic (sen) ⁽²⁾	0.78	0.67	1.14	1.50
Diluted (sen) ⁽³⁾	0.78	0.67	1.14	1.50

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 30 June 2023 (30 June 2022: 370,614,534).
- (3) There are no dilutive instruments as at the end of the current financial quarter.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Unaudited 30.06.2023 RM'000	Audited 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,379	3,395
Investment properties	811	817
Investment in associate	72	–
Other investments	4,940	4,940
Deferred tax assets	300	300
Total non-current assets	9,502	9,452
Current assets		
Trade and other receivables	7,523	7,967
Contract assets	582	644
Other investments	4,254	4,099
Current tax assets	191	31
Cash and short-term deposits	68,567	69,087
Total current assets	81,117	81,828
TOTAL ASSETS	90,619	91,280
EQUITY AND LIABILITIES		
Equity		
Share capital	66,249	66,249
Reorganisation reserve	(20,649)	(20,649)
Retained earnings	37,251	37,970
Total equity attributable to owners of the Company	82,851	83,570
Non-current liabilities		
Loans and borrowings	867	883
Contract liabilities	94	94
Total non-current liabilities	961	977
Current liabilities		
Loans and borrowings	688	916
Current tax liabilities	78	24
Trade and other payables	3,021	3,218
Contract liabilities	3,020	2,575
Total current liabilities	6,807	6,733
TOTAL LIABILITIES	7,768	7,710
TOTAL EQUITY AND LIABILITIES	90,619	91,280
Net assets per share attributable to owners of the Company (sen) ⁽¹⁾	18.17	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 30 June 2023 (31 December 2022: 456,000,000).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 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	–	–	5,209	5,209
Transaction with owners: – Dividends paid	–	–	(5,928)	(5,928)
As at 30 June 2023 (Unaudited)	66,249	(20,649)	37,251	82,851
As at 1 January 2022 (Audited)	22,300	(20,649)	26,423	28,074
Profit and total comprehensive income for the financial period	–	–	5,558	5,558
Transaction with owners: – Issuance of ordinary shares ⁽²⁾ – Share issuance expenses ⁽³⁾	45,698 (1,749)	– –	– –	45,698 (1,749)
As at 30 June 2022 (Unaudited)	66,249	(20,649)	31,981	77,581

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.
- ⁽²⁾ Issuance of new shares pursuant to the Initial Public Offering ("IPO").
- ⁽³⁾ Listing expenses incurred pursuant to the IPO that has been set-off against the equity.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023⁽¹⁾**

	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000
Cash flows from operating activities		
Profit before tax	7,038	7,674
Adjustments for non-cash items		
Depreciation	704	598
Other adjustments	(991)	208
Operating profit before changes in working capital	6,751	8,480
Net changes in working capital		
Trade and other receivables	481	2,155
Trade and other payables	(198)	(186)
Contract assets	62	–
Contract liabilities	445	(144)
Cash generated from operations	7,541	10,305
Income tax paid	(1,952)	(1,706)
Income tax refunded	17	20
Interest received	469	92
Net cash flows from operating activities	6,075	8,711
Cash flows from investing activities		
Purchase of property, plant and equipment	(610)	(344)
Proceeds from disposal of property, plant and equipment	778	75
Increase in investment in an associate	(72)	–
Change in pledge deposits	(2)	25
Net change in amount due from an associate	–	41
Net cash flows from/(used in) investing activities	94	(203)
Cash flows from financing activities		
Proceeds from issuance of shares	–	45,698
Payments of share issuance expenses	–	(1,749)
Repayment of term loans	–	(590)
Payment of lease liabilities	(266)	(253)
Repayment of hire purchase payables	(606)	(146)
Dividends paid	(5,928)	–
Interest paid	(60)	(51)
Net cash (used in)/from financing activities	(6,860)	42,909
Net (decrease)/increase in cash and cash equivalents	(691)	51,417
Cash and cash equivalents at beginning of the financial period	68,971	19,221
Effect of exchange rate changes	169	–
Cash and cash equivalents at end of the financial period	68,449	70,638

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023⁽¹⁾ (CONT'D)**

	<u>Unaudited</u> <u>30.06.2023</u> <u>RM'000</u>	<u>Unaudited</u> <u>30.06.2022</u> <u>RM'000</u>
Analysis of cash and cash equivalents:		
Fixed deposits placed with licensed banks	2,788	2,737
Cash and bank balances	23,429	68,017
Short-term investments	42,350	–
	<u>68,567</u>	<u>70,754</u>
Less: Pledged deposits	(118)	(116)
	<u>68,449</u>	<u>70,638</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 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 effective on 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

No dividend was paid during the current financial quarter under review.

A9. Segmental reporting

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

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000
<u>Business Segments</u>				
Cyber risk prevention	7,428	5,495	12,354	10,523
Cyber risk management and compliance	1,233	2,056	2,206	3,995
Cyber threat and incident response	345	747	645	1,620
	<u>9,006</u>	<u>8,298</u>	<u>15,205</u>	<u>16,138</u>
<u>Geographical Locations</u>				
Malaysia	7,618	7,016	12,701	13,052
Overseas	1,388	1,282	2,504	3,086
	<u>9,006</u>	<u>8,298</u>	<u>15,205</u>	<u>16,138</u>

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 financial 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 financial 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 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 RM9.01 million for the current quarter of the financial period ended 30 June 2023, representing an increase of RM0.71 million or 8.53% from the revenue of RM8.30 million recorded in the corresponding quarter ended 30 June 2022. The increased in revenue mainly due to the Group securing higher project value from the existing clients in the cyber risk prevention segment in the current financial quarter under the review.

During the current quarter under review, cyber risk prevention segment was the primary segment of the Group, followed by cyber risk management and compliance segment, which contributed 82.48% and 13.69% respectively to the total revenue of the Group for the current financial quarter under review.

The Group recorded higher profit before tax and higher profit after tax of RM4.86 million and RM3.57 million respectively for the current financial quarter under review as compared to the corresponding financial quarter under review. The higher profit before tax was mainly due to lower other operating expenses in the current financial quarter under review compared to the corresponding quarter due to listing expenses incurred.

B2. Comparison of quarterly financial results with preceding quarter

	Current Quarter 30.06.2023 RM'000	Preceding Quarter 31.03.2023 RM'000
Revenue	9,006	6,199
Profit before tax	4,856	2,182

The Group recorded an increase in revenue of RM2.80 million or 45.28% to RM9.01 million in the current financial quarter compared to RM6.20 million in the immediate preceding quarter. This was mainly due to the higher billings arising from higher number of projects which were completed in the current financial quarter.

The profit before tax of RM4.86 million in the current financial quarter under review is higher compared to RM2.18 million in the preceding quarter. The increase of RM2.67 million in profit before tax was mainly due to higher revenue and other income (which was due to fair value adjustment on other investments recorded in the current financial 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.

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

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 and the recent entry of Mitsui Co., Ltd (which was formed on the back of its acquisition of equity interests in LGMS), the Group is poised to benefit from the growing demands for such services.

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 strengthen 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 6 months ended	
	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000
Income tax:	1,286	1,000	1,829	2,116
Effective tax rate (%)	26.48	28.82	25.99	27.57

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.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B8. Quoted securities**

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

B9. Loans and borrowings

	Unaudited 30.06.2023 RM'000	Audited 31.12.2022 RM'000
Non-current		
Lease liabilities	–	92
Hire purchase payables	867	791
	<u>867</u>	<u>883</u>
Current		
Lease liabilities	339	513
Hire purchase payables	349	403
	<u>688</u>	<u>916</u>
Total loans and borrowings	<u>1,555</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 6 months ended	
	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2022 RM'000
Depreciation of:				
– property, plant and equipment	356	319	698	592
– investment properties	3	3	6	6
Interest expense	34	24	60	51
Fair value (gain)/loss on other investments	(414)	171	(500)	261
Listing expenses	–	487	–	712
Gain on disposal of property, plant and equipment	(133)	–	(222)	(75)
Interest income	(163)	(103)	(474)	(118)
	<u>(163)</u>	<u>(103)</u>	<u>(474)</u>	<u>(118)</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 6 months ended	
	Unaudited 30.06.2023	Unaudited 30.06.2022	Unaudited 30.06.2023	Unaudited 30.06.2022
Profit attributable to owners of the Company (RM'000)	3,570	2,470	5,209	5,558
Weighted average number of ordinary shares in issue during the period ('000)	456,000	370,615	465,000	370,615
Basic earnings per share (sen) ⁽¹⁾	0.78	0.67	1.14	1.50
Diluted earnings per share (sen) ⁽²⁾	0.78	0.67	1.14	1.50

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 30 June 2023 (30 June 2022: 370,614,534).

⁽²⁾ There are no dilutive instruments as at the end of the quarter ended 30 June 2023.

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 subsequently paid on 31 March 2023 in respect of the financial year ended 31 December 2022.

On 28 August 2023, the Company declared first interim single-tier dividend of 0.5 sen per ordinary share amounting to RM2,280,000 in respect of the financial year ending 31 December 2023. The interim single-tier dividend will be paid on 29 September 2023 to the shareholders whose name appear in the Record of Depositors on 13 September 2023.

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:

Details of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Estimated timeframe for utilisation upon listing on 8 June 2022
1. Business expansion			
i. Purchase of office	18,000	258	Within 12 to 24 months
ii. Expansion of workforce	6,500	580	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	1,321	Within *24 months
3. Estimated listing expenses	4,000	4,000	Within 3 months
	45,698	7,508	

Note:-

* The Board had on 6 June 2023 resolved to extend the timeframe for utilisation of the working capital to 24 months from the listing on 8 June 2022.

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 28 August 2023.