

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾**

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000
Revenue	11,531	9,006	20,136	15,205
Other income	481	759	1,198	1,016
Employee benefits expense	(4,141)	(3,048)	(7,891)	(5,861)
Information technology expenses	(1,798)	(805)	(2,563)	(1,382)
Depreciation expenses	(263)	(359)	(539)	(704)
Other operating expenses	(1,174)	(826)	(2,584)	(1,650)
Operating profit	4,636	4,727	7,757	6,624
Finance income	193	163	277	474
Finance cost	(11)	(34)	(16)	(60)
Profit before tax	4,818	4,856	8,018	7,038
Tax expense	(1,167)	(1,286)	(1,923)	(1,829)
Profit and total comprehensive income for the financial period	3,651	3,570	6,095	5,209
Profit and total comprehensive income attributable to:				
Owners of the Company	3,651	3,570	6,095	5,209
Earnings per share attributable to owners of the Company:				
Basic (sen) ⁽²⁾	0.80	0.78	1.34	1.14
Diluted (sen) ⁽³⁾	0.80	0.78	1.34	1.14

Notes:

- ⁽¹⁾ The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2024 (30 June 2023: 456,000,000).
- ⁽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 2024**

	Unaudited 30.06.2024 RM'000	Audited 31.12.2023 RM'000
ASSETS		
Non-current assets		
Property and equipment	15,831	2,237
Right-of-use assets	–	349
Investment properties	798	804
Investment in an associate	72	72
Other investments	4,940	4,940
Deferred tax assets	850	850
Total non-current assets	22,491	9,252
Current assets		
Trade and other receivables	9,855	9,597
Contract assets	2,672	1,638
Other investments	1,146	1,014
Current tax assets	734	559
Cash and cash equivalents	67,661	73,614
Total current assets	82,068	86,422
TOTAL ASSETS	104,559	95,674
EQUITY AND LIABILITIES		
Equity		
Share capital	66,249	66,249
Reorganisation reserve	(20,649)	(20,649)
Retained earnings	47,079	40,984
Total equity attributable to owners of the Company	92,679	86,584
Non-current liabilities		
Contract liabilities	112	165
Hire purchase payables	561	233
Lease liabilities	–	119
Total non-current liabilities	673	517
Current liabilities		
Hire purchase payables	193	206
Lease liabilities	–	186
Trade and other payables	3,864	3,685
Contract liabilities	7,150	4,483
Current tax liabilities	–	13
Total current liabilities	11,207	8,573
TOTAL LIABILITIES	11,880	9,090
TOTAL EQUITY AND LIABILITIES	104,559	95,674
Net assets per share attributable to owners of the Company (sen) ⁽¹⁾	20.32	18.99

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 2024 (31 December 2023: 456,000,000).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾**

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2024 (Audited)	66,249	(20,649)	40,984	86,584
Profit and total comprehensive income for the financial period	–	–	6,095	6,095
As at 30 June 2024 (Unaudited)	66,249	(20,649)	47,079	92,679
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

Note:

⁽¹⁾ The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾**

	Unaudited 6 months ended 30.06.2024 RM'000	Unaudited 6 months ended 30.06.2023 RM'000
Cash flows from operating activities		
Profit before tax	8,018	7,038
Adjustments for non-cash items		
Depreciation	539	704
Other adjustments	(639)	(991)
Operating profit before changes in working capital	7,918	6,751
Changes in working capital		
Trade and other receivables	(294)	481
Trade and other payables	177	(198)
Contract assets	(1,034)	62
Contract liabilities	2,614	445
Cash generated from operations	9,381	7,541
Income tax paid	(2,111)	(1,952)
Income tax refunded	–	17
Interest received	277	469
Net cash generated from operating activities	7,547	6,075
Cash flows (used for)/generated from investing activities		
Purchase of property and equipment	(13,576)	(610)
Proceeds from disposal of property and equipment	465	778
Net change in amount due from an associate	18	–
Increase in investment in an associate	–	(72)
Change in pledge deposits	(4)	(2)
Net cash (used for)/generated from investing activities	(13,097)	94
Cash flows used for financing activities		
Payment of lease liabilities	(305)	(266)
Repayment of hire purchase payables	(177)	(606)
Dividends paid	–	(5,928)
Interest paid	(16)	(60)
Net cash used for financing activities	(498)	(6,860)
Net decrease in cash and cash equivalents	(6,048)	(691)
Effect of exchange rate changes	91	169
Cash and cash equivalents at beginning of the Financial period	73,496	68,971
Cash and cash equivalents at end of the financial period	67,539	68,449

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾ (CONT'D)**

	As at 30.06.2024 RM'000	As at 30.06.2023 RM'000
Analysis of cash and cash equivalents:		
Fixed deposits placed with licensed banks	1,792	2,788
Cash and bank balances	8,755	23,429
Short-term investments	57,114	42,350
	<u>67,661</u>	<u>68,567</u>
Less: Pledged deposits	(122)	(118)
	<u>67,539</u>	<u>68,449</u>

Note:

- (1) The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.

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

This 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.

This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2023 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.

MFRSs and/or IC Interpretations (Including the Consequential Amendments) effective on 1 January 2024

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101: Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) does not have any significant effect on the financial statements of the Group.

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

	Effective Date
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19: Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective.

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 2023 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		Cumulative Quarter	
	3 months ended		6 months ended	
	Unaudited	Unaudited	Unaudited	Unaudited
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
<u>Business Segments</u>				
Cyber risk prevention	8,162	7,428	14,790	12,354
Cyber risk management and compliance	2,170	1,233	3,571	2,206
Cyber threat and incident response	1,199	345	1,775	645
	<u>11,531</u>	<u>9,006</u>	<u>20,136</u>	<u>15,205</u>
<u>Geographical Locations</u>				
Malaysia	9,979	7,618	17,185	12,701
Overseas	1,552	1,388	2,951	2,504
	<u>11,531</u>	<u>9,006</u>	<u>20,136</u>	<u>15,205</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 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 achieved higher revenue of RM11.53 million for the current financial quarter ended 30 June 2024, representing an increase of RM2.52 million or 27.97% from the revenue of RM9.01 million recorded in the corresponding financial quarter ended 30 June 2023. The growth in revenue was primarily driven by the cyber risk management and compliance segment, which recorded an increase of RM0.94 million, and the cyber threat and incident response segment, which recorded an additional RM0.85 million in revenue during the financial quarter under review. The increase in revenue for these segments were mainly attributed to the increase in the number of billable clients and higher revenue contributions from the clients in the financial services sector.

The Group recorded a higher revenue for the current financial quarter ended 30 June 2024 and achieved a profit before tax of RM4.82 million, which was relatively consistent with the corresponding financial quarter. This was mainly due to higher employee benefits expenses, which aligns with the Group business expansion strategy to grow and invest in its workforce.

B2. Comparison of quarterly financial results with preceding quarter

	Current Quarter 3 months ended 30.06.2024 RM'000	Preceding Quarter 3 months ended 31.03.2024 RM'000
Revenue	11,531	8,605
Profit before tax	4,818	3,200

The Group recorded revenue of RM11.53 million in the current financial quarter under review compared to RM8.61 million in the immediate preceding financial quarter, which represents a growth in revenue of RM2.92 million. The growth in revenue was primarily driven by the cyber risk prevention segment, largely fueled by projects of higher values from the clients from financial services and technology sector.

The profit before tax of RM4.82 million recorded in the current financial quarter under review is higher compared to RM3.20 million in the immediate preceding financial quarter. This was mainly due to higher revenue recognised in the current financial quarter under review.

B3. Prospect and outlook

The revenue for cybersecurity industry in ASEAN is expected to show an annual growth rate of 12.80% for 2024 to 2028¹. Malaysia's Cyber Security Act 2024 (Act 854)² has been gazetted on 26 June 2024 and became enforceable on 26 August 2024. This is an overarching law to fortify the country's security defences against cyber attacks and emerging threats.

The Act marked a significant milestone for the local cybersecurity industry and signifies a strong focus by the government towards ensuring the viability and efficiency of the Critical National Information Infrastructure by fortifying compliance with specific measures, standards and processes in managing cybersecurity threats, across key economic sectors.

¹ Source: <https://www.statista.com/outlook/tmo/cybersecurity/asean>

² Source: <https://www.nacsa.gov.my/act854.php>

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

In view of the above and evolving landscape of cybersecurity, the Group is well positioned to capitalise and benefit from the prospects of the industry and the national initiatives mentioned above given the established proven track record of the Group in the industry. Furthermore, the Group is well-equipped with technological leadership, technical expertise and extensive know-how in the cybersecurity space. Its commitment to continuous innovation and investment in research and development ensures the Group to stay ahead of emerging threats. The global trend towards digitalisation presents ample opportunities for the Group to expand its market presence.

As part of its ongoing efforts to strategically expand its business streams, the Group's latest innovations, StarSentry, is an automated cybersecurity preventive tool which was launched on 4 June 2024. This new solution will position the Group at the forefront of cybersecurity solutions in Malaysia.

The Group is pivoting towards new solutions based on a subscription model with the aim to achieve consistent revenue streams and scalable service offerings. This model will potentially enable new customer engagements and further support the business expansion of the Group.

The Board expects that these new initiatives to contribute positively to the Group's financial performance for the financial year ending 2024.

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 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000
Income tax	1,167	1,286	1,923	1,829
Effective tax rate (%)	24.22	26.48	23.98	25.99

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 30.06.2024 RM'000	Audited 31.12.2023 RM'000
Non-current		
Hire purchase payables	561	233
Lease liabilities	–	119
	<u>561</u>	<u>352</u>
Current		
Hire purchase payables	193	206
Lease liabilities	–	186
	<u>193</u>	<u>392</u>
Total loans and borrowings	<u>754</u>	<u>744</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 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000
Depreciation of:				
– property and equipment	260	197	473	392
– right-of-use assets	–	159	60	306
– investment properties	3	3	6	6
Interest expense	11	34	16	60
Fair value gain on other investments	(444)	(414)	(1,020)	(500)
Gain on disposal of property, plant and equipment	–	(133)	–	(222)
Interest income	(193)	(163)	(277)	(474)
	<u>(193)</u>	<u>(163)</u>	<u>(277)</u>	<u>(474)</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 30.06.2024	Unaudited 30.06.2023	Unaudited 30.06.2024	Unaudited 30.06.2023
Profit attributable to owners of the Company (RM'000)	3,651	3,570	6,095	5,209
Weighted average number of ordinary shares in issue during the period ('000)	456,000	456,000	456,000	456,000
Basic earnings per share (sen) ⁽¹⁾	0.80	0.78	1.34	1.14
Diluted earnings per share (sen) ⁽²⁾	0.80	0.78	1.34	1.14

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 2024 (30 June 2023: 456,000,000).

⁽²⁾ There are no dilutive instruments as at the end of the quarter ended 30 June 2024.

B12. Material litigation

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

B13. Dividend

On 28 August 2024, the Company declared a 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 2024. The interim single-tier dividend will be paid on 27 September 2024 to the shareholders whose names appear in the Record of Depositors on 12 September 2024.

B14. Status of corporate proposal

There were no corporate proposals that have been announced by the Company 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> RM'000	<u>Actual utilisation</u> RM'000	<u>Balance to be utilised</u> RM'000	<u>Estimated timeframe for utilisation upon listing on 8 June 2022</u>
1. Business expansion				
i. Purchase of office	18,000	13,465	4,535	Within ⁽¹⁾ 36 months
ii. Expansion of workforce	6,500	2,644	3,856	Within ⁽¹⁾ 36 months
iii. Capital expenditure on equipment and tools	6,000	3,588	2,412	Within ⁽¹⁾ 36 months
iv. Strategic business expansion	7,698	⁽²⁾ 7,698	–	Within 24 months
2. Working capital	3,500	3,500	–	Within ⁽³⁾ 24 months
3. Estimated listing expenses	4,000	4,000	–	Within 3 months
	<u>45,698</u>	<u>34,895</u>	<u>10,803</u>	

Notes:-

(1) The Board had on 30 May 2024 resolved to extend the timeframe for utilisation to 36 months from the listing on 8 June 2022. Please refer to the announcement dated 30 May 2024 for further details on the extension of time on the utilisation of proceeds.

(2) The remaining unutilised proceeds previously earmarked for strategic business expansion have been reallocated for working capital purposes as permitted and disclosed in the Prospectus dated 20 May 2022. This decision was made as the Group was unable to fully utilised the proceeds within the 2-year timeframe from the listing date on 8 June 2022.

(3) 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 2024.