

5. RISK FACTORS (Cont'd)

In addition, many of the risks described in this Section could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. While locked up shareholders are restricted from selling any of their Shares for a period of six months following our Listing, the market price of our Shares may also fluctuate if our existing shareholders choose to sell their Shares in the future. For further details on the moratorium and our lock-up arrangements, see Sections 2.2 and 4.8.3 of this Prospectus. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility, which has affected the share price of many companies. The share price of many companies have experienced wide fluctuations which were not always related to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

5.3.3 We may not be able to pay dividends.

We target a pay-out ratio of 60% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. See Section 12.5 of this Prospectus for further details.

We may not declare dividends should there be events of default occurring or that would occur with such dividend payment. For more information, see Section 5.1.18 of this Prospectus. While we intend to repay all the outstanding amount under the RHB Term Loan 1, RHB Term Loan 2 and RHB Term Loan 3 with the proceeds from our Public Issue, in the event the abovementioned facilities are not fully repaid, we will be restricted from declaring dividends until the facilities are fully repaid. Dividend payments are not guaranteed, and our Board may decide, in its sole absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose. Additionally, as our Company is a holding company and substantially all of our operations are conducted through our subsidiaries and associates, our Company relies on dividends and other distributions from our subsidiaries and associates as our Company's principal source of income. Our Group has entered, and may in the future enter into financing agreements that limit our ability to pay dividends or other distributions, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for distribution. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced. Additionally, any payment of dividends may adversely affect our ability to fund unexpected capital expenditures, as well as our ability to make future interest and principal repayments on any borrowings we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or on favourable terms or at all. Further, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.

5. RISK FACTORS *(Cont'd)*

5.3.4 The sale, or possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares.

Following our Listing, we will have in issue 2,200,000,000 Shares, of which up to 1,100,000,000 Shares, representing 50.0% of our enlarged issued Shares, will be held by investors participating in our Listing, and not less than 880,000,000 Shares, representing 40.0% of our enlarged issued Shares will be held by our Promoter via its direct interest in our Company. Save for the restrictions pursuant to the moratorium and our lock-up arrangements as set out in Sections 2.2 and 4.8.3 of this Prospectus, respectively, our Shares sold in our IPO will be traded on the Main Market of Bursa Securities without restriction following our Listing.

Our Promoter and other shareholders, including the Selling Shareholders, could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If our shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

5.3.5 There may be a delay in or termination of our Listing.

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

- (i) the Joint Managing Underwriters' or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators' or the Joint Bookrunners' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- (ii) our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as approved by Bursa Securities (See Section 2.1 of this Prospectus for details); or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- (i) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

5. RISK FACTORS *(Cont'd)*

Where subsequent to the issuance and allotment or transfer of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

- (i) the SC issues a stop order under Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from the directors.

5.3.6 Forward-looking statements in this Prospectus may not be accurate.

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 History and background

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 17 July 2014 as a private limited company under the name of CTOS Holdings Sdn Bhd and is deemed registered under the Act. Our Company changed its name to CTOS Digital Sdn Bhd on 6 October 2020. On 26 March 2021, our Company was converted into a public company.

The principal activity of our Company is that of investment holding while our subsidiaries are principally involved in the business of credit reporting, digital software related services, software development, outsourcing and training services and investment holding, and our associates are principally involved in the business of credit reporting, information services, development of local and global financial information system, online and offline business information service provider, consulting services, debt collection service and database management. The principal activities of our subsidiaries and associates are as set out in Section 6.3 of this Prospectus.

The history of our business can be traced back to 1990 when our founders started their credit reporting business under CTOS Sdn Bhd, which was incorporated to provide fax-based enquiries services for banks in Malaysia. CTOS Data Systems was incorporated in 1992 to directly integrate its database with the systems of some of the financial institutions which had subscribed to its credit reporting services. CTOS Data Systems has since grown to become one of our key subsidiaries. In 1994, CTOS-EMR was incorporated to serve commercial companies. In 2001, Automated Mail Responder was incorporated to provide e-mail hosting, web hosting and internet services. In 2004, CTOS Business was incorporated to provide software development and other related services.

In August 2014, Inodes invested in our Company by acquiring a 70.0% equity interest in our Company. Following the investment by Inodes, our Company acquired the entire equity interest of CTOS Data Systems, CTOS Business and Automated Mail Responder from our founders. CTOS Sdn Bhd (now known as Lutianshui Logistics Sdn Bhd) and CTOS-EMR (now known as Penny Haven Sdn Bhd) were not acquired by our Company from our founders to form part of our Group as only selected businesses were acquired by our Company.

Inodes continued to increase its equity interest in our Company over the next four years to 80.0%. Since Inodes' initial investment in August 2014, we have invested substantially in our product development and IT infrastructure and in building our capabilities to further strengthen our position as the leading CRA and a digital, analytical and data solutions provider in Malaysia.

CTOS Data Systems obtained its first CRA Certificate registering CTOS Data Systems as a CRA on 15 April 2014. CTOS Data Systems obtained its MSC Malaysia Status from MDEC on 9 November 2016 and the pioneer status from MITI on 8 December 2017. The pioneer status is effective from 9 November 2016, being the date CTOS Data Systems obtained the MSC Malaysia Status from MDEC, to 8 November 2021.

In March 2016, our Company also acquired the entire equity interest of Intellidata Solutions. In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, which resulted in us owning a 26.0% equity interest in Experian.

6. INFORMATION ON OUR GROUP (Cont'd)

In June 2020, we acquired a 51.0% equity interest in CIBI, a credit bureau incorporated in the Philippines, which was assigned to CIBI Holdings (formerly known as CTOS SG Pte Ltd) as its subsidiary. Following our plan to broaden our operations outside of Malaysia, we had on 28 October 2020 acquired a 20.0% equity interest in BOL, a public listed company incorporated in Thailand. In January 2021, our Company acquired the entire equity interest of Basis. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business. The exclusion of CIBI will allow CIBI to focus on building up its sales organisation, risk and compliance functions, internal audit processes, new product development capabilities and data acquisition strategies without distracting us from, and allowing us to focus on, our core business in Malaysia and other regional growth opportunities. Following the Distribution, CIBI Holdings and CIBI ceased to be our subsidiaries.

6.1.2 Share capital

Our issued share capital is RM197,994,116, comprising 2,000,000,000 Shares as at the date of this Prospectus. Our Company does not have any treasury shares as at the LPD.

Save as disclosed below, there has been no change in our issued share capital for the past three years preceding the LPD:

| <u>Date of allotment/ subdivision</u> | <u>No. of Shares allotted</u> | <u>No. of cumulative Shares</u> | <u>Cumulative issued share capital</u> |
|---|-----------------------------------|-------------------------------------|--|
| | | | RM |
| 10 June 2021 ⁽¹⁾ | - | 2,000,000,000 | 197,994,116 |

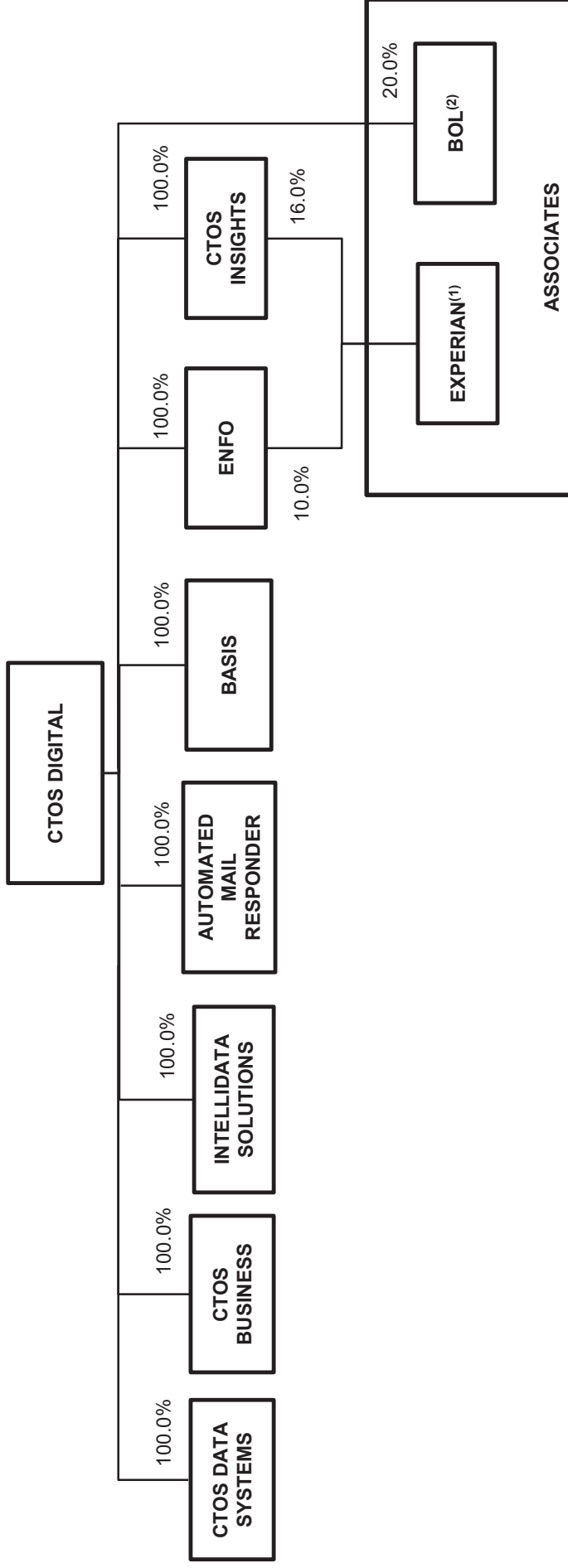
Note:

(1) Pursuant to the Subdivision.

6. INFORMATION ON OUR GROUP (Cont'd)

6.2 OUR GROUP STRUCTURE

An overview of our Group structure as at the LPD is as follows:



Notes:

(1) As at the LPD, the remaining shareholder of Experian is Experian (Malaysia) Sdn Bhd (74.0%).

(2) As at 25 February 2021, the remaining shareholders of BOL are Advanced Research Group Co., Ltd. (16.42%), Min Intanate (10.88%), Dun & Bradstreet International, Ltd. (8.68%), Visnu Skulpichetrat (7.50%), Bangkok Bank Public Company Limited (4.00%), Pan Pacific Consultant Co., Ltd. (3.72%), Parniya Khancharoensuk (2.68%), UBS AG London Branch (2.26%), Harkishin Tanwani (2.19%) and other shareholders holding less than 2.19% each (21.67%).

6. INFORMATION ON OUR GROUP (Cont'd)

6.3 OUR SUBSIDIARIES AND ASSOCIATES

Our subsidiaries and associates as at the LPD are as follows:

| Name and company number | Date and country of incorporation | Share capital | Our effective equity interest | Principal activities |
|--|-----------------------------------|---------------|-------------------------------|--|
| % | | | | |
| Subsidiaries | | | | |
| CTOS Data Systems 199201016147 (247651-H) | 26 August 1992 Malaysia | RM1,800,000 | 100.0 | Credit reporting agency and other digital software related services |
| CTOS Business 200401011532 (650035-U) | 22 April 2004 Malaysia | RM250,000 | 100.0 | Software development and other related services |
| Intellidata Solutions 200701013358 (771363-P) | 27 April 2007 Malaysia | RM300,000 | 100.0 | Outsourcing and training services |
| Automated Mail Responder 200101017695 (553452-V) | 16 July 2001 Malaysia | RM3 | 100.0 | Dormant |
| Basis 199401030027 (315708-X) | 14 September 1994 Malaysia | RM1,000,000 | 100.0 | Credit reporting agency, focusing on comprehensive commercial credit reports |
| Enfo 200801032960 (834297-P) | 29 September 2008 Malaysia | RM10,000 | 100.0 | Investment holding |
| CTOS Insights 197301001965 (15478-D) | 18 August 1973 Malaysia | RM3,000,000 | 100.0 | Investment holding |
| Associates | | | | |
| Experian 200001029664 (532271-T) | 16 November 2000 Malaysia | RM10,000,000 | 26.0 | Provision of credit reporting business, credit bureau and information services |

6. INFORMATION ON OUR GROUP (Cont'd)

| Name and company number | Date and country of incorporation | Share capital | Our effective equity interest | Principal activities |
|-------------------------|---|---------------|-------------------------------|--|
| | | | % | |
| BOL 0107546000407 | 1 December B.E. 2546 (2003) Thailand | THB82,050,550 | 20.0 | Service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management |

The details of our subsidiaries and associates as at the LPD are as follows:

6.3.1 Information on CTOS Data Systems

CTOS Data Systems was incorporated in Malaysia under the Companies Act, 1965 on 26 August 1992 as a private limited company under the name of Byte Link Sdn Bhd and is deemed registered under the Act. It changed its name to CTOS Data Systems Sdn Bhd on 19 January 1993. CTOS Data Systems is principally involved in the business of credit reporting and other digital software related services. The principal place of business of CTOS Data Systems is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of CTOS Data Systems is RM1,800,000 comprising 1,800,000 ordinary shares. There has been no change in the issued share capital of CTOS Data Systems for the past three years preceding the LPD.

CTOS Data Systems is our wholly-owned subsidiary. As at the LPD, CTOS Data Systems does not have any subsidiaries or associates.

6.3.2 Information on CTOS Business

CTOS Business was incorporated in Malaysia under the Companies Act, 1965 on 22 April 2004 as a private limited company under the name of Calyx Integrated Business Systems Sdn Bhd and is deemed registered under the Act. It changed its name to CTOS Business Systems Sdn Bhd on 17 June 2005. CTOS Business is principally involved in software development and other related services. The principal place of business of CTOS Business is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of CTOS Business is RM250,000 comprising 250,000 ordinary shares. There has been no change in the issued share capital of CTOS Business for the past three years preceding the LPD.

CTOS Business is our wholly-owned subsidiary. As at the LPD, CTOS Business does not have any subsidiaries or associates.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.3 Information on Intellidata Solutions

Intellidata Solutions was incorporated in Malaysia under the Companies Act, 1965 on 27 April 2007 as a private limited company under the name of Dorongan Hijau Sdn Bhd and is deemed registered under the Act. It changed its name to Intellidata Solutions Sdn Bhd on 22 March 2016. Intellidata Solutions is principally involved in outsourcing and training services. The principal place of business of Intellidata Solutions is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of Intellidata Solutions is RM300,000 comprising 300,000 ordinary shares. There has been no change in the issued share capital of Intellidata Solutions for the past three years preceding the LPD.

Intellidata Solutions is our wholly-owned subsidiary. As at the LPD, Intellidata Solutions does not have any subsidiaries or associates.

6.3.4 Information on Automated Mail Responder

Automated Mail Responder was incorporated in Malaysia under the Companies Act, 1965 on 16 July 2001 as a private limited company under the name of Really Bigsky Sdn Bhd and is deemed registered under the Act. It changed its name to Automated Mail Responder Sdn Bhd on 12 October 2007. Automated Mail Responder was previously involved in the principal activity of email hosting, web hosting and internet services. Automated Mail Responder is dormant as at the LPD. There is no immediate plan for this company currently. The principal place of business of Automated Mail Responder is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of Automated Mail Responder is RM3 comprising 3 ordinary shares. There has been no change in the issued share capital of Automated Mail Responder for the past three years preceding the LPD.

Automated Mail Responder is our wholly-owned subsidiary. As at the LPD, Automated Mail Responder does not have any subsidiaries or associates.

6.3.5 Information on Basis

Basis was incorporated in Malaysia under the Companies Act, 1965 on 14 September 1994 as a private limited company under the name of Basis Corporation Sdn Bhd and is deemed registered under the Act. It changed its name to CTOS Basis Sdn Bhd on 17 February 2021. Basis is principally involved in the business of credit reporting, focusing on comprehensive commercial credit reports. The principal place of business of Basis is at B-2-12, Block B, BBT One, Lebuhraya Batu Nilam 2, Bandar Bukit Tinggi, 41200 Klang, Selangor.

The issued share capital of Basis is RM1,000,000 comprising 1,000,000 ordinary shares. There has been no change in the issued share capital of Basis for the past three years preceding the LPD.

Basis is our wholly-owned subsidiary. As at the LPD, Basis does not have any subsidiaries or associates.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.6 Information on Enfo

Enfo was incorporated in Malaysia under the Companies Act, 1965 on 29 September 2008 as a private limited company and is deemed registered under the Act. Enfo is principally involved in investment holding. The principal place of business of Enfo is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of Enfo is RM10,000 comprising 10,000 ordinary shares. There has been no change in the issued share capital of Enfo for the past three years preceding the LPD.

Enfo is our wholly-owned subsidiary. As at the LPD, Enfo does not have any subsidiaries or associates.

6.3.7 Information on CTOS Insights

CTOS Insights was incorporated in Malaysia under Companies Act, 1965 on 18 August 1973 as a private limited company under the name of Man Yau Plastic Factory (Malaysia) Sdn Bhd and is deemed registered under the Act. It changed its name to Formis E Solutions Sdn Bhd on 12 March 2010, and further changed its name to CTOS Insights Sdn Bhd on 16 October 2019. CTOS Insights is principally involved in investment holding. The principal place of business of CTOS Insights is at Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The issued share capital of CTOS Insights is RM3,000,000 comprising 3,000,000 ordinary shares. There has been no change in the issued share capital of CTOS Insights for the past three years preceding the LPD.

CTOS Insights is our wholly-owned subsidiary. As at the LPD, CTOS Insights does not have any subsidiaries or associates.

6.3.8 Information on Experian

Experian was incorporated in Malaysia under the Companies Act, 1965 on 16 November 2000 as a private limited company under the name of RAM-DP Information Services Sdn Bhd and is deemed registered under the Act. It changed its name to RAM Credit Information Sdn Bhd on 25 November 2009, and further changed its name to Experian Information Services (Malaysia) Sdn Bhd on 27 November 2019. Experian is principally involved in the business of credit reporting and information services. The principal place of business of Experian is at 17-9 & 19-9, 9th Floor, The Boulevard Mid Valley, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The issued share capital of Experian is RM10,000,000 comprising 10,000,000 ordinary shares. There has been no change in the issued share capital of Experian for the past three years preceding the LPD.

As at the LPD, we own a 26.0% equity interest in Experian through our wholly-owned subsidiaries, Enfo and CTOS Insights. The remaining shareholder is Experian (Malaysia) Sdn Bhd (74.0%). Experian does not have any subsidiaries or associates.

6. INFORMATION ON OUR GROUP (Cont'd)**6.3.9 Information on BOL**

BOL was incorporated in Thailand under the Public Limited Companies Act B.E. 2535 (1992) of Thailand, as amended, on 1 December B.E. 2546 (2003) as a private company. BOL's principal activities are a service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management. The principal place of business of BOL is at No. 1023 MS Siam Tower, 28th Floor, Rama III Road, Chong Nonsi Subdistrict, Yannawa District, Bangkok, Thailand.

The issued share capital of BOL is THB82,050,550 comprising 820,505,500 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of BOL for the past three years preceding the LPD:

| <u>Date of capital reduction</u> | <u>No. of ordinary shares</u> | <u>Consideration</u> | <u>Issued share capital prior to capital decrease</u> | <u>Resultant issued share capital</u> |
|----------------------------------|-------------------------------|----------------------|---|---------------------------------------|
| | | | <u>THB</u> | <u>THB</u> |
| 5 April 2018 | 5,494,500 | Cash | 82,600,000 | 82,050,550 |

As at the LPD, we own a 20.0% equity interest in BOL. As at 25 February 2021, the remaining shareholders of BOL are Advanced Research Group Co., Ltd. (16.42%), Min Intanate (10.88%), Dun & Bradstreet International, Ltd. (8.68%), Visnu Skulpichetrat (7.50%), Bangkok Bank Public Company Limited (4.00%), Pan Pacific Consultant Co., Ltd. (3.72%), Parinya Khancharoensuk (2.68%), UBS AG London Branch (2.26%), Harkishin Tanwani (2.19%) and other shareholders holding less than 2.19% each (21.67%).

Based on BOL's Annual Report 2020, BOL's subsidiaries, joint venture and associated companies are as below:

| <u>Name of company</u> | <u>% of shares held</u> |
|--|-------------------------|
| D&B (Thailand) Co, Ltd | 99.9 |
| BOL Digital Co, Ltd | 99.9 |
| Business Information Co, Ltd (Vietnam) | 50.0 |
| ABIKS Development Co, Ltd | 20.0 |

As at the LPD, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

None of our Shares and share capital in our subsidiaries were issued and allotted at a discount or have any special terms or any instalment payment terms. Our issued Shares and the issued shares of our subsidiaries are fully paid-up.

As at the LPD, neither our Company nor our subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

During the last financial year up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' securities.

7. BUSINESS OVERVIEW

7.1 OVERVIEW

We are a regional market leader for credit bureaus in the ASEAN region, with presence in Malaysia and Thailand. We are Malaysia's leading CRA, with an estimated market share in terms of revenue of 71.2% for the FYE 31 December 2020 through CTOS Data Systems and Basis, according to the IMR Report. Our associate, Experian, is the second largest CRA in Malaysia, with an estimated market share in terms of revenue of 17.5% for the FYE 31 December 2020, according to the IMR Report. Our associate, BOL, is the largest company information bureau in Thailand, with an estimated market share in terms of revenue of 59.0% for the FYE 31 December 2020, according to the IMR Report.

The credit reporting industry market size in terms of revenue in Malaysia stood at RM224.7 million in 2020 and is expected to continue to grow at a CAGR of 13.2% between 2021 and 2025, according to the IMR Report. We believe that we are well positioned to maintain our leadership position in the industry as it continues to grow. For more information on our competitive strengths, see Section 7.2.1 of this Prospectus.

We provide credit information and analytics digital solutions on companies, businesses and consumers for use by banks and businesses at each stage of the customer lifecycle and provide credit information and analysis to consumers. We serve three types of customers: Key Accounts, Commercial and Direct-to-Consumer. As at the LPD, we provide digital solutions to approximately 430 Key Accounts customers in Malaysia, including Malaysian banks and corporates, and approximately 17,000 Commercial customers primarily in Malaysia, including SMEs in industries such as financial services, telecommunications, wholesale and retail trade, manufacturing, construction, professional services and insurance.

Our Direct-to-Consumer customers are Malaysian consumers. We provide our Direct-to-Consumer customers with credit scores and detailed information including CCRIS information, directorships and business interests, litigation cases and trade references which helps consumers understand and manage their credit health and improve their financial literacy. As at the LPD, CTOS Data Systems has approximately 1.3 million users registered for a CTOS ID account, which allows users to access and purchase their CTOS Consumer Scores and credit information.

Our digital solutions are based on our extensive databases of consumer and business information. As at the LPD, our databases contained profiles of approximately 15 million consumers and approximately 8 million companies and businesses. Our proprietary information databases include CTOS Data Systems' eTR and eTR Plus databases containing non-bank positive and negative payment information of consumers and businesses and CED for litigation records.

Our strategic partnerships enhance our ability to offer and develop innovative digital solutions using our databases. For example, our CTOS Scores were developed by FICO, one of the leading global consumer credit score providers, in collaboration with us. We also offer CTOS IDGuard fraud bureau, which integrates fraud and compliance management technology from GBG, a United Kingdom-listed global technology provider of identity verification, location intelligence, and fraud and compliance solutions.

7. BUSINESS OVERVIEW (Cont'd)

We have strategically expanded our business through acquisitions of and investments in complementary businesses and assets.

- In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, which resulted in us owning a 26.0% equity interest in Experian, a Malaysian CRA majority-owned by a company associated with Experian plc, a multinational information services company.
- In October 2020, we acquired a 20.0% equity interest in BOL, which was incorporated in Thailand in December 2003. BOL's principal activities are a service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management.
- In January 2021, we acquired the entire equity interest in Basis, a Malaysian CRA. Basis is principally involved in the business of credit reporting, focusing on comprehensive commercial credit reports. The acquisition of Basis has expanded the range of our international business reports and provides us with a complementary base of international customers in industries such as insurance, services and credit reporting who are located primarily in Asia Pacific and Europe. The acquisition also diversifies our customer base as approximately 85.0% of Basis' revenue in each of the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 was generated from its international customers.

In addition, we acquired a 51.0% equity interest in CIBI, a credit bureau in the Philippines, in June 2020 for the purpose of expanding our offerings in the Philippines across the customer lifecycle. Our 51.0% equity interest in CIBI was held by CIBI Holdings, our previously wholly-owned subsidiary, which is principally an investment holding company. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business. The exclusion of CIBI will allow CIBI to focus on building up its sales organisation, risk and compliance functions, internal audit processes, new product development capabilities and data acquisition strategies without distracting us from, and allowing us to focus on, our core business in Malaysia and other regional growth opportunities. As CIBI's business in the Philippines matures, we may evaluate CIBI for future re-investment.

From the FYEs 31 December 2018 to 31 December 2020, our revenue grew at a CAGR of 12.8% from RM110.5 million to RM140.5 million, our PATAMI grew at a CAGR of 15.0% from RM29.7 million to RM39.2 million and our Normalised PATAMI increased at a CAGR of 22.2% from RM30.5 million to RM45.5 million.

For the FYEs 31 December 2018 and 31 December 2019, all of our revenue was generated in Malaysia. For the FYE 31 December 2020, 94.8% of our revenue was generated in Malaysia and 5.2% was generated in the Philippines through CIBI. See Section 12.2.5 of this Prospectus for further information.

7. BUSINESS OVERVIEW (Cont'd)

7.2 COMPETITIVE STRENGTHS, FUTURE PLANS AND STRATEGIES

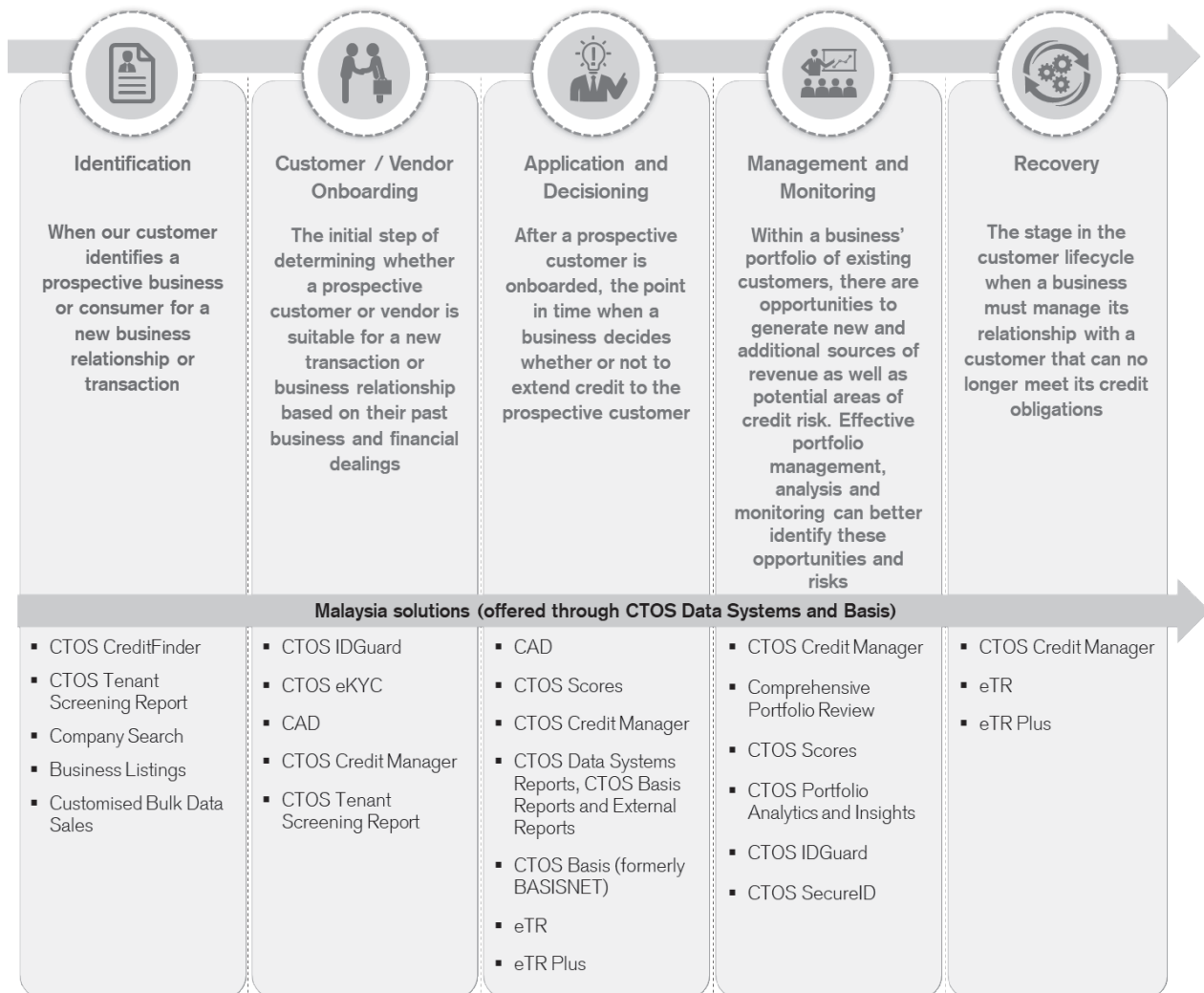
7.2.1 Competitive strengths

Our competitive strengths are as follows:

- (i) **We have developed a fully digital platform for end-to-end credit management that provides our customers with an automated and seamless user experience.**







We have developed a fully-fledged ecosystem of credit management solutions for our customers. This ecosystem provides digital solutions to support our customers' businesses at every stage of the customer lifecycle: from new customer identification to customer onboarding to decisioning to customer management and monitoring to recovery, where required. As these digital solutions support various critical functions of our customers' businesses, we believe our digital solutions have become an integral part of our customers' business processes.

The stages of the customer lifecycle and the digital solutions that we offer at each stage are summarised below:



7. BUSINESS OVERVIEW (Cont'd)

According to the IMR Report, there is currently a limited number of CRAs in Malaysia who are able to offer the full suite of digital solutions that we do, as shown below:

| |  ⁽¹⁾ CTOS Digital |  CBM |  ⁽²⁾ Experian |  ⁽¹⁾ CRIF |  D&B |  ⁽³⁾ FIS |
|-----------------------------|--|--|--|--|--|---|
| CORE PRODUCTS | Access to CCRIS | ✓ | ✓ | ✓ | | |
| | Credit Scoring ⁽⁴⁾ | ✓ | ✓ | ✓ | | |
| | Credit Rating ⁽⁵⁾ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Consumer Credit Report | ✓ | ✓ | ✓ | | ✓ |
| | Commercial Credit Report | ✓ | ✓ | ✓ | ✓ | ✓ |
| | - Business Information Report | ✓ | ✓ | ✓ | ✓ | ✓ |
| | - Credit Monitoring Service | ✓ | ✓ | ✓ | | |
| | - International Reports | ✓ | | ✓ | ✓ | ✓ |
| VALUE-ADDED SERVICES | Business Analytics | ✓ | ✓ | ✓ | ✓ | |
| | Fraud Prevention | ✓ | | | | |
| | Fraud Monitoring | ✓ | | ✓ | | |
| | Scoring/Rating Validation Services | ✓ | ✓ | ✓ | | |
| | Credit Decisioning & Analytics | ✓ | | ✓ | ✓ | |
| | Digital Onboarding/eKYC | ✓ | | ✓ | ✓ | |
| | Credit Risk Management | ✓ | | ✓ | | ✓ |
| | Credit Comparison Site | ✓ | | ✓ | | |
| | Identity Theft Protection | ✓ | | ✓ | | |
| | Tenant Screening | ✓ | | | | |

Notes:

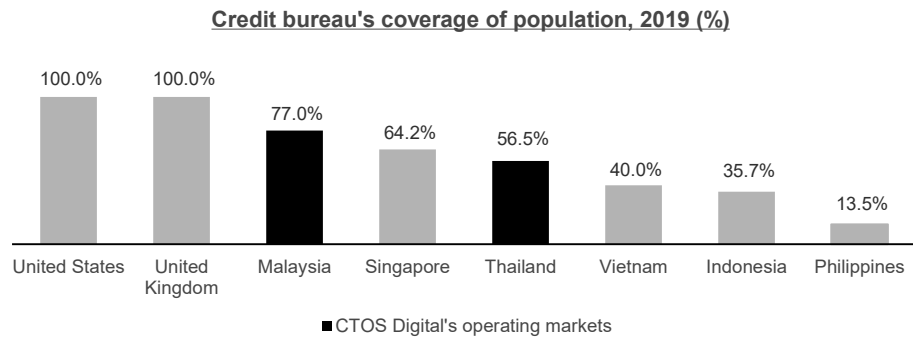
- (1) Includes digital solutions and services offered by both entities under the holding company which are CTOS Data Systems and Basis.
- (2) The scope of solutions and services may not have use cases in Malaysia.
- (3) FIS specialises in credit enquiries for individuals and businesses that are specifically for motor vehicles and leasing purposes.
- (4) Credit scores are a numerical summary of the borrower's credit health derived from statistical models.
- (5) Credit ratings are expressed as a letter grade of the creditworthiness of the borrower, also derived from statistical models but are more often used for businesses and governments.

We believe that our ability to provide this automated and seamless user experience further positions us as the leading CRA in Malaysia, not just in terms of market share but also in terms of the quality and range of digital solutions we can offer. For further details of our digital solutions, see Section 7.5 of this Prospectus.

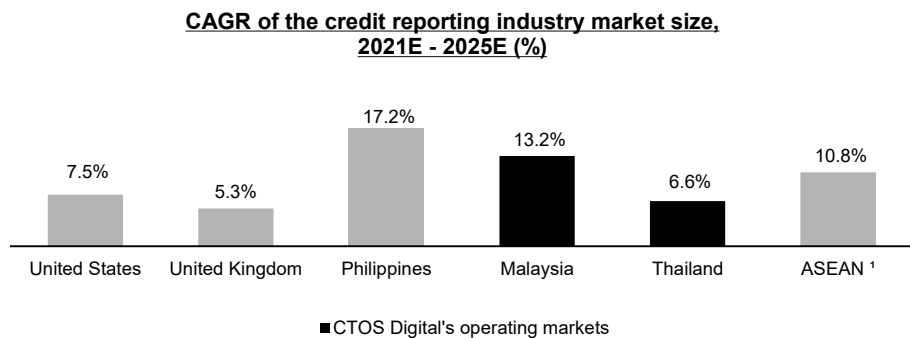
7. BUSINESS OVERVIEW (Cont'd)

- (ii) **The penetration of credit reporting and credit management solutions in Malaysia and neighbouring ASEAN markets are a fraction of our developed market peers, presenting us with visible growth upside.**

The penetration of credit reporting and credit management solutions, measured by respective countries' credit bureau coverage of the population, remains significantly lower in Malaysia and in regional countries such as Thailand, where we have a presence, when compared to our developed market peers in the United States and the United Kingdom, according to the IMR Report, as shown below:



According to the IMR Report, the market size of the ASEAN region for credit reporting amounted to RM990.5 million (USD238.9 million) in 2020. IDC Research forecasts that the credit reporting industry in the ASEAN region will grow at a CAGR of 10.8% between 2021 to 2025, which is relatively higher than the forecast CAGR over the same period of approximately 7.5% and 5.3% in the United States and the United Kingdom, respectively. Growth potential in the ASEAN region comes from greater penetration and usage of credit reporting services and further expansion of other services such as offering analytics (such as industry analysis and benchmarking, and share of wallet analysis), eKYC, application automation and direct-to-consumer digital solutions. We currently offer these value-added digital solutions in Malaysia.



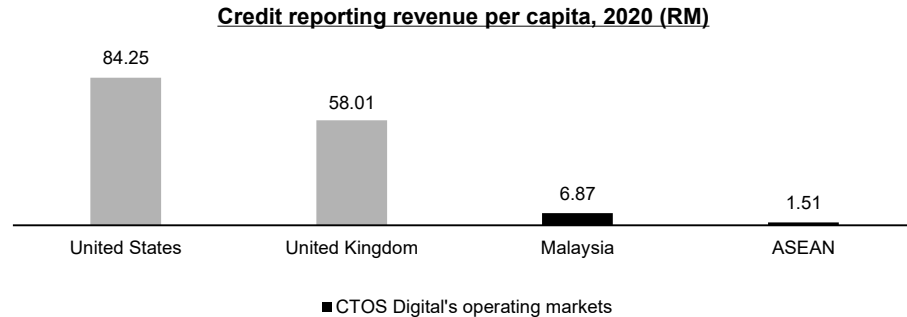
Note:

- (1) ASEAN region refers to Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Source: IMR Report.

7. BUSINESS OVERVIEW (Cont'd)

IDC Research forecasts that the credit reporting industry in Malaysia is expected to grow from 2021 to 2025 at a CAGR of 13.2% in Malaysia, 5.7% and 7.9% higher than that of the United States and the United Kingdom, respectively. The forecast growth in Malaysia is expected to be largely driven by increasing financial literacy of the population, the growing SME sector, increasing demand for credit by businesses and consumers as well as the introduction of digital banking via traditional financial institutions or new entrants of fintech companies hailing from a variety of industries.



Source: IMR Report.

Furthermore, in 2020, the credit reporting revenue per capita of the United States and the United Kingdom were at RM84.25 and RM58.01, respectively. In comparison, Malaysia's credit reporting revenue per capita was significantly lower at RM6.86, which is approximately 12 times smaller than that of the United States and eight times smaller than that of the United Kingdom. This also implies that there remains an upside potential for revenue growth in Malaysia.

According to the IMR Report, the credit reporting industry in Malaysia, as well as in the ASEAN region, has significant potential for growth. ASEAN credit reporting revenue is currently over 56 times smaller per capita than that of the United States. Growth within the ASEAN region will largely be focused on increased coverage into current sectors, as well as expansion into new sectors such as health, automotive, software and professional services, media and the public sector. According to the IMR Report, new technologies will play a huge role in driving credit reporting growth, as there will be an increased need for real-time credit decisioning to support the digital banking ecosystem.

Currently, our suite of credit management solutions is already serving many of the P2P lenders in Malaysia and a number of local e-wallet companies. With the increased trend towards digital banking led by banks and fintech companies such as payment companies and P2P lenders, our digital solutions including but not limited to, CTOS eKYC, CAD, CTOS Portfolio Analytics and Insights, will be well placed to cater to the digitalisation of the banking economy.

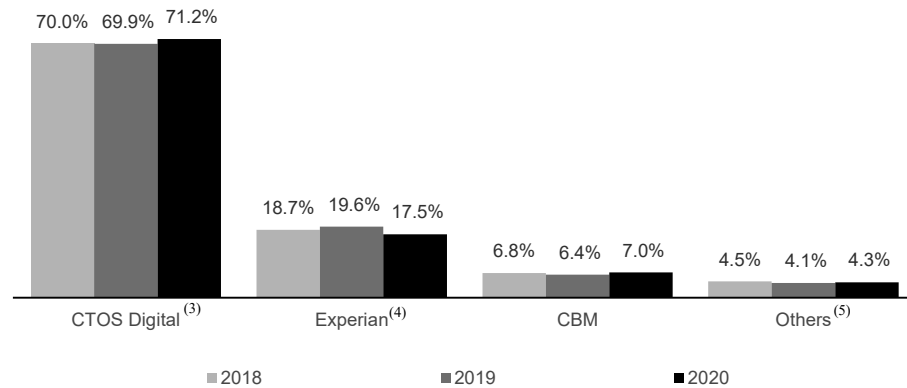
We believe that our current market share leadership position and digital end-to-end portfolio place us in a good position to grow our revenue locally, along with the expected 13.2% CAGR of Malaysia's credit reporting industry from 2021 to 2025, according to the IMR Report. Within the ASEAN region, we can also leverage on our operations and strategic investments in Malaysia and Thailand to grow our market presence across the region.

We enjoy a market share leadership position in the credit reporting industry in Malaysia, further secured by high barriers to entry and strong synergistic effect between our customers and data.

7. BUSINESS OVERVIEW (Cont'd)

Founded in 1990, we are one of the pioneers in the credit reporting industry in Malaysia. Today, we are the market leader in Malaysia's credit reporting industry, with market share in terms of revenue of 70.0%, 69.9% and 71.2% in 2018, 2019 and 2020, respectively, according to the IMR Report. We continue to grow our local market share by constantly innovating our capabilities, expanding our database and broadening our digital solution offerings.

Comparison by market shares by revenue of CTOS Digital vs other CRAs in 2018 - 2020 (%)⁽¹⁾⁽²⁾



Notes:

- (1) The information is based on the latest financial data reported by the selected companies gathered as at 31 May 2021.
- (2) Market share for CBM and others (which includes FIS, D&B and CRIF) for the financial year ("FY") 2020 are based on IDC Research's projections over the FY 2019 revenue which are the latest publicly available financial data. The market shares are also based on IDC Research's estimates for the FY 2020 for companies with different reporting periods.
- (3) CTOS Digital's market share is combined with Basis on a pro-forma basis since Basis was acquired by CTOS Digital in January 2021.
- (4) Market shares for Experian reflect an apportionment to a 12-month period of January to December 2020 based on latest unaudited management accounts. Historical market shares are also adjusted to account for a change in year end from 31 December 2019 to 31 March 2020.
- (5) Others include FIS, D&B and CRIF. CRIF was incorporated in 2019. The financial data used were of parent company, CRIF Sdn Bhd, who is principally engaged in business information, credit reporting and other services.

Source: IMR Report.

We enjoy the high barriers to entry of the credit reporting industry based on factors such as:

- **Regulations:** CRAs operate in a highly regulated environment, subject to regulatory oversight by the CRA Registrar, which is under the purview of the MOF in Malaysia. The incremental costs related to compliance include technology and IT costs, staff and associated costs for teams associated with business compliance, risks and legal, as well as costs related to third party audits.

7. BUSINESS OVERVIEW (Cont'd)

- **Security:** As CRAs handle, process and analyse customers' highly confidential information, substantial resources including but not limited to, time, people, money (investment), infrastructure and governance framework are required to establish a cyber-resilient culture.
- **Database:** For a CRA to report on consumer and business credit behaviour, it is necessary to have access to a large database of credit, demographic and other consumer and business information. It is also challenging to obtain access and approval from the necessary governmental agencies and other data sources. For example, CRAs require approval from BNM in order to access CCRIS information. Relative to incumbent players with histories of data collection and working relationships with the necessary stakeholders, it can be difficult to attain a similar size of database.
- **Brand recognition:** As CRAs provide and collect sensitive customer information, customer trust and brand recognition are important.

Due to the high barriers to entry as set out above, it is hard for competitors to penetrate the industry. Evidently, there has only been one new entrant in the industry in Malaysia over the last ten years, according to the IMR Report.

As at the LPD, we provide digital solutions to approximately 17,000 Commercial customers primarily in Malaysia, including SMEs. Our end of year number of subscribers experienced a CAGR of 17% from 2018 to 2020. We provide digital solutions to our Key Accounts customers in a variety of industries, including established financial institutions, business organisations, telecommunications companies, insurance companies and fintech companies such as P2P lenders and e-commerce platforms. In addition, as at the LPD, we had approximately 1.3 million registered users for CTOS ID. Through the ecosystem of users and subscribers that we have established, we are able to enjoy this strong synergistic effect, with data continuously enriched through the addition of each new customer, and the acquisition and retention of customers made easier with the continuous enrichment of our data.

We are currently the market leader of Malaysia's credit reporting industry with an estimated market share in terms of revenue of 71.2% in 2020, according to the IMR Report. Through the industry's high barriers to entry and the strong synergies we enjoy from our subscribers and database ecosystem, we are in an advantageous position to further grow our market share locally and maintain our market share leadership position in Malaysia's credit reporting industry.

- (iii) **We have an extensive distribution network and sales force, supported by a well-trained after sales support team to ensure strong customer acquisition and retention.**

As at the LPD, our Key Accounts and Commercial sales team stand at over 170 employees, which includes account managers and business development officers, and sales to our Direct-to-Consumer customers are predominantly digital and is handled by our marketing team. We have a national presence in Malaysia with ten offices throughout the country, eight of which are also service centres that provide assistance to customers.

7. BUSINESS OVERVIEW (Cont'd)

We have a centralised marketing team that promotes our various digital solutions and our brand. Our marketing team works in coordination with our sales teams to ensure that our marketing efforts are appropriately targeted and tailored for each of our three types of customers' goals and offerings.

We focus our marketing efforts on the following channels for each of our three types of customers:

- **Key Accounts:** brand and networking events, forums and webinars, as well as public relations initiatives for digital solution launches
- **Commercial:** same channels as Key Accounts, as well as digital and social marketing and partnership programmes
- **Direct-to-Consumer:** engaged through digital and social marketing, webinars, television and radio advertising and branded content placement, roadshows, partnerships and outdoor advertising

Furthermore, we have a well-trained after sales support team to ensure that our customers receive high quality technical support and help desk solutions. Our after-service support platforms include a call centre that operates daily, a 24/7 IT support system and eight service centres across Malaysia. We have also established a client relations team to focus on customer retention and cross-selling to existing customers. Our client relations team commits to our customers, by checking in periodically on our key customers, ensuring that we maintain consistent engagement with them. Furthermore, our service level to sales and subscribers are 94%, 92% and 96% for the FYEs 31 December 2018 to 31 December 2020 respectively, which is indicative of our fast response time and commitment to our customers. Service level to sales and subscribers is calculated based on calls answered within 20 seconds divided by calls in the queue.

We pride ourselves on our strong relationships with our customers. Apart from the large credit database and end-to-end credit management solutions that we provide, our extensive distribution network and sales force, supported by our well-trained sales support team, have been imperative to our customer acquisition tactics and customer retention profile. The strong relationships that we have built with our major customers is evident as each of our top five customers by revenue contribution have at least eight years of working relationship with us. For further details of our major customers, see Section 7.9 of this Prospectus.

(iv) We have accumulated a large credit database on individuals and businesses in Malaysia with extensive access to key financial databases.

We have a large credit database on individuals and businesses in Malaysia, having accumulated over 30 years of data in the industry since our establishment in 1990. As at the LPD, our database contained approximately 15 million consumer profiles and approximately 8 million company and business profiles.

We source information for our databases from a wide range of public sources that we have access to, from domestic governmental organisations to other publicly available information such as public court listings, publications and gazettes. Our international data is sourced from Basis' network of global data partners.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the wide range of public sources in Malaysia and internationally, we manage our proprietary databases such as eTR, eTR Plus and CED. According to the IMR Report, we have built a reputation for having one of the largest electronic trade reference databases in Malaysia. These trade reference records are included in our various reports and are used in the calculation of our credit scores, as well as in our insights and analytics solutions. Both our Commercial and Key Accounts customers can upload their trade reference records to the eTR database through our respective digital platforms. Our CED provides us with litigation and bankruptcy information as an additional avenue to assess a consumer's credit worthiness.

Furthermore, we have been developing other non-traditional information sources. We also maintain a database of positive information about a customer's payment history. At present, the eTR Plus database contains payment history information on non-bank consumers loan facilities, rental, telephone and utilities bill payments, including both on-time payments and any missed payments. Our non-traditional information sources further enrich our data sets. Our extensive proprietary databases strongly position us to provide our customers with end-to-end digital solutions.

In addition, we take measured steps to ensure high standard of quality for our data. We conduct regular data accuracy tests and if there is any inaccuracy or inconsistency in our data, we resolve these through our standard compliance resolution process.

Through our extensive track record in the Malaysian credit reporting industry, as well as key working relationships developed with various stakeholders, we now have access to key financial databases from governmental organisations and other data sources.

(v) We have developed a diversified customer base, with whom we enjoy strong, long-term relationships.

With over 30 years in operation, we have developed long-standing relationships with a number of our customers, including our banking, telecommunications and other corporate customers who use our digital solutions. Our revenue streams are highly diversified and we are not dependent on any of our top five major customers. For the FYE 31 December 2020, our top five major customers only contributed 14.2% to our revenue. As at the LPD, each of these top five major customers has been our customer for an extended duration of time, ranging from eight to 20 years.

Furthermore, revenue from our Key Accounts customers are generally highly reliable and consistent. Approximately 75% of our Key Accounts customers' revenue are recurring revenue.

Our customers have largely remained loyal and continue to renew their contracts with us. We believe our fully digital platform and our end-to-end credit management solutions have become an integral part of some of our customers' business processes, with their core business processes having developed a reliance on our digital solutions over time, making it cumbersome for them to switch to digital solutions offered by another CRA as this requires the set-up of necessary technology for a replacing CRA to link to our customers' back-end systems. This is reflected in the length of their relationship with us. Since 2016, we have grown our Key Accounts customers and retained 100% of CTOS Data System's Key Accounts customers since 2017.

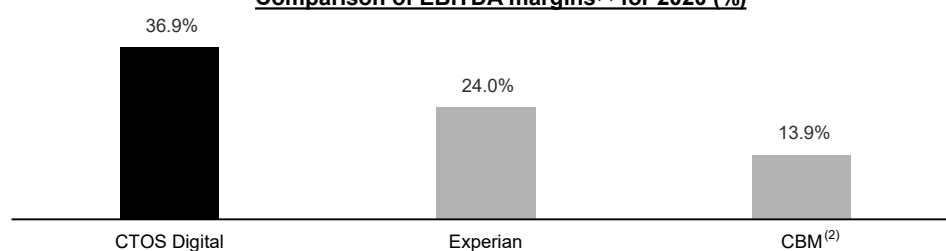
7. BUSINESS OVERVIEW (Cont'd)

(vi) **We have a strong financial profile – high growth, high margin and consistent return on equity (“ROE”).**

From the FYEs 31 December 2018 to 31 December 2020, we have achieved a revenue CAGR of 12.8%, increasing our market share from 70.0% to 71.2% during the same period, according to the IMR Report.

In addition, we have also achieved a gross profit margin and EBITDA margin of 86.4% and 36.9%, respectively, for the FYE 31 December 2020. Our EBITDA margin was the highest in the industry among the three top players in Malaysia by revenue for the FYE 31 December 2020, according to the IMR Report. These strong margins are driven by our revenue growth, efficient operations and strong operating leverage underpinned by our highly scalable proprietary data and credit management ecosystems.

Comparison of EBITDA margins⁽¹⁾ for 2020 (%)



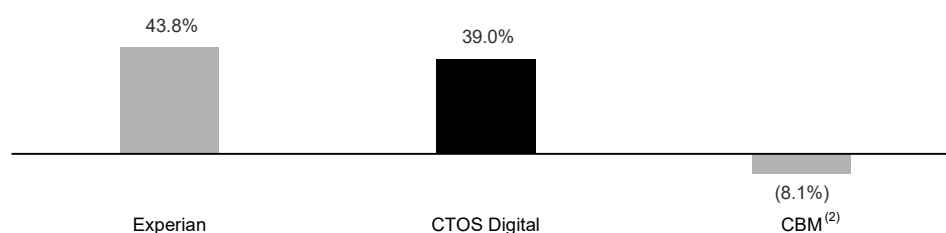
Notes:

- (1) Computed based on EBITDA divided by revenue for the period.
- (2) Based on the latest available audited financial statements of CBM for the FYE 31 December 2019.

Source: IMR Report.

Our ROE has consistently been at least 39.0% from the FYEs 31 December 2018 to 31 December 2020.

Comparison of ROE⁽¹⁾ for 2020 (%)



Notes:

- (1) Computed based on profit for the FY divided by the average shareholders' equity as of the beginning and the end of the same financial year.
- (2) Based on the latest available audited financial statements of CBM for the FYE 31 December 2019.

7. BUSINESS OVERVIEW (Cont'd)

(vii) We have an experienced management team and our major shareholder is backed by a Malaysian mid-market private equity fund group.

Our management team has a deep wealth of experience in the credit reporting and related industries globally. Our Group Chief Executive Officer, Dennis Colin Martin, has more than 20 years of experience in the credit reporting industry, including leading roles at Experian Asia Pacific Holdings Pte Ltd and Dun & Bradstreet (New Zealand) Limited. He also previously served in several different roles with Baycorp Advantage (New Zealand) Limited, a credit bureau based in Australia and New Zealand. Prior to his career in the credit reporting industry, he worked for more than 15 years in the banking industry, including with Bank of New Zealand (now part of National Australia Bank).

The Chief Executive Officer of CTOS Data Systems, Chin Kuan Weng, has over 25 years of experience in helming senior leadership roles in business, sales and operational functions for multinationals and local corporates. He joined our Group in 2014 and has since been involved in the management of our Key Accounts customers. He was previously the Chief Operating Officer of CBM.

Our Group Chief Financial Officer (“**CFO**”), Chen Thai Foong, has over 32 years of experience in finance and treasury. Before joining us, she held CFO positions in DHL Express (M) Sdn Bhd and Taylor’s Education Sdn Bhd.

The Chief Operating Officer of CTOS Data Systems, Tracy Gan Jo Lin, has more than 23 years of experience in operations. Prior to joining us, she held various key roles in different companies such as General Manager for Customer Service and Human Resources at e-pay (M) Sdn Bhd, Head of Customer Operations at TIME dotCom Berhad and Head of Distributor and Modern Trade Management at Maxis Berhad.

In 2014, Inodes, which is backed by Creador Group, a Malaysian mid-market private equity fund group, acquired a 70.0% equity interest in our Company, and has been our major shareholder since then. Today, Inodes owns a 80.0% equity interest in our Company. The Creador Group has played a crucial role in propelling the growth and expansion of our digital solutions over the past six years. During this period, we have grown our commercial base, increased our share of wallet in our Key Accounts customers, penetrated new verticals and new capabilities, and expanded our presence into new markets including Thailand.

7.2.2 Our future plans and strategies

We intend to pursue the following strategies to grow our business.

(i) We intend to continue to invest in further developing and extending our ecosystem of end-to-end credit management solutions.

We are a one-stop, fully integrated credit management service provider offering end-to-end credit management solutions, akin to players from developed markets such as Experian plc, TransUnion LLC and Equifax LLC. According to the IMR Report, there is currently a limited number of players who are able to offer the full suite of digital solutions that we do in Malaysia. Our ability to provide value-added digital solutions beyond traditional credit reporting services has resulted in our larger revenue base. This is a key competitive advantage for us and we intend to continue developing and extending our ecosystem to cement our market share leadership in Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

To further develop and extend our ecosystem of end-to-end credit management solutions, we intend to continue to invest in new databases and innovate new digital solutions for our customers with a focus on data and analytics as well as digital transformation.

We work closely with our customers to facilitate the digital transformation of their credit management processes, by developing new value-added digital solutions which are customised to customers' needs. This further differentiates us from most of our local and regional peers. Over the past three years, we have launched CTOS eKYC, CTOS SME Score, CTOS IDGuard and CAD, amongst others, and more recently in 2021, CTOS Tenant Screening Report. These new launches span across three customer lifecycle stages and we expect them to further increase revenue contributions from our Key Accounts and Commercial customers. By being close to our customers, we tend to innovate naturally in accordance with the latest industry trends. Our CTOS eKYC and CAD solutions cater to the digitalisation of various economies while our CTOS Portfolio Analytics and Insights solution has grown in its relevance to companies given the increase in availability of traditional and alternative data. Furthermore, CTOS IDGuard helps address customers' needs in tackling the emergence and growing occurrence of fraud cases.

In the next two years, we expect to invest in two main areas, i.e. our IT capabilities and data and analytics. We expect to allocate approximately 50.0% of our capital expenditures into upgrading our IT capabilities and approximately 15.0% of our capital expenditure into data and analytics using our internally generated funds. We recognise technology as the core of our digital solutions. By leveraging on advanced technologies, we are able to provide deeper insights, faster decisioning and increased accuracy of our credit scorings. Our continued investments in data and analytics have also allowed us to better provide customer-driven digital solutions and increase our engagement with any customer across our suite of digital solutions. It has also enabled us to be quicker, more efficient and more cost-effective across the process chain, further positioning ourselves at the forefront of the industry. Today, analytical services form 10% of revenue in the ASEAN credit reporting industry, approximately 15% less than that of the United States, according to the IMR Report. We believe that as our customers become increasingly digitalised and sophisticated, there will be greater demand for credit analytical services and we are currently well-positioned to benefit from the upside in these changing market dynamics.

In the medium to long term, we also intend to increase our investments in artificial intelligence and machine learning, so as to incorporate these technologies into our analytics and decisioning platforms (e.g. CTOS Scores and CAD). These new technologies can also increase our digital solutions' predictability of potential payment defaulters based on historical data points. We believe that these new technologies will define the credit reporting industry in future.

We are well-placed to further develop our ecosystem of end-to-end credit management solutions. With the scalability of our business model and our established branding domestically, we are optimistic that we will be able to develop these capabilities in-house or by forming strategic and synergistic partnerships with other credit management service providers to develop this ecosystem, locally or within the region.

7. BUSINESS OVERVIEW (Cont'd)

(ii) We will continue to deepen and broaden our data sources.

CRA's in Malaysia compete on the extent of their databases and range of value-added services. Over the last 30 years, we have accumulated a large credit database of individuals and businesses in Malaysia. Despite our access to a wide variety of databases from various public and proprietary sources in Malaysia and internationally, we continue to deepen and broaden our data sources to provide unique insights to our customers.

Over the last five years, we have invested in various new databases. These databases include eTR, eTR Plus and CED. According to the IMR Report, we have one of the largest electronic trade reference database in Malaysia. We are also in the process of expanding the information we collect to include alternative data sources such as eTR Plus. Additionally, our CED contains litigation and bankruptcy proceedings information shared by our subscribers such as banks, non-bank financial institutions, telecommunication companies and law firms. Our proactive sourcing of new databases further enhances our proprietary database, forming the groundwork necessary to provide our full suite of digital solutions.

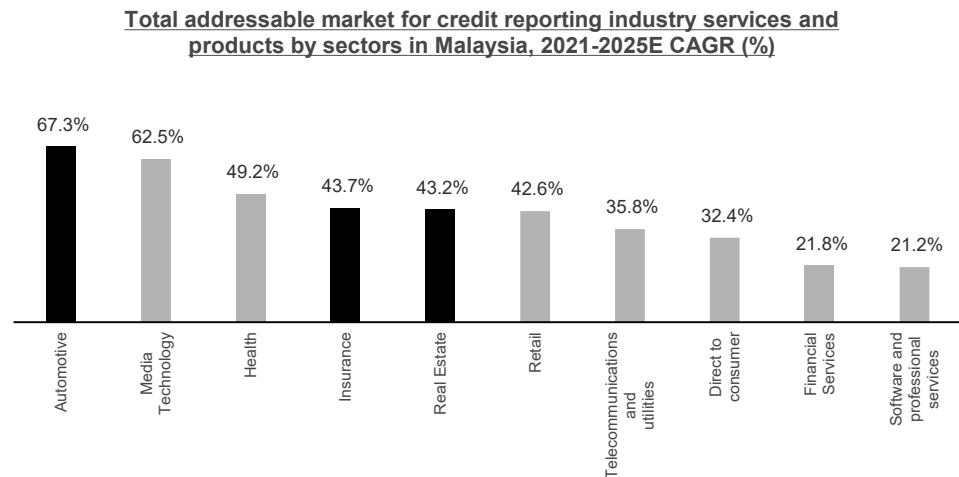
Through eTR Plus, we have been working with telecommunication and utility companies to gain insightful data regarding consumers' payments of utility bills. We intend to leverage on our strong local branding and long-standing working relationships with our key customers, to increase our database network through our Key Accounts and Commercial customers, and partners in a similar fashion as eTR Plus within the next three years. This will open up our access to a significantly greater number of information channels, and can help build a mutually beneficial community between us and our customers. Our customers can help enhance our databases while we can synthesise these data and provide even more insightful digital solutions through our data analytics capabilities.

By consistently focusing on the depth and quality of information provision, we believe we can establish an even higher barrier to entry, allowing us access to high quality information and enabling us to provide greater value to customers.

7. BUSINESS OVERVIEW (Cont'd)

(iii) We aim to expand into new verticals including automotive, real estate and insurance sectors.

We will continue to expand into new sectors that we see strong growth potential. These sectors are typically present in global credit bureaux, but relatively nascent and unique to the Malaysian credit reporting industry. These sectors include automotive, real estate and insurance. According to the IMR Report, the forecast CAGR of the total addressable market of Malaysia's credit reporting industry from 2021 to 2025, by sector, is as follows:



Collectively, the total addressable market of the automotive, real estate, and insurance sectors is forecast to grow from RM25.1 million in 2021 to RM128.9 million by 2025, implying a 50.6% CAGR during this period, according to the IMR Report. Given our current market leadership in Malaysia, we expect we are best placed to benefit from this growth.

We also intend to continue to expand our digital solutions within new verticals. For example, to leverage on the growth of the real estate sector, we have launched the CTOS Tenant Screening Report, allowing landlords or agents to screen prospective tenants in a hassle-free manner, through a series of ID verification, KYC screening, financial checks, income estimation and historical legal cases or bankruptcies. Currently, we have several digital solutions that are in the pipeline related to motor vehicle checks and collections, which we aim to launch in the next two years based on current development timelines.

More broadly, we plan to continue to seek out opportunities to enhance our scoring models and expand our offerings in new verticals. For example, we believe that there is potential to penetrate the insurance sector by applying our analytics to predict the associated risks of an insurance policy and the probabilities of insurance fraud and likelihood of fatality and accidents. We will carefully evaluate each opportunity that we identify in the future.

Despite being one of the more developed financial markets within the ASEAN region, there exists many growth opportunities within Malaysia's credit reporting industry. As the market leader in Malaysia, we are well-positioned to capitalise on the growth of the automotive, real estate and insurance sectors, as well as expand our presence in digital solutions to increase our revenue base.

7. BUSINESS OVERVIEW (Cont'd)

(iv) We aim to maintain and grow our market share leadership for CRA services in Malaysia.

We are the leading CRA in Malaysia. In terms of revenue, our market share in 2020 was approximately 71.2% of Malaysia's credit reporting industry, according to the IMR Report.

To maintain and grow our leading market share, we will focus on increasing our market penetration, in particular by growing our Key Accounts customer base. We intend to introduce new digital solutions to capture a larger share of wallet of our Key Accounts customers, including banks and financial institutions. In 2019, we launched CTOS eKYC and in 2020, CTOS IDGuard. More recently in 2021, we launched CTOS Tenant Screening Report.

We also intend to launch new digital solutions and increase consumer awareness campaigns to increase our market penetration within the consumer segment. Examples of recent launches include CTOS SecureID, a consumer fraud protection and credit monitoring service with dark web monitoring, which we launched in 2018. CTOS SecureID focuses on the Direct-to-Consumer customers and generates revenue through an annual or monthly subscription fee revenue model.

In the last three years, we have launched at least one digital solution each year. We intend to stay innovative and create high quality value-added digital solutions that cater to our existing customers' requirements as well as venture into new verticals and acquire new customers to increase our revenue base. We take deliberate and prudent steps when planning for each new launch and are confident that our future digital solution launches will further strengthen our current ecosystem and provide greater value to our existing and new customers. The high barriers to entry that we create from our constant innovation and development of new digital solutions, will allow us to maintain our market share leadership in Malaysia.

(v) We may selectively pursue acquisitions and investments in companies as part of our growth strategy.

Part of our future plan is to selectively pursue acquisitions and investments in companies as part of our growth strategy. We typically seek acquisitions of digital solutions that complement ours and have direct cost and capability synergies with our digital solutions as well as businesses with significant growth potential, enabling us to expand our digital solutions offering, achieve value chain integration for our existing segments and customers, and facilitate entry into new verticals mentioned above. We are selective about company acquisitions, first assessing if the proposed target business presents a clear value proposition. In light of the above strategy, we are exploring investment and acquisition opportunities in companies with technologies or skills set that are complementary and are expected to add value to our existing business.

In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, which resulted in us owning a 26.0% equity interest in Experian, a Malaysian CRA majority-owned by a company associated with Experian plc, a multinational information services company. We intend to maintain our 26.0% equity interest in Experian.

7. BUSINESS OVERVIEW (Cont'd)

In June 2020, we acquired a 51.0% equity interest in CIBI, a credit bureau in the Philippines, for the purpose of expanding our offerings in the Philippines across the customer lifecycle. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business. The exclusion of CIBI will allow CIBI to focus on building up its sales organisation, risk and compliance functions, internal audit processes, new product development capabilities and data acquisition strategies without distracting us from, and allowing us to focus on, our core business in Malaysia and other regional growth opportunities. As CIBI's business in the Philippines matures, we may evaluate CIBI for future re-investment.

In 2020, we acquired a 20.0% equity interest in BOL which is incorporated in Thailand. The investment provided us with a foothold in the fast growing Thailand market. BOL offers a comprehensive online business information platform, and various customer lifecycle, risk management, business intelligence and data management solutions. The business offers solutions that are complementary to our digital solutions portfolio. We may consider increasing our equity interest in BOL in the future.

More recently, in January 2021, we acquired the entire equity interest in Basis, a Malaysian CRA, for strategic purposes such as complementary digital solutions, costs synergies as well as to further increase our market share in Malaysia. The acquisition of Basis has expanded the range of our international business reports and provides us with a complementary base of international customers in industries such as insurance, services and credit reporting who are located primarily in Asia Pacific and Europe.

As countries within the Asia Pacific region develop, we foresee additional growth opportunities for us. We are actively seeking opportunities to expand geographically to some of these countries save for Thailand and the Philippines, and we believe that our competitive advantage lies in our deep industry expertise and track record of robust and sustainable domestic growth. We intend to employ a systematic and prudent approach to our geographical expansion. In respect of any potential domestic expansion, we shall take into consideration the risk of increased scrutiny because of our market position in Malaysia as set out in Section 5.1.1(iii) of this Prospectus. As at the LPD, we have identified a target business in the Asia Pacific region but such acquisition plan is still in a preliminary discussion phase.

We intend to remain prudent on leverage to fund our acquisitions and investments and maintain a healthy and sustainable capital structure balanced with business growth, both organically and inorganically.

7.3 KEY MILESTONES

The following table summarises the key milestones in the history of our business.

| Year | Event |
|------|---|
| 1990 | Our founders, Chung Tze Keong and Chung Tze Wen, started the credit reporting business under CTOS Sdn Bhd to provide fax-based enquiries services for banks in Malaysia |

7. BUSINESS OVERVIEW (Cont'd)

| Year | Event |
|------|---|
| 1992 | CTOS Data Systems was incorporated with the goal to better serve banks and finance institutions in Malaysia by enabling direct integration of its database with systems of some of the financial institutions which had subscribed to its credit reporting services |
| 1994 | CTOS-EMR was incorporated to serve commercial companies ⁽¹⁾ |
| 2007 | CTOS Credit Manager launched |
| 2010 | Malaysia enacted the CRA Act |
| 2011 | CTOS ID launched |
| 2013 | CTOS Mobile Application launched |
| 2014 | <ul style="list-style-type: none"> • The CRA Act came into force and CTOS Data Systems was registered as a licensed CRA⁽¹⁾ • Inodes acquired a 70.0% equity interest in our Company |
| 2015 | CTOS Data Systems first obtained access to CCRIS data |
| 2016 | <ul style="list-style-type: none"> • CTOS Consumer Score launched in collaboration with FICO • CTOS FREE Score campaign launched to promote responsible lending and financial literacy |
| 2018 | CTOS SecureID and CAD launched |
| 2019 | <ul style="list-style-type: none"> • We acquired a 26.0% equity interest in RAM Credit Information Sdn Bhd (“RAMCI”) through the acquisitions of Enfo and CTOS Insights. RAMCI was subsequently renamed Experian • CTOS SME Score and CTOS eKYC launched |
| 2020 | <ul style="list-style-type: none"> • Expansion of our analytics capabilities for monitoring and insights solutions through CTOS Portfolio Analytics and Insights • CTOS IDGuard launched • We acquired a 20.0% equity interest in BOL |
| 2021 | <ul style="list-style-type: none"> • We acquired the entire equity interest in Basis to expand our range of international business reports • CTOS Tenant Screening Report launched |

Note:

(1) Selected business of CTOS Sdn Bhd and CTOS-EMR were acquired by CTOS Data Systems to form part of CTOS Data Systems' business from 2014 onward.

7. BUSINESS OVERVIEW (Cont'd)

7.4 OUR CUSTOMERS

The table below summarises our revenue by type of customer for the financial years indicated.

| | FYE 31 December | | | | | |
|--|-----------------|--------------|----------------|--------------|----------------|--------------|
| | 2018 | | 2019 | | 2020 | |
| | RM' 000 | % | RM' 000 | % | RM' 000 | % |
| Malaysia | | | | | | |
| Key Accounts | 41,440 | 37.5 | 49,321 | 38.2 | 47,335 | 33.7 |
| Commercial | 64,391 | 58.3 | 74,449 | 57.6 | 79,600 | 56.7 |
| Direct-to-Consumer | 4,634 | 4.2 | 5,371 | 4.2 | 6,290 | 4.5 |
| Sub-Total | 110,465 | 100.0 | 129,141 | 100.0 | 133,225 | 94.8 |
| International B2B⁽¹⁾ | - | - | - | - | 7,271 | 5.2 |
| Total⁽²⁾ | 110,465 | 100.0 | 129,141 | 100.0 | 140,496 | 100.0 |

Notes:

- (1) Revenue from our International B2B customers comprised revenue from CIBI following our acquisition of a 51.0% equity interest in CIBI in June 2020. We removed our entire 51.0% equity interest in CIBI from our Group via the Distribution which was completed on 15 June 2021.
- (2) Our consolidated financial statements for the FYE 31 December 2021 will include the results of operations of Basis since we completed the acquisition on 4 January 2021. We expect revenue from Basis to be classified as revenue from Commercial – International customers.

From the FYEs 31 December 2018 to 31 December 2020, our revenue grew at a CAGR of 12.8%, with revenue from our Key Accounts customers growing at a CAGR of 6.9%, revenue from our Commercial customers growing at a CAGR of 11.2% and revenue from our Direct-to-Consumer customers growing at a CAGR of 16.5%. From the FYEs 31 December 2018 to 31 December 2020, the number of our Key Accounts customers remained consistent as we have existing relationships with a majority of customers who fall within this customer type while the number of our Commercial and Direct-to-Consumer customers grew at a CAGR of 14.4% and 36.6% respectively.

For the FYE 31 December 2020, our revenue from our Key Accounts customers decreased and the increases in our revenue from our Commercial customers and our Direct-to-Consumer customers were partially offset because we reduced our fees charged to customers for our CTOS Data Systems Reports, which was a condition to us receiving a CCRIS fee waiver from BNM. BNM began providing free access to its CCRIS database in June 2020 to help alleviate the impact of the COVID-19 pandemic on businesses. Our receipt of the CCRIS fee waiver and reduction of fees charged to our customers resulted in lower revenue and cost of sales related to sales of CTOS Data Systems Reports, but in turn had no impact on our gross profit and resulted in an improvement in our gross profit margin for the FYE 31 December 2020.

For more information on our results of operations for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, see Section 12.2.5 of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.4.1 Key Accounts

Our Key Accounts customers comprises approximately 430 of CTOS Data Systems' highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands as at the LPD. Our Key Accounts customers are all located in Malaysia and include commercial banks, other established financial institutions, telecommunication companies, insurance companies, fintech companies such as P2P lenders and e-commerce platforms, and business organisations.

The digital solutions that CTOS Data Systems provides to our Key Accounts customers include CTOS Scores, CAD, CTOS eKYC, Comprehensive Portfolio Review, CTOS Portfolio Analytics and Insights, and CTOS IDGuard. We often customise these digital solutions to meet our customers' specific requirements and integrate these digital solutions into their technology platforms. CTOS Data Systems generates revenue from our Key Accounts customers primarily by providing digital solutions to our Key Accounts customers, including tailored solutions depending on their unique business requirements. These contracts are generally for a fixed term, typically one to three years, and renewed upon expiry. The payment terms of these contracts range from 30 to 90 days. We have a 100.0% Key Accounts customer retention rate since 2017. Some of our contracts include minimum commitments from customers. We also generate revenue from our Key Accounts customers from various licence, set-up and maintenance fees for our digital solutions.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, revenue from our Key Accounts customers accounted for 37.5%, 38.2% and 33.7% of our revenue, respectively.

7.4.2 Commercial

Our Commercial customers comprises all of CTOS Data Systems' commercial customers other than our Key Accounts customers and all of Basis' customers. Our single largest category of Commercial customers is SMEs served by CTOS Data Systems. In line with BNM's classification of SMEs, we consider an SME to be (i) a manufacturing company with annual sales turnover of less than RM50.0 million or less than 200 full-time employees; or (ii) a company in the services and other sector with annual sales turnover of less than RM50.0 million or less than 75 full-time employees. The majority of Basis' customers are located internationally across the Asia Pacific and Europe. Our Commercial customers span nearly every industry, including automotive dealers, legal services and non-bank financial services providers such as fintech companies and e-commerce platforms. We have approximately 17,000 Commercial customers as at the LPD.

We generate revenue from our Commercial customers primarily through subscription fees that customers pay for access to CTOS Credit Manager and to utilise our customer management modules as well as from sales of additional digital solutions and services that our customers purchase from CTOS Credit Manager and CTOS Basis (formerly BASISNET). These additional digital solutions and services include access to our eTR database and trade reference profiles uploading to the eTR database, as well as purchases of our various domestic Malaysian and international business reports. The subscription fees for CTOS Credit Manager are payable within 30 days upon the invoice being uploaded to the account of the customer on CTOS Credit Manager. The fees for additional digital solutions and services are payable within 30 days of purchase.

7. BUSINESS OVERVIEW (Cont'd)

To serve our Commercial customers, we aim to provide easy-to-use, ready off the shelf, and effective credit insights and risk management tools to help businesses make credit or trade decisions, facilitating broad access and affordable credit for both business-to-business and business-to-consumers. For more information on our digital solutions, see Section 7.5 of this Prospectus.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, revenue from our Commercial customers accounted for 58.3%, 57.6% and 56.7% of our revenue, respectively. CTOS Data Systems' SME customers accounted for 90.0%, 91.4% and 92.4% of our Commercial revenue during the same periods.

7.4.3 Direct-to-Consumer

Our Direct-to-Consumer customers are Malaysian consumers. As at the LPD, we have approximately 1.3 million registered users for CTOS ID, which is CTOS Data Systems' entry-point consumer offering that provides consumers with access to basic information about their credit.

We generate revenue from our Direct-to-Consumer customers primarily from the sale of MyCTOS Score Reports through our website and through authorised reseller agents. Consumers who purchase MyCTOS Score Reports receive their CTOS Consumer Score and other information regarding their credit history and financial health, such as CCRIS information, directorship and business interests, litigation cases and trade reference information.

Our Direct-to-Consumer digital solutions are designed to promote financial literacy and credit awareness by helping Malaysians understand their own creditworthiness and educating them of the value of maintaining good credit health, leading to greater access to credit. We also generate revenue from our Direct-to-Consumer customers from CTOS SecureID, our consumer fraud protection and credit monitoring SaaS solution with dark web monitoring, a feature that can alert a consumer if his or her personal information is available on the dark web.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, revenue from our Direct-to-Consumer customers accounted for 4.2%, 4.2% and 4.5% of our revenue, respectively.

7.4.4 International B2B

For the FYE 31 December 2020, revenue from our International B2B customers accounted for 5.2% of our revenue. Our International B2B operations comprised the operations of CIBI in the Philippines after our acquisition of a 51.0% equity interest in CIBI in June 2020 until 15 June 2021 when we completed the Distribution and no longer have any equity interest in CIBI.

7. BUSINESS OVERVIEW (Cont'd)

7.5 OUR DIGITAL SOLUTIONS

We provide digital solutions to support businesses at every stage of the customer lifecycle from new customer identification to customer onboarding to decisioning to customer management and monitoring to recovery, where required. We also provide digital solutions to our Direct-to-Consumer customers to help them understand and monitor their credit health.

The stages of the customer lifecycle and the primary digital solutions that we offer at each stage are summarised below:

| Lifecycle stage | Description | Our digital solutions offered through CTOS Data Systems and Basis |
|-----------------------------|---|---|
| Identification | When our customer identifies a prospective business or consumer for a new business relationship or transaction. | <ul style="list-style-type: none"> • <i>CTOS CreditFinder</i> • <i>CTOS Tenant Screening Report</i> • <i>Company Search</i> • <i>Business Listings</i> • <i>Customised Bulk Data Sales</i> |
| Customer/vendor onboarding | The initial step of determining whether a prospective customer or vendor is suitable for a new transaction or business relationship based on their past business and financial dealings. | <ul style="list-style-type: none"> • <i>CTOS IDGuard</i> • <i>CTOS eKYC</i> • <i>CAD</i> • <i>CTOS Credit Manager</i> • <i>CTOS Tenant Screening Report</i> |
| Application and decisioning | After a prospective customer is onboarded, the point in time when a business decides whether or not to extend credit to the prospective customer. | <ul style="list-style-type: none"> • <i>CAD</i> • <i>CTOS Scores</i> • <i>CTOS Credit Manager</i> • <i>CTOS Data Systems Reports, CTOS Basis Reports and External Reports</i> • <i>CTOS Basis (formerly BASISNET)</i> • <i>eTR</i> • <i>eTR Plus</i> |
| Management and monitoring | Within a business' portfolio of existing customers, there are opportunities to generate new and additional sources of revenue as well as potential areas of credit risk. Effective portfolio management, analysis and monitoring can better identify these opportunities and risks. | <ul style="list-style-type: none"> • <i>CTOS Credit Manager</i> • <i>Comprehensive Portfolio Review</i> • <i>CTOS Scores</i> • <i>CTOS Portfolio Analytics and Insights</i> • <i>CTOS IDGuard</i> • <i>CTOS SecureID</i> |
| Recovery | The stage in the customer lifecycle when a business must manage its relationship with a customer that can no longer meet its credit obligations. | <ul style="list-style-type: none"> • <i>CTOS Credit Manager</i> • <i>eTR</i> • <i>eTR Plus</i> |

7. BUSINESS OVERVIEW (Cont'd)

7.5.1 Credit Scores

CTOS Scores

CTOS Scores are three-digit numbers that represent an analytical assessment of the credit health of a consumer or business. We have two types of credit scores: our CTOS Consumer Score and our CTOS SME Score.

Our CTOS Consumer Score provides a credit evaluation of consumers to assist our Key Accounts and Commercial customers in their decision to lend, perform account management and collections and recovery. Our CTOS Consumer Score also helps consumers to understand their credit position, promotes financial literacy and enables them to take action to improve their credit.

Our CTOS Consumer Score was developed by FICO, one of the leading global consumer score providers, in collaboration with us, combining FICO's scoring modelling technology with our comprehensive databases. First launched in 2016, our current, second-generation CTOS Consumer Score has been generated based on five categories of predictive characteristics: payment history, outstanding credit, credit mix, pursuit of new credit and credit history length.

Our CTOS SME Score provides a credit evaluation of businesses, similar to our CTOS Consumer Score. Our CTOS SME Score can be used by our Key Accounts and Commercial customers in their account origination and trade credit decisions, account management activities, targeted upselling, cross-selling as well as general risk assessment and management.

Our CTOS Scores are a key component of our digital solutions and are sold both as part of our CTOS Reports and individually. Our CTOS Scores are integrated into our other digital solutions, including CAD, Comprehensive Portfolio Review and CTOS Portfolio Analytics and Insights. Our CTOS Scores are included in a number of our CTOS Reports that are available for purchase by our Key Accounts customers and by our Commercial customers that subscribe for CTOS Credit Manager. We also sell our CTOS Scores to Key Accounts customers for use in their own proprietary decisioning processes. Consumers can access their own CTOS Consumer Score by purchasing a MyCTOS Score Report, which contains a CTOS Consumer Score as well as financial and other information about the consumer.

As at the LPD, we had generated over 6 million CTOS Consumer Scores since it was launched in 2016.

7.5.2 CTOS Credit Manager and CTOS Basis

CTOS Credit Manager is our SaaS online credit risk management platform for customers to search, store, monitor and manage their own customers' and/or related business parties' credit and other information. Through CTOS Credit Manager, customers can purchase a range of our credit offerings, including CTOS Data Systems Reports and External Reports and portfolio alerts to monitor changes in their customers' credit profile and litigation, bankruptcy, trade reference and business information. CTOS Credit Manager's subscribers can also upload trade information about their own customers' outstanding credit obligations to eTR, which promotes responsible credit behaviour and discourages delinquencies.

CTOS Credit Manager is primarily intended for our Commercial customers. We charge a subscription fee, which can be paid monthly or annually. Customers can also purchase access to, or use of, our digital solutions through CTOS Credit Manager.

7. BUSINESS OVERVIEW (Cont'd)

Our recently acquired wholly-owned subsidiary, Basis, has in the past operated BASISNET, an online platform for business and credit information. As part of the process of integrating Basis, we have rebranded BASISNET as CTOS Basis. Customers can subscribe to CTOS Basis on an annual basis or purchase prepaid packages to access Basis' international credit and local comprehensive credit reports, litigation check, credit monitoring services and Business Listings.

7.5.3 Comprehensive Portfolio Review

CTOS Data Systems performs comprehensive reviews, colloquially referred to as "scrubs", of our customers' portfolios of end-customer data to provide them with more information about their own customer bases. Our portfolio reviews have a wide range of customer applications, including credit decisioning for upselling and cross-selling, fraud prevention, risk management, sales and marketing. To conduct a portfolio review, we compare a customer's portfolio against a selection of our own comprehensive databases. The list of our own databases that we review against is determined based on the types of insights that our customers are seeking. For example, we can compare a customer's database against our own and identify instances of information mismatches, which our customers can then use to investigate end-customer fraud or information withholding. We offer portfolio reviews to both our Key Accounts and Commercial customers. We charge a one-time fee for each review, which varies based on the nature of the review.

7.5.4 Portfolio Analytics and Insights

CTOS Data Systems provides customised analytics and insights to customers based on a combination of a customer's portfolio data and our own comprehensive databases. We tailor our analytics and insights to each customer based on their particular goal or need. For example, we are able to analyse a customer's portfolio to identify trends, the drivers behind those trends, appropriate benchmarks and targets, growth opportunities and areas of heightened credit risk. CTOS Data Systems offers CTOS Portfolio Analytics and Insights services to both our Key Accounts customers and our Commercial customers who are larger SMEs. We charge a one-time fee for each project, which varies based on the nature of the project.

7.5.5 CAD

CAD is our SaaS solution that automates a customer's credit assessment process using analytics and insights from our proprietary information databases. Our CAD solution is a no-code customer origination and decisioning platform provided by Credisense. The solution comprises drag-and-drop build, customisation of digital application forms and customer portals and a scoring and decisioning workflow engine. This provides a centralised platform for digitisation and automation of customer on-boarding and risk decisioning. When a customer inputs a credit application into our CAD solution, the CAD decision engine analyses the application against internal and external factors (for example information about the applicant based on our databases as well as the business and credit policies of customers) and produces instant application decisions.

CAD is designed to be easy to use and scalable for any business that makes credit decisions, regardless of industry. Our CAD customers currently include banks and corporates, including both our Key Accounts and Commercial customers. CAD is available as a cloud-based service or on-premises application. Customers pay a transactional fee and a one-time set-up fee.

7. BUSINESS OVERVIEW (Cont'd)

7.5.6 CTOS eKYC

CTOS eKYC is our digital onboarding solution that provides banks and businesses with digital identity verification via a four-layer authentication process, which is compliant with all applicable regulatory standards. CTOS eKYC solution meets the eligibility criteria under BNM's Financial Technology Regulatory Sandbox Framework. The solution comprises four modules:

- (i) Document Verification – Using OCR technology, information on a government-issued ID is scanned or photographed, temporarily uploaded to our platform and verified for authenticity;
- (ii) Facial Recognition – Still or in-motion facial images are shared to our platform, analysed against the database of our customer's choosing and matched with a facial image that has been extracted from a government-issued ID;
- (iii) Bureau-file Verification – Customer information, such as information extracted from a government-issued ID using OCR technology or information in an existing database, is cross-checked against our proprietary information databases to identify information mismatches and red flags; and
- (iv) Knowledge-Based Authentication – The applicant is given a series of dynamic questions generated from our information database, and correct answers are used to confirm the applicant's identity.

We offer CTOS eKYC as a cloud-based or on-premises solution. Customers can integrate our CTOS eKYC modules into their channel of choice, including mobile or desktop applications and each module can be customised according to customers' needs, making our solution efficient and scalable. CTOS eKYC is available to both our Key Accounts and Commercial customers. Customers pay either monthly subscription fees and/or transactional fees and a one-time set-up / implementation service. Fees vary based on the number of modules that the customer purchases.

7.5.7 Our Reports

We produce reports that leverage our insights, digital solutions and information from our databases. We also sell external reports produced by third parties. These reports are delivered digitally to help our customers evaluate prospective or existing customers and to help consumers understand their own credit position.

Our reports can be purchased through CTOS Data Systems' Credit Manager platform and Basis' CTOS Basis. They can also be purchased by accessing CTOS' and Basis' respective websites. Some reports are also sold through third-party vendors. Reports can also be requested through some of our integrated digital solutions, such as CTOS' CAD.

We offer two categories of reports, which are described in detail below: (i) reports on Malaysian businesses and consumers that we offer in Malaysia and (ii) reports on international businesses that we offer in Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

Malaysia Reports:

Our reports on Malaysian businesses and consumers include:

- CTOS Reports:
 - CTOS Report: contains basic identification, financial, litigation and trade reference information about a business or individual but does not include CTOS Scores. A CTOS Report contains, among others, company profile information from the CCM, banking payment history from CCRIS and trade reference information from our eTR database, as applicable;
 - CTOS LitE Report: CTOS Report excluding banking payment history, dishonoured cheques, CCRIS supplementary information, litigation and bankruptcy information and eTR information;
 - CTOS Score Report and CTOS SME Report: comprises the CTOS Report and a CTOS Consumer Score or CTOS SME Score;
 - MyCTOS Basic Report: contains basic consumer identification, as well as directorship and business interest information, excluding the CTOS Consumer Score, which is available for free for consumers with a CTOS ID; and
 - MyCTOS Score Report: comprises the MyCTOS Basic report and a CTOS Consumer Score;
- Basis Credit Report: contains Basis Overseas Report information on companies in Malaysia;
- Basis Business Report: contains detailed information about the business entity including its history, directors, corporate registry information, banking relationships and encumbrances as well as potential legal suits related to the business entity and forms part of the Basis Overseas Report and Basis Credit Report or can be purchased separately;
- Basis Trade Report: contains Basis Business Report information and the latest three years' financial statements, comparative financial analysis and financial comments on Malaysian companies;
- CTOS Tenant Screening Report: contains identification verification, KYC screening information, financial checks, income estimation and historical legal cases or bankruptcies, which allows landlords or agents to screen prospective tenants;
- External Reports:
 - ROC Report, ROB Report and LLP Report: reports from the CCM that contain basic information about a business, such as the company/LLP number, registration date, status, registered office, directors/officers, partners/shareholders/members and company charges;
 - Idaman Report: contains detailed company information and financial report from the CCM, including corporate documents, annual return and company charges;

7. BUSINESS OVERVIEW (Cont'd)

- MDI Report: contains bankruptcy and insolvency information of individuals and businesses;
- E-Court Search Report: contains information on legal proceedings in Malaysia from public court listings and legal notices; and
- Land Title Report: contains official property ownership information from land offices in Malaysia.

International Reports:

Our reports on international businesses include:

- Basis Overseas Report: contains information on companies outside of Malaysia, including registration information, date of incorporation, legal status, capital structure, encumbrances and legal actions, as well as more extensive information on payment records, clientele, operations, recent developments, industry outlook, Basis' comments on the company's position based on the aforementioned information and Basis' credit risk evaluation; and
- Singapore Comprehensive Report: similar to Basis Credit Report and contains ACRA registry related information, company financials, comparative ratios and industry outlook for Singaporean companies.

7.5.8 CTOS IDGuard

CTOS IDGuard is our proprietary fraud bureau, offering a data sharing platform for our Key Accounts customers, particularly in the banking sector, to detect and prevent application fraud. CTOS IDGuard is hosted by us and powered by a fraud engine from GBG. Our customers submit consumer credit applications to our CTOS IDGuard platform, which screens the application against previously shared applications and information in our various databases to detect anomalies in real-time. CTOS IDGuard can help detect ID theft and impersonation, false and synthetic identities, data and document manipulation, organised fraud rings and syndicates. Customers pay an annual subscription fee for CTOS IDGuard.

According to the IMR Report, our track record for our existing digital solutions, such CTOS IDGuard, for which we are a pioneer in the industry and the only fraud bureau in Malaysia that offers this solution, shows our commitment towards new technology.

7.5.9 CTOS SecureID

CTOS SecureID is our consumer fraud protection and credit monitoring SaaS solution. CTOS SecureID subscribers receive real-time alerts on suspicious activity and potential information data breaches affecting their accounts. Fraud alert coverage includes dark web monitoring and notifications of new credit applications, credit limit changes, account closures, address changes and potential credit scams. The solution is available through a monthly or yearly subscription. Annual CTOS SecureID subscribers receive one MyCTOS Score Report each quarter. CTOS SecureID subscribers also receive Takaful coverage against financial loss from fraudulent transactions and other injuries.

7. BUSINESS OVERVIEW (Cont'd)

7.5.10 CTOS CreditFinder

CTOS CreditFinder is our online matching and referral platform where lenders can list their financial products such as credit cards, home loans or personal loans. Consumers can compare product features and receive credit offers based on their CTOS Consumer Score. CTOS CreditFinder is free to consumers, and we charge CTOS CreditFinder customers a monthly subscription fee and marketing fees.

7.5.11 Customised Bulk Data Sales

Basis offers customised bulk data sales, which are sales of bulk data sets to a customer. The customer is able to specify the particular subset of information from our database that it wishes to purchase in bulk, including information from our Business Listings. Business Listings is Basis' directory of Malaysian businesses containing basic information such as business description, contact details and hours of operations for prospecting purposes.

7.5.12 Company Search

Company Search provides customers with a directory of companies in Malaysia and is available through CTOS Basis.

7.5.13 eTR and eTR Plus

While our digital solutions provide data-driven insights and analytics to help businesses effectively evaluate credit risks and make sound business decisions, we recognise that our customers also look to us to encourage timely debt repayment and support their recovery efforts if their customers fall behind on their payments. Our eTR and eTR Plus databases, offered through CTOS Data Systems, are our main recovery solutions. Our eTR database contains electronic trade references which contain non-bank negative payment behaviour information on Malaysian individuals and businesses (i.e. missed payment information). Our eTR Plus database also contains non-bank positive and negative payment behaviour information on Malaysian individuals and businesses (i.e. missed payment information and timely payment information). Thus, eTR Plus provides a more balanced representation of a consumer's credit history, creditworthiness and ability to borrow responsibly. For more information on our data sources and information databases, see Section 7.6 of this Prospectus.

At the beginning of a customer lifecycle, our eTR and eTR Plus databases supplement CCRIS data and serve as tools for our customers to evaluate whether to extend credit to their customers. At the end of the customer lifecycle, negative information added to these databases serve as early indicators that a person or business may default. If the account of our customer's customer becomes delinquent, our customers can add a new trade reference record to our eTR database containing that delinquency information. The new trade reference record in the eTR database is included in our various reports and can adversely impact the end customer's CTOS Score. Owing to our leading market position among Malaysia's CRAs, debtors recognise that creditors are likely to access our reports and credit scores before deciding to extend new credit to the debtor, which encourages the debtor to stay in good standing in our eTR and eTR Plus databases, which encourages timely repayment and helps our customers recover their outstanding debts.

Our Key Accounts and Commercial customers can upload trade reference records to our eTR database through our digital platforms. Customers pay a monthly fee to access and upload trade reference records to our eTR database depending on the amount of uploads they require. eTR Plus database is free for members to contribute, and any eTR Plus contributor may access the database.

7. BUSINESS OVERVIEW (Cont'd)

7.6 OUR DATA SOURCES AND INFORMATION DATABASES

Our databases contain data collected for over 30 years. As at the LPD, our databases contained profiles of approximately 15 million consumers and approximately 8 million companies and businesses.

We source information for our databases from various public and proprietary sources in Malaysia and internationally.

In Malaysia, our direct and indirect domestic data sources include the CCM, BNM's CCRIS database, domestic newspapers and media publications, the Federal Government Gazettes, MDI, local land offices and other publicly available information such as public court listings, publications and gazettes. Our international data is sourced from Basis' network of global data partners.

With respect to our eTR and eTR Plus databases, we also obtain data from our customers in the form of trade reference profiles that they upload, as further described below.

Data that we collect and aggregate is checked for duplicitous entries and data are subject to verification or audit. To ensure the validity of the data uploaded and to minimise discrepancies in uploaded data, we conduct periodic data integrity checks on information in our databases and resolve inaccuracies through our standard compliance resolution process with the relevant parties.

Our main proprietary databases are our eTR database, our eTR Plus database and CED, each of which was developed and are maintained by CTOS Data Systems.

7.6.1 eTR

Our eTR database contains the non-bank negative payment histories of Malaysian consumers and businesses. Each trade reference in the eTR database contains a delinquent payment record of a consumer or business, including the debtor's name, creditor's name and contact information, the age of the account, outstanding payment information, past credit terms and limits and history of demands for payment and returned cheques. These trade reference records are included in our various reports and are used in the calculation of our credit scores and in our insights and analytics solutions.

eTR also aids our customers in recovery by encouraging consumers and businesses to make timely payments in order to avoid a negative record and improve their credit scores in order to encourage positive credit decisions from other lenders.

7.6.2 eTR Plus

Our eTR Plus database also contains non-bank payment behaviour information on Malaysian individuals and businesses including information on timely payment history. The eTR Plus database contains the payment history information on non-bank consumer loan facilities, rental, telephone and utilities bill payments, including both on-time payments and any missed payments. eTR Plus improves decisioning by providing a more comprehensive and balanced understanding of a prospective debtor's payment history by allowing businesses to take into account the prospective debtor's positive history of timely payments. Thus, eTR Plus helps to provide a more balanced representation of a consumer's credit history, creditworthiness and ability to borrow responsibly.

7. BUSINESS OVERVIEW (Cont'd)

7.6.3 CED

CED contains litigation and bankruptcy proceedings information shared by our subscribers such as banks, non-bank lenders, telecommunication companies and law firms. Each record contains details of the type and severity of the litigation, amounts in dispute and the identities of the plaintiffs and solicitors. These records are then published on the data subject's credit reports and serve as an additional basis to assess a consumer's credit worthiness.

7.7 STRATEGIC INVESTMENTS

7.7.1 Experian

In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, which resulted in us owning a 26.0% equity interest in Experian, a Malaysian CRA majority-owned by a company associated with Experian plc, a multinational information services company. In addition to credit reports and credit monitoring services, Experian offers various decisioning and analytics solutions. Notwithstanding our 26.0% equity interest in Experian and the right of our subsidiaries, CTOS Insights and Enfo, to each appoint a director to the board of Experian, no data is shared between our Group and Experian.

7.7.2 BOL

In October 2020, we acquired a 20.0% equity interest in BOL which was incorporated in Thailand in December 2003. BOL's principal activities are a service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management. BOL is listed on the Stock Exchange of Thailand. BOL's main offerings include Corpus, a comprehensive Thailand and international business information online platform that assists customers in evaluating the credit worthiness of their customers and ENLITE, a loan origination system widely used by Thai banks. BOL's offerings also include customer lifecycle and risk management, business intelligence, debt collection service and data management solutions.

7.8 TECHNOLOGY

Our IT systems collect, refine, access, process, deliver and store the data that is used to provide our digital solutions and are fundamental to our business. We directly control and manage all of our technology and infrastructure, which allows us to prioritise any changes and control the roll-out of any upgrades or changes.

Our technology systems use a two-tier infrastructure separating computing power and storage capacity to offer the scale and capacity that our operations require. We have the ability to organise and handle high volumes of disparate data and maintain high delivery speeds as our systems run on flash array, or multiple flash memory drives, that enables high read and write speeds. Our technology infrastructure is horizontally and vertically scalable and connects multiple levels of networks, servers, storages and applications through virtualisation, which we believe helps us increase technology productivity and efficiency while optimising costs. We regularly monitor this virtualised system to assess server health and capacity. Through virtualisation, we are able to scale workloads on demand and our two-tiered design allows us to scale areas of deficit.

7. BUSINESS OVERVIEW (Cont'd)

We have a team of qualified employees that manage our technology infrastructure. Our IT team comprises our IT operations unit and IT security unit which manage the overall performance and security of our IT systems, respectively. The activities of our IT team include conducting regular health checks and risk assessments on any solution or software that is deployed on our systems. Each unit is supported by a team that is responsible for various functions such as security, security audits, quality assurance, software development, system architecture and other related work streams. This team includes our own employees as well as additional resources from third-party providers.

7.8.1 Development of our digital solutions

The development and maintenance of CTOS Data Systems' digital solutions is planned, coordinated and managed by our digital solutions design team. Our digital solutions are designed, updated and de-bugged based on our team's assessments of our digital solutions as well as based on the requirements of and feedback from our customers. We use third-party vendors for development implementation under our active oversight.

Our guidelines for the development life cycle to develop, customise or maintain CTOS Data Systems' digital solutions is based on the requirements of international standard ISO 270001:2013. Although we are not ISO-certified at this time, we have voluntarily adopted the standard that is used by our third-party vendors and generally in our industry. These guidelines layout the framework for system design, project accomplishment and system maintenance, along with security and operational considerations. The systems development lifecycle typically includes five phases as set out below:

- (i) *Initiation*: During the initiation phase, the need for the system is expressed and the purpose of the system is documented;
- (ii) *Development and acquisition*: During this phase, the system is designed, purchased, programmed, developed, or otherwise constructed;
- (iii) *Implementation and assessment*: During this phase, the system is tested and installed;
- (iv) *Operation and maintenance*: During this phase, regular operation and maintenance services are performed on the software and modified to be adaptable to other hardware and software; and
- (v) *Disposal*: During this phase, the system is terminated according to the outlined security and safety procedures and the data is safely migrated to the new system.

We do not intend to be ISO-certified at this time but will continue to voluntarily adopt the standard. We do not foresee any risk of not being ISO certified as it is neither essential to our business nor required by our customers.

Following our acquisition of Basis, Basis has adopted CTOS Data Systems' policies and procedures for digital solutions development and maintenance.

7. BUSINESS OVERVIEW (Cont'd)

7.8.2 Data centres and business continuity

In order to reduce the impact of certain disruptions, create redundancy and increase resiliency, we use two data centres in Malaysia. Through these data centres we process, store and manage data collected as part of our operations. We generally employ similar technologies and infrastructures in both data centres in Malaysia to enable the optimal sharing of technical resources. Our data centres in Malaysia are fully virtualised and connected through a dedicated line for data transfer between the two sites, known as DWDM. The benefits of DWDM include speed of transfer, security of our data and dedicated point-to-point data transfer. Our data centres also use trusted data back-up solutions which enables us to manage data back-up and restoration of data in the event of system failure. In addition, all our systems are protected using advanced firewall products and solutions that we update regularly.

We maintain a framework for business continuity that includes written policies requiring each business and operating unit to identify critical functions. Our businesses and operating units have processes in place that are designed to maintain such functions and restore services in case there is a disruptive event such as a natural disaster, disease outbreak, system failure or loss of electricity, among others. We conduct annual vulnerability tests and also run data centre risk assessments every three years. We implemented an enhanced disaster recovery plan in May 2021 to improve our existing data recovery protocols that take effect if critical infrastructure or systems fail or become disabled, which we believe has shortened our current disaster recovery timeframe of between four to 12 hours in the event of a disruption. We expect to conduct a disaster simulation using the new plan in the second half of 2021.

Following our acquisition of Basis, Basis adopted CTOS Data Systems' applicable policies and procedures for operating and maintaining its databases. Our data centres in Malaysia now process, store and manage data from both CTOS Data Systems and Basis. However, CTOS Data Systems and Basis each maintains its own distinct database, and each company uses its own database to provide its own digital solutions to its customers.

7.8.3 Security

The security and protection of our consumer and business information is one of our highest priorities. Our security infrastructure and programmes are based on the risk management guidelines established by BNM. In line with these guidelines, our security programmes incorporate continuous improvement methodology by proactively monitoring the security landscape externally and internally and deploying threat intelligence and threat hunting tools to provide us with baseline information to adjust security controls and make appropriate investments to improve our security.

We monitor and develop our IT networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorised access, misuse, computer viruses and other events that could have a business impact. We employ a wide range of physical and technical safeguards that are designed to provide security around the collection, storage, use, access and delivery of information we have in our possession and reduce the risk of data breaches and virus attacks. These safeguards include firewalls, intrusion protection and monitoring, anti-virus and malware protection, vulnerability threat analysis, management and testing, advanced persistent threat monitoring, forensic tools, encryption technologies, data transmission standards, contractual provisions, customer credentialing, identity and access management, data loss, access and anomaly reports and awareness programmes for employees. To ensure our security systems are up to date, we regularly attend security events organised by leading data and technology security providers in the industry and subscribe to related newsletters, based on which we conduct regular internal training programmes for our employees.

7. BUSINESS OVERVIEW (Cont'd)

We undergo external IT audits annually to ensure compliance with BNM's RMIIT requirements. These audits assess us based on existing standard operating procedures to establish whether controls are in place and operating effectively and to identify areas for improvements and proper safeguard of access to BNM's data. We also conduct quarterly internal data leakage prevention reviews, analysing and reporting to our management potential weaknesses and compliance with internal data leakage prevention rules. Some of our customers also require us to submit to periodic security controls audits to ensure that our security protocols adhere to their requirements and in some cases, those of their regulator. We engage CREST-certified cybersecurity consultants to conduct CREST Certified Penetration Tests on our web application, internal and external network and the CTOS eKYC mobile application on a yearly basis.

We believe that our IT security systems and protocols are appropriate for the scale our business operations. The security and protection of our consumer and business information will continue to be one of our highest priorities. We intend to continue to make improvements to our IT security systems and protocols as security threats and technologies for security protection evolve.

Following our acquisition of Basis, Basis has adopted CTOS Data Systems' policies and procedures with respect to IT security.

7.9 OUR MAJOR CUSTOMERS

Our revenue streams are highly diversified with our largest customer providing less than 4.5% of our revenue for the FYE 31 December 2020. Our top five major customers accounted for RM18.8 million, or 16.8%, RM20.4 million, or 15.7% and RM19.9 million, or 14.2%, of our revenue for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 respectively. We are not dependent on any of our major customers. Our top five major customers are our Key Accounts customers and their contribution to our revenue in terms of amount and percentage for the financial years indicated are as follows:

| FYE | Customer | Length of relationship as at the LPD⁽¹⁾ years | Revenue RM million | Percentage of revenue % |
|------------------|---------------------------|---|-------------------------------|--|
| 31 December 2020 | Customer A ⁽²⁾ | 19 | 6.3 | 4.5 |
| | Customer B ⁽³⁾ | 19 | 5.5 | 3.9 |
| | Customer C ⁽⁴⁾ | 20 | 3.4 | 2.4 |
| | Customer D ⁽⁵⁾ | 19 | 2.5 | 1.8 |
| | Customer E ⁽⁶⁾ | 12 | 2.2 | 1.6 |
| Total | | | 19.9 | 14.2 |
| 31 December 2019 | Customer A ⁽²⁾ | 19 | 6.2 | 4.8 |
| | Customer B ⁽³⁾ | 19 | 5.4 | 4.2 |
| | Customer C ⁽⁴⁾ | 20 | 3.5 | 2.7 |
| | Customer D ⁽⁵⁾ | 19 | 2.9 | 2.2 |
| | Customer F ⁽⁷⁾ | 8 | 2.4 | 1.8 |
| Total | | | 20.4 | 15.7 |

7. BUSINESS OVERVIEW (Cont'd)

| FYE | Customer | Length of relationship as at the LPD⁽¹⁾ | Revenue | Percentage of revenue |
|------------------|---------------------------|---|----------------|----------------------------------|
| 31 December 2018 | Customer A ⁽²⁾ | 19 | 5.7 | 5.1 |
| | Customer B ⁽³⁾ | 19 | 4.4 | 3.9 |
| | Customer C ⁽⁴⁾ | 20 | 3.7 | 3.3 |
| | Customer D ⁽⁵⁾ | 19 | 3.0 | 2.7 |
| | Customer E ⁽⁶⁾ | 12 | 2.0 | 1.8 |
| Total | | | 18.8 | 16.8 |

Notes:

- (1) Rounded up to the nearest whole year if six months or more and vice versa.
- (2) Customer A is involved in the business of commercial banking and the provision of related financial services, and its activities are principally conducted in Malaysia. Customer A is a Malaysian-incorporated subsidiary of an investment holding company incorporated under the laws of Malaysia. The ultimate holding company of Customer A is incorporated under the laws of Malaysia and is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer A will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer A.
- (3) Customer B is involved in the business of commercial banking, finance related business and the provision of related services, and its activities are principally conducted in Malaysia. Customer B is incorporated under the laws of Malaysia and is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer B will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer B.
- (4) Customer C is involved in the business of commercial banking, and its activities are principally conducted in Malaysia. Customer C is a Malaysian-incorporated subsidiary of an investment holding company incorporated under the laws of Malaysia, which is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer C will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer C.
- (5) Customer D is involved in all aspects of banking business and the provision of related financial services, and its activities are principally conducted in Malaysia. Customer D is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer D will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer D.
- (6) Customer E is involved in the sales and lease of household appliances in Malaysia. Customer E is a Malaysian-incorporated subsidiary of a company incorporated under the laws of the Republic of Korea to engage primarily in the manufacture and sales of household appliances which is listed on the Korea Stock Exchange. Customer E maintains a policy of strict confidentiality of information on its suppliers and due to strategic business and competitive reasons, Customer E requested to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer E.

7. BUSINESS OVERVIEW (Cont'd)

- (7) Customer F is involved in the provision of easy payment schemes, personal financing schemes and issuance of payment cards under the international brand names of Visa and MasterCard, and its activities are principally conducted in Malaysia. Customer F, which is listed on the Main Market of Bursa Securities, is a Malaysian-incorporated subsidiary of a company incorporated under the laws of Japan which (i) carries out credit card business, payment service / processing business; and (ii) is listed on the Tokyo Stock Exchange. We believe that the disclosure of the identity of Customer F will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer F.

We have long-standing relationships with a number of our customers. Our customer agreements relating to our core credit reporting service are terminable upon advance written notice (typically ranging from one month to three months for our Key Accounts customers and 30 days for our Commercial customers) by either us or the customer, which provides our customers with the opportunity to renegotiate their contracts with us. Our customer agreements with our Direct-to-Consumer customers are terminable upon request prior to the start of the next subscription period.

7.10 OUR MAJOR SUPPLIERS

Our top five major suppliers accounted for RM18.4 million, or 44.8%, RM20.4 million, or 49.4%, and RM18.4 million, or 40.2%, of our purchases for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. We are dependent on BNM, the only provider of CCRIS data, which accounted for 19.6%, 20.5% and 9.6% of our purchases for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. Our top five major suppliers and their contribution to our purchases in terms of amount and percentage for the financial years indicated are as follows:

| FYE | Supplier⁽¹⁾ | Details of products/ services supplied | Length of relationship as at the LPD⁽²⁾ | Purchases | Percentage of purchases⁽³⁾ |
|------------------|-------------------------------|---|---|-------------------|--|
| | | | years | RM million | % |
| 31 December 2020 | Supplier A ⁽⁴⁾ | ROB Reports, ROC Reports and Idaman Reports | 4 | 5.0 | 11.0 |
| | Raffcomm Sdn Bhd ("Raffcomm") | ROB Reports, ROC Reports and Idaman Reports | 11 | 4.6 | 10.0 |
| | BNM | CCRIS data | 6 | 4.4 | 9.6 |
| | Supplier B ⁽⁵⁾ | IT software development | 4 | 2.6 | 5.8 |
| | Entropia (M) Sdn Bhd | Digital advertising | 1 | 1.8 | 3.8 |
| Total | | | | 18.4 | 40.2 |

7. BUSINESS OVERVIEW (Cont'd)

| FYE | Supplier ⁽¹⁾ | Details of products/ services supplied | Length of relationship as at the LPD ⁽²⁾ years | Purchases RM million | Percentage of purchases ⁽³⁾ % |
|------------------|---|---|---|----------------------|--|
| 31 December 2019 | BNM | CCRIS data | 6 | 8.5 | 20.5 |
| | Supplier A ⁽⁴⁾ | ROB Reports, ROC Reports and Idaman Reports | 4 | 4.7 | 11.4 |
| | Raffcomm | ROB Reports, ROC Reports and Idaman Reports | 11 | 3.9 | 9.4 |
| | Supplier B ⁽⁵⁾ | IT software development | 4 | 1.7 | 4.2 |
| | IPG Mediabrands Sdn Bhd ("IPG Mediabrands") | Digital advertising | 2 | 1.6 | 3.9 |
| Total | | | | 20.4 | 49.4 |
| 31 December 2018 | BNM | CCRIS data | 6 | 8.1 | 19.6 |
| | Raffcomm | ROB Reports, ROC Reports and Idaman Reports | 11 | 4.8 | 11.7 |
| | Supplier A ⁽⁴⁾ | ROB Reports, ROC Reports and Idaman Reports | 4 | 1.9 | 4.7 |
| | IPG Mediabrands | Digital advertising | 2 | 1.9 | 4.7 |
| | CTC Global Sdn Bhd | IT hardware | 3 | 1.7 | 4.1 |
| Total | | | | 18.4 | 44.8 |

Notes:

- (1) Excludes lessors of our office spaces and fees paid to Creador under the Expense Reimbursement Agreement as we do not deem lessors and Creador as suppliers.
- (2) Rounded up to the nearest whole year if six months or more and vice versa.
- (3) Purchases comprises cost of sales, administrative expenses and property, plant and equipment additions and excludes staff costs, depreciation and amortisation, reversal of/(allowance for) impairment of trade receivables, gain/loss on disposal of property, plant and equipment, bad debts, unrealised (gain)/loss on foreign exchange, rental of buildings and sales commission and incentives and fees paid to Creador under the Expense Reimbursement Agreement.

7. BUSINESS OVERVIEW (Cont'd)

- (4) Supplier A is principally involved in the business of information service supply, data analytics, software development, documents storage and management services. Supplier A is a subsidiary of a company incorporated under the laws of Malaysia which provides management services. Supplier A's principal market of operation is in ASEAN. Supplier A maintains a policy of strict confidentiality of information on its customers and due to strategic business and competitive reasons, Supplier A requested to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Supplier A.
- (5) Supplier B is principally involved in the provision of IT consulting and software services and its activities are principally conducted mainly within Malaysia. Supplier B is a subsidiary of a company incorporated under the laws of Singapore which provides IT and management consultancy services. Due to Supplier B's internal policy which regards the transaction amount as confidential, Supplier B requires to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Supplier B.

7.11 SALES

Our Key Accounts sales team secures new accounts by making calls and attending customer meetings with our digital solutions technical team. For existing accounts, our dedicated account managers for Key Accounts customers maintain customer relationships and recommend other solutions to meet their business needs and requirements. Our Commercial sales team engages our customers by making calls, meeting in person and providing demonstrations of our digital solutions. We offer sales commissions to our Commercial sales team to drive productivity and sales generation. Sales to our Direct-to-Consumer customers are predominantly digital and is handled by our marketing team.

Our sales team consists of over 170 employees as at the LPD, including account managers and business development officers.

We have a national presence in Malaysia with ten branch offices throughout the country, eight of which are also service centres that provide assistance to customers. Our sales teams also solicit feedback from our customers and communicate that feedback to our digital solutions design team and our marketing team.

7.12 MARKETING

We have a centralised marketing team that promotes our various digital solutions and our brand. Our marketing team works in coordination with our sales teams to ensure that our marketing efforts are appropriately targeted and tailored for each of our three types of customers. We market our digital solutions primarily through electronic direct mail and social media. We engage media advertising agencies as and when required to create our advertising campaigns, promote our brand and conduct special events and digital solution launches.

We market to our Key Accounts customers primarily through brand and networking events, forums and webinars, as well as public relations initiatives for digital solution launches. We market to our Commercial customers through the same channels, as well as digital and social marketing and partnership programmes. Our Direct-to-Consumer customers are engaged through digital and social marketing, webinars, television and radio advertising and branded content placement, roadshows, partnerships and outdoor advertising. We also market our digital solutions through indirect channels, including resellers and marketing campaigns with partners such as banks, fintech companies and technology aggregators.

7. BUSINESS OVERVIEW (Cont'd)

7.13 COMPETITION

We compete on the basis of factors such as differentiated digital solutions, quality and scope of our database, analytics capabilities, ease of integration with customers' technology, stability of services, customer relationships, innovation and price. Our competitors vary in size, financial and technical capability and the scope of the products and services they offer. Our competitors vary for each of our various digital solutions. Our primary competitors are the following:

- (i) CTOS Consumer Score, CTOS SME Score and related reports from CTOS Data Systems and Basis – Domestic CRAs in Malaysia such as CBM;
- (ii) CTOS eKYC – domestic CRAs, foreign KYC providers and digital verification vendors;
- (iii) CTOS Credit Manager and CTOS Basis – We compete to some extent with entities such as Experian (our associate that deploy collections platforms, account management systems or recovery solutions). However, we believe that we do not have direct competitors for CTOS Credit Manager as an integrated, end-to-end credit management solution; and
- (iv) Monitoring and recovery solutions, including Comprehensive Portfolio Review, CTOS Portfolio Analytics and Insights, CTOS SecureID and eTR – Competition is similar to that of our consumer credit score solutions.

For further details of barriers to entry and competition, see Section 8 of this Prospectus.

Over the past 30 years, we have developed the breadth and depth of our databases in combination with our insights and analytics in order to enable our customers to develop a current and comprehensive view of consumers and businesses. We believe that we are able to compete effectively because our end-to-end digital solutions allow us to serve customers at every stage of the customer lifecycle, resulting in customer loyalty and higher switching costs for customers whose business processes are integrated with our ecosystem or dependent on our digital solutions. Our diversified digital solutions offering makes us a one-stop digital solutions provider. We believe that there are only a limited number of players who are able to offer the full suite of digital solutions that we do in Malaysia. We believe that we have developed strong, long-term relationships with a number of our customers, supported by our omnichannel customer support system, including call centres and eight service centres across Malaysia. We have built our brand and reputation over our long operating history, resulting in our market leading position in Malaysia. We leverage our brand and market share leadership to create higher differentiation and greater value for customers. We also have an experienced management team and are backed by a Malaysian mid-market private equity fund group. We believe that none of our domestic competitors offer the same mix of digital solutions as we do and none of our potential international competitors of comparable or greater scale can match our expertise, experience, brand recognition or footprint in Malaysia.

7.14 SEASONALITY

We experience some impact from the festive season, which generally occurs in the first half of the year in our markets. As a result, our results of operations are typically stronger in the second half of the year as we are able to capture pent up demand from the festive season. In addition, larger corporates looking to maximise their budget allocations typically lead to increased demand for our digital solutions such as insights and analytics in the latter part of the year.

7.15 MATERIAL TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save as disclosed in Annexure B of this Prospectus, we do not have any material trademarks, brand names and other intellectual property rights.

7. BUSINESS OVERVIEW (Cont'd)

7.16 EMPLOYEES

The following table sets out our full time employees by function as at the dates indicated.

| Function | As at 31 December | | | As at the LPD ⁽¹⁾⁽²⁾ |
|---------------------|-------------------|------------|---------------------|---------------------------------|
| | 2018 | 2019 | 2020 ⁽¹⁾ | |
| Malaysia | | | | |
| Management | 12 | 11 | 12 | 13 |
| Administration | 116 | 130 | 146 | 145 |
| Sales and Marketing | 307 | 318 | 307 | 298 |
| Total | 435 | 459 | 465 | 456 |

Notes:

(1) Excludes CIBI. We acquired a 51.0% equity interest in CIBI in June 2020, and we removed our entire 51.0% equity interest in CIBI from our Group via the Distribution which was completed on 15 June 2021. As at 31 December 2020, CIBI had 114 employees comprising six in management, 20 administration employees and 88 sales and marketing employees.

(2) Includes Basis, in which we acquired the entire equity interest in January 2021.

None of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes. Our annual employee engagement survey demonstrates overall favourable responses year on year, from approximately 67.0% in 2017 to 70.0% in 2018 and 81.0% in 2019.

7.16.1 Employee training

We recognise that continuous learning and growth is essential to ensure that our workforce does not just remain capable but is also primed for the needs of an increasingly digital business. We deploy learning programmes and new learning infrastructure to grow and nurture employees at all levels, with focus on three key areas – functional upskilling, soft skills enhancement, and leadership progression.

Through focused prioritisation of learning programmes, we strive to ensure employees – both new and tenured – are given relevant and impactful courses that contribute to our Group's business sustainability and achieve individual and professional aspirations.

Our holistic, competency-based learning and development programmes encompasses the following categories:

| Functional upskilling | Soft skills enhancement | Leadership progression |
|--|---|---|
| <ul style="list-style-type: none"> Accredited courses with certifications Industry-recognised qualifications | <ul style="list-style-type: none"> Sales and negotiation Service excellence workshops Emotional quotient-based interviewing techniques | <ul style="list-style-type: none"> Leadership boot camps People management Coaching and developing others Situational leadership seminars |

7. BUSINESS OVERVIEW (Cont'd)

7.17 INSURANCE

We maintain insurance policies and coverage for businesses at levels that are customary among companies in our industry and we periodically conduct reviews of our insurance coverage.

We have the following classes of insurance for CTOS Data Systems and Basis: equipment all risks, public liability, professional indemnity and cyber security risks. Our cyber security insurance for CTOS Data Systems mainly covers data liability, data administrative procedures, repair of reputation and extensions (including media content claims, cyber extortion and network interruption).

7.18 RESEARCH AND DEVELOPMENT

Our research and development activities primarily comprise market studies conducted by us to identify and develop new digital solutions to cater for new and evolving customer requirements as well as to enhance our existing digital solutions.

7.19 GOVERNING LAWS AND REGULATIONS

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia and other jurisdictions. The relevant laws and regulations governing the business of our Group and associates, which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

7.19.1 Governing laws and regulations in Malaysia

(i) CRA Act

The CRA Act governs and regulates credit reporting activities carried out by CRAs in Malaysia.

Registered CRAs are restricted from carrying on any business other than the credit reporting business unless a prior written approval from the CRA Registrar is obtained.

CRAs shall not collect any credit information about a searched subject unless (i) such credit information is collected for a specific and lawful purpose directly related to an activity of the CRA and shall not be further processed in any manner incompatible with such purpose, (ii) the collection of credit information is necessary for or directly related to such purpose, and (iii) the credit information is adequate but not excessive in relation to such purpose.

7. BUSINESS OVERVIEW (Cont'd)

Pursuant to the CRA Act, CRAs are required to provide written notice in both Malay and English languages to searched subjects on the processing of credit information by informing them that (i) such credit information of the searched subject is being processed by or on behalf of the CRA and a description of such credit information to the searched subject; (ii) the purpose such credit information is being processed; (iii) the source of such credit information; (iv) the CRA's contact details and the searched subject's right to request access to and correction of such credit information; (v) that subscribers or other persons may access the said credit information through the CRA; (vi) how the searched subject could limit the processing of credit information; (vii) whether it is obligatory or voluntary for the searched subject to supply the credit information; (viii) consequences for failure to supply such credit information where it is obligatory to supply; and (ix) a summary of the searched subject's rights.

Under Section 24 of the CRA Act, CRAs shall not disclose any credit information for any purpose or to any person unless, (i) the searched subject has given his consent to such disclosure; (ii) such disclosure is necessary for the purpose of prevention or detection of crime or for purpose of investigations; or (iii) such disclosure is required or authorised under any law, or by order of a court of law. In carrying out our credit reporting business and to ensure compliance with such section, we will ensure, and procure that our subscribers also similarly ensure, that consents from searched subjects are obtained for all disclosure of credit information pertaining to the searched subjects to any of our subscribers.

Pursuant to the CRA Act, CRAs shall take steps to protect the credit information they process from any loss, misuse, modification, unauthorised or accidental access or disclosure, alteration or destruction. CRAs are also required to ensure that, to the extent that is reasonable, the credit information they process or use are accurate, up-to-date, complete, relevant and not misleading.

(ii) PDPA

The PDPA governs the laws on processing of personal data in commercial transactions to protect personal data of common interest and to ensure information security, network reliability and integrity. The processing of personal data by a data user must comply with the Personal Data Protection Principles as provided under the PDPA.

In respect of our collection and processing of personal data of data subjects for CTOS IDGuard, SecureID or other digital solutions involving the processing of personal data not related to credit information, where the CRA Act does not apply, we are required to comply with the provisions under PDPA.

7. BUSINESS OVERVIEW (Cont'd)

7.19.2 Governing laws and regulations in Thailand

(i) Thai PDPA

The Thai PDPA, which will fully take effect on 1 June 2021, is the main legislation regulating a data controller or a data processor who collects, uses, or discloses personal data.

Under the Thai PDPA, any data controller or data processor who is in Thailand, regardless of whether the collection, use, or disclosure of personal data takes place in Thailand or not, must have the proper security measures to record such personal data and must obtain consent from the data subject, unless such collection, use, or disclosure falls within the exceptions provided under Thai laws and regulations. A data controller refers to an individual or a legal entity having the power and duties to make decisions regarding the collection, use, or disclosure of personal data; a data processor is an individual or a legal entity operating in relation to the collection, use, or disclosure of personal data pursuant to the instructions given by a data controller or on behalf of a data controller, whereby such individual or legal entity is not the data controller.

Furthermore, the Thai PDPA also provides the duty of the data controller and data processor to arrange for the data protection officer in order to, include but not limited to, give advice to the data controller or data processor for complying with the Thai PDPA, and coordinate and cooperate with the Office of the Personal Data Protection Committee (“**PDPC**”) in the circumstance where there are problems with respect to the collection, use, or disclosure of the personal data undertaken by the data controller or the data processor for complying with the Thai PDPA if the activities of the data controller and data processor fall within one of the following grounds; (a) the activities of the data controller or data processor in the collection, use, or disclosure of the personal data require a regular monitoring of the personal data or the system, by the reason of having a large volume of personal data as prescribed by the PDPC; or (b) the principal activity of the data controller or data processor is the collection, use, or disclosure of the sensitive data, as defined in the Thai PDPA.

7.20 MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS

We have various major certificates, licences, permits and approvals for our operations in Malaysia. Details of our major licences, certificates, permits and approvals are set out in Annexure A of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.21 MATERIAL PROPERTIES AND EQUIPMENT

The following table sets out certain information with regards to our material properties that we lease:

| No. | Tenant | Address | Description / Existing use | Tenancy period | Land area / gross floor area sq. ft. | CF / CCC issuance date | Rent for the FYE 31 December 2020 |
|-----|-------------------|---|---|-----------------------------------|--------------------------------------|------------------------|-----------------------------------|
| 1. | CTOS Data Systems | Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur | Office / Headquarters, Main Office and Service Centre | 1 November 2018 – 31 October 2021 | 12,608 | 14 July 2015 | 831,600.00 |
| 2. | CTOS Data Systems | Level 9, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur | Office / Headquarters, Main Office and Service Centre | 1 November 2018 – 31 October 2021 | 12,608 | 14 July 2015 | 831,600.00 |

None of the material properties that we lease are in breach of any of the land use conditions or current applicable laws, rules and building regulations.

The following table sets out certain information with regards to material equipment that we own:

| No. | Location | Description / Existing use | NBV as at 31 December 2020 |
|-----|--------------|---|----------------------------|
| 1. | Cyberjaya | Servers co-located at third party service provider's location | RM1,331,066 |
| 2. | Kuala Lumpur | Servers co-located at third party service provider's location | RM1,317,364 |

We currently own 32 servers, 28 of which are operating and four of which are partially utilised and are available as spare capacity.

We are not materially dependent on our servers as in the event that excess capacity is required, (a) our physical servers can be partitioned into smaller virtual servers to increase capacity through the use of software; and (b) any dependency is mitigated as we have additional servers that can provide spare capacity as mentioned above. The risk of insufficient storage capacity relating to our servers is also immaterial as we factor in the capacity requirements of all our digital solutions prior to launch to ensure that project costs include the cost of acquiring new servers required for our digital solutions. We are also not dependent on third party service providers for the placement of our servers.

7. BUSINESS OVERVIEW (Cont'd)

7.22 MATERIAL DEPENDENCY ON COMMERCIAL OR FINANCIAL CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES AND PERMITS OR PRODUCTION OF BUSINESS PROCESSES

As at the LPD, there are no commercial or financial contracts, intellectual property rights, licences, permits or production of business processes which our Group's business or profitability is materially dependent on save for the following:

7.22.1 CCRIS and DCHEQS Participation Agreement⁽¹⁾⁽²⁾

The CCRIS and DCHEQS Participation Agreement dated 30 June 2015 was entered into between BNM and CTOS Data Systems. It sets out how CTOS Data Systems can obtain the credit information of any person from the CCRIS and the DCHEQS (collectively, the "**System**") maintained by BNM for the purposes of providing credit reporting and assessment services to CTOS Data Systems' subscribers and members.

The Participation Agreement commenced on 30 June 2015 and will continue to be valid until termination of the Participation Agreement in accordance with the terms of the Participation Agreement ("**Participation Period**"). Throughout the Participation Period, CTOS Data Systems is allowed to have access to the credit and dishonoured cheques' information of any person who has granted consent for their information to be extracted from the System in accordance with the agreed specifications as set out in the Participation Agreement ("**Credit Information**").

The Participation Agreement provides that BNM agrees to disclose to CTOS Data Systems the Credit Information of any person to enable CTOS Data Systems to provide (a) a credit report to a member or subscriber upon request of such member or subscriber; (b) a credit report to the person concerned in respect of their own Credit Information; and (c) any other services as agreed by both BNM and CTOS Data Systems from time to time. CTOS Data Systems is required to use the Credit Information disclosed by BNM only for these specified purposes. BNM has the right to: (a) impose on CTOS Data Systems any conditions, requirements or directions on the use of the Credit Information as and when BNM deems necessary; (b) request CTOS Data Systems to return or destroy the Credit Information, in accordance with written instructions by BNM at any time; (c) suspend access to or use of the Credit Information by CTOS Data Systems or any particular employees and agents of CTOS Data Systems who are authorised by CTOS Data Systems to have access to the Credit Information under the Participation Agreement and whose particulars have been submitted in writing by CTOS Data Systems to BNM ("**Authorised User**") with or without prior notice as and when BNM deems necessary; and (d) impose any other condition as BNM deems necessary.

CTOS Data Systems is required to pay any fees as may be specified by BNM for the access to the Credit Information.

Among other obligations of CTOS Data Systems under the Participation Agreement, CTOS Data Systems shall:

- (i) ensure that the consent of the person is obtained, whether by CTOS Data Systems or by its members or subscribers, whichever is applicable, prior to accessing, using or disclosing the Credit Information. A "member" means any person who has entered into an agreement with CTOS Data Systems to obtain the credit report of any person from CTOS Data Systems and provide information to CTOS Data Systems, whereas a "subscriber" means any person who has entered into an agreement with CTOS Data Systems to obtain the credit report of any person from CTOS Data Systems;

7. BUSINESS OVERVIEW (Cont'd)

- (ii) have in place framework and processes to ensure consent is obtained;
- (iii) have in place policies and procedures relating to the extraction and handling of the Credit Information including the criteria for the Authorised Users as approved by CTOS Data Systems' Board of Directors;
- (iv) have in place policies and procedures to handle any complaint arising from any inaccurate Credit Information obtained from the System;
- (v) provide BNM with periodical audit report on compliance with conditions for access, including requirement for the persons' or borrowers' consent and security of systems, as may be requested by BNM within such period as may be determined by BNM;
- (vi) ensure that the Credit Information is only used in Malaysia;
- (vii) observe the confidentiality requirements as specified in the Participation Agreement, including taking all necessary steps to maintain the utmost security and confidentiality of information obtained pursuant to the Participation Agreement. The confidentiality requirements survive the termination or expiry of the Participation Agreement;
- (viii) not provide or on-sell the Credit Information in its raw form; and
- (ix) not assign, sub-license, or otherwise transfer the benefit of CTOS Data Systems' rights or obligations under the Participation Agreement without BNM's prior written consent.

BNM has the right to (a) conduct audit checks on all documents and records relating to the Credit Information maintained by CTOS Data Systems; and (b) inspect the internal procedures adopted by CTOS Data Systems for its access to the Credit Information in the System and the use of such Credit Information.

CTOS Data Systems undertakes to indemnify BNM against all actions, proceedings, costs, claims, demands, liabilities and expenses sustained, incurred or paid by BNM in respect of (a) any opinions, recommendations, forecasts or other comments made or actions taken by CTOS Data Systems or any other person based on the Credit Information; or (b) any breach by CTOS Data Systems of any of the provisions of the Participation Agreement.

BNM may, by written notice to CTOS Data Systems, require CTOS Data Systems to provide a performance bond in the form of a banker's guarantee by a banking institution in Malaysia as security for the due performance of CTOS Data Systems' obligations under the Participation Agreement.

BNM may, by giving seven days' written notice terminate the Participation Agreement in the event that CTOS Data Systems, among other reasons:

- (i) is no longer a registered CRA under the CRA Act;
- (ii) fails to comply with any provisions under the CRA Act;
- (iii) commits any breach of any of the terms or conditions of the Participation Agreement and fails to take appropriate steps to remedy such breach (if capable of remedy) within seven days after being given written notice to do so by BNM;

7. BUSINESS OVERVIEW (Cont'd)

- (iv) carries out its operations in a manner which poses reputational and financial risks to BNM or to the stability of the financial system; and
- (v) ceases or threatens to cease carrying on the whole or any substantial part of its business other than in the course of reconstruction or amalgamation.

Notwithstanding the above, BNM may by giving fifteen days' written notice to CTOS Data Systems terminate the Participation Agreement regardless whether it continues to be registered under the CRA Act.

Upon termination of the Participation Agreement, BNM or its agents may without prior notice take possession of all the documentation containing the Credit Information. After the expiry or termination of the Participation Agreement, BNM is entitled to inspect and delete the Credit Information within CTOS Data Systems' possession.

Notes:

- (1) This Participation Agreement was executed pursuant to Section 47(2)(c) of the Central Bank of Malaysia Act 2009, which allows BNM to disclose credit information to a CRA registered under the CRA Act, and is in line with CCRIS' purpose to promote financial stability and financial inclusion.
- (2) Access to DCHEQS is no longer available starting from 1 October 2020 in line with the decommissioning of DCHEQS.

7.22.2 CRA Certificate

The CRA Certificate issued by the CRA Registrar to CTOS Data Systems allows it to be registered as a CRA and to carry on credit reporting business. For more information regarding the CRA Certificate, see Annexure A of this Prospectus.

7.23 HEALTH AND SAFETY

We value the health and safety of our employees. We ensure that new employees are advised of our safety and health policy and we provide them with in-house training. Each employee is briefed and granted access to our employee handbook, which describes our and the employee's responsibilities for employee health and safety.

See also Section 7.24 of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.24 BUSINESS INTERRUPTIONS

Save as disclosed below, there has not been any material interruption to our business activities and the business activities of our associates during the past 12 months prior to the date of this Prospectus.

COVID-19 pandemic

We believe that our digital solutions are well-suited to assist businesses to withstand the COVID-19 pandemic and make informed business decisions and assessments in this heightened risk environment. By leveraging our databases and through our analytics and insights, we believe that our digital solutions can identify early warning indicators of loan defaults, provide active monitoring and identify strong customers for collection prioritisation, prospective cross-selling and credit line management. The full impact of the COVID-19 pandemic on our business, financial condition, results of operations and prospects will depend on a number of factors beyond our control and which are difficult to ascertain with certainty, such as the duration of the COVID-19 pandemic and the nature and effectiveness and duration of governmental actions taken in response to COVID-19 and any future developments or movement controls as a result of the pandemic.

Malaysia

The COVID-19 pandemic has impacted economic activity and financial markets in countries across the world, including Malaysia where our operations are based. In response to an increase in the COVID-19 infection rate in Malaysia, beginning in March 2020, the Government has implemented various measures and restrictions on the conduct of activities in Malaysia, including quarantine measures and restrictions on the movement of persons, interstate travel, and private and public gatherings. These Government actions have been eased and tightened during the course of 2020 and 2021 as the extent of the COVID-19 pandemic has been fluctuating.

In light of the COVID-19 pandemic and in response to various movement control orders implemented throughout the pandemic by the Government, we implemented various measures to protect the health and safety of our employees including a migration of our operations to primarily remote, work-from-home arrangements. Where remote working is not feasible, such as for our data centre management personnel, we have adjusted our employees' working hours to enable our employees to avoid commuting to work during peak hours, adopted a system to reduce the concentration of employees in our facilities at any one time, implemented social distancing measures, installed hand sanitising stations at our facilities and increased the frequency at which we sanitise and disinfect our facilities. Our employees are also required to wear face masks, record their temperatures daily and immediately seek medical attention if they feel unwell. We continue to strive to be compliant with the health and safety procedures prescribed by the Government to contain the COVID-19 outbreak.

We were impacted in the short-term in March 2020 to May 2020 by the effects of the MCO on our customers' in-office activities, though our business has rebounded strongly since June 2020. Our operations in Malaysia achieved a 3.2% increase in our revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019 due to increased sales of our digital solutions, in particular from our Comprehensive Portfolio Review, CTOS IDGuard and CTOS Data Systems Reports. We believe that demand for our digital solutions remained strong as our customers have been able to adapt to the new business environment and are looking for upselling and cross-selling opportunities within their existing portfolios and to gain a better understanding of risks in their portfolios.

7. BUSINESS OVERVIEW (Cont'd)

The increase in our revenue for the FYE 31 December 2020 was partially offset by a temporary decrease in revenue in March 2020 to May 2020 during the MCO where many of our Key Accounts customers temporarily reduced their lending activities substantially and churn temporarily increased for our Commercial customers. For the FYE 31 December 2020, we granted customer requests to delay implementation schedules for some of our digital solutions due to movement restrictions and quarantine measures. These projects resumed in the third quarter of 2020 and revenue from these projects continues to gradually increase. In July 2020, we also introduced cost saving measures such as the postponement of advertising campaigns and marketing events for our Key Accounts customers which resumed in the second quarter of 2021, to the extent permitted under local law. We have not made any reductions to headcount, salary or benefits as a result of the COVID-19 pandemic.

Recognising the impact of the COVID-19 pandemic on consumers, the Government implemented various economic relief measures which impacted our business. The Government implemented a moratorium on loan and financing repayments from 1 April 2020 until 30 September 2020, which led to significant increase in demand for our Comprehensive Portfolio Review and CTOS Portfolio Analytics and Insights solutions, particularly among our Key Accounts customers as many of them were reviewing their portfolios to identify potential risk areas and lending opportunities after the moratorium was lifted.

In June 2020, to help alleviate the impact of the COVID-19 pandemic on businesses, BNM began providing free access to its CCRIS database, which will continue until the end of 2021. As a condition to us receiving the CCRIS fee waiver, BNM required CTOS Data Systems to reduce the fees charged to our customers for our CTOS Data Systems Reports. Our receipt of the CCRIS fee waiver and reduction of fees charged to our customers resulted in lower revenue and cost of sales related to sales of CTOS Data Systems Reports but had no impact on our GP and had resulted in an improvement in our GP margin for the FYE 31 December 2020. We expect this trend to continue through the end of 2021.

The COVID-19 pandemic has most directly impacted a portion of our Commercial customers, in particular some of our SME customers, whose businesses have proven to be more susceptible to the major economic shock caused by the COVID-19 pandemic. Between April 2020 and June 2020, we granted short-term payment deferrals for subscriptions and instalment payment plans to certain of our CTOS Credit Manager customers whose businesses were significantly impacted by the COVID-19 pandemic and the MCO. Our customer churn rate among our Commercial customers was higher in absolute terms by 0.2 percentage points for the FYE 31 December 2020 as compared to the FYE 31 December 2019. Our customer churn rate among our Commercial customers has remained flat from January 2021 through the LPD despite re-introductions of the MCO in 2021. These re-introductions of the MCO including the MCO commencing on 12 May 2021 have not had any material impact on our business, financial condition or results of operations, nor is any material impact anticipated as at the LPD.

Thailand

In Thailand, a state of emergency was declared on 26 March 2020, a national curfew and travel restrictions between certain provinces were imposed on 3 April 2020 and all arriving international passenger flights were suspended from 4 April 2020. The Thai government also ordered the temporary closures of shopping malls, businesses, universities and other gathering places in Bangkok and several other provinces in Thailand. As at the LPD, the COVID-19 pandemic has not resulted in any material disruptions to BOL's operations in Thailand.

7.25 ENVIRONMENTAL MATTERS

As at the LPD, there are no environmental issues which may materially affect our Group's operations and usage of properties tenanted by our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.26 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of our culture. As Malaysia's leading CRA, we see our role as not just leading the charge on financial literacy education, but also in helping our stakeholders navigate the growing digitalisation of business and financial services.

We actively seek opportunities to improve the ecosystem in which we operate, serving the interests of all our stakeholders such as our shareholders, employees, customers, partners, and vendors, as well as the wider communities in which we do business.

7.26.1 Society and marketplace

We run an all year-round, integrated CTOS Financial Education programme, both online and offline, to drive financial education and inclusion, with CTOS content being carried in newspapers, magazines, e-news and e-magazine platforms, as well as television, radio, YouTube, and other social media channels.

The Knowledge Centre on our CTOS website hosts a variety of educational content related to credit health and scoring, finances, budgeting, and more. Over 700,000 consumers visit the CTOS website every month. Between 1 July 2016 and 31 December 2020, we provided approximately 8.7 million free MyCTOS Basic Reports. As at LPD, we have provided over a million MyCTOS Score Reports to consumers.

We have conducted over 200 financial education roadshows for consumers across the country in partnership with BNM, Perbadanan PR1MA Malaysia, the MOF, the Employees Provident Fund, Persatuan Pengguna-Pengguna Islam Malaysia, Star Property, Agensi Kaunselling dan Pengurusan Kredit, the Personal Data Protection Department, Kementerian Perumahan dan Kerajaan Tempatan and many more.

We have an ongoing partnership with the financial literacy platform, Multiply, to carry their financial education content across our social media platforms. This partnership gives our customers and followers access to a wide variety of tips and tools for basic financial management.

We have supported SMEs through our efforts such as participating in various talks and seminars on the different types of financing access for businesses, the most recent being a webinar conducted in collaboration with a P2P platform regulated by the SC on alternative business funding on 8 December 2020. We also sponsor various SME awards, in line with our efforts to recognise and celebrate the success of strong SME performers in Malaysia. As a result of our support efforts, CTOS Data Systems received the "SME Supporter Award" at the Platinum Business Award 2019 by the SME Association of Malaysia.

In 2020, we ran a COVID-19 relief campaign for consumers and SMEs, during which we gave away free CTOS Consumer Scores and free CTOS SecureID subscriptions, as well as free listings on CTOS CreditFinder to SMEs, to help consumers and businesses become digital and navigate the uncertain business environment.

In 2019, we were invited by the Department of Statistics Malaysia to be a partner of the 62nd World Statistics Congress, organised by the International Statistical Institute. The goal of the World Statistics Congress is to share insights on the development and applications of statistics and statistical science. 2019 was the first year that Malaysia hosted the World Statistics Congress since the event's inception.

Since 2017, we have held annual CTOS Inter-Financial Institutions Badminton Championships, a two-day event. The 2020 championship was cancelled in 2020 in light of COVID-19.

7. BUSINESS OVERVIEW *(Cont'd)*

7.26.2 Digitalisation

In addition to credit reporting services, we are investing in developing and rolling out a growing suite of business and fintech digital solutions to help digitalise Malaysian businesses, in particular SMEs. These include CTOS eKYC, which was developed to help businesses validate customers quickly, efficiently, and with minimal paperwork. We believe that digitalisation and our digital solutions will help reduce the negative impact on the environment by reducing waste and the carbon footprint from traveling to physical locations.

To fast-track the adoption of digital businesses and fintech digital solutions, we have conducted free briefings, roadshows, webinars, and other educational programmes to actively educate our customers on the financial and environmental benefits of digitalising their businesses. We also have partnerships with different bodies representing SMEs to reach and engage with more businesses.

On the consumer side, we also educate consumers on the benefits of adopting digital solutions to fast-track loan and other applications and to minimise paperwork through our website and social media platforms.

8. INDUSTRY OVERVIEW



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Tel: +603 7663 2288
www.idc.com/asean

Date: 15 JUN 2021

Board of Directors

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)

Unit 30-01, Level 30, Tower A

Vertical Business Suite, Avenue 3

Bangsar South, No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

Dear Sirs/Madam

Independent Market Research Report for CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd) ("CTOS Digital" or "the Company") on the Credit Reporting Industry in Leading and Regional Markets (United Kingdom ("UK"), the United States of America ("US"), Association of Southeast Asian Nations ("ASEAN") and Malaysia)

We, IDC Market Research (Malaysia) Sdn Bhd ("**IDC Malaysia**"), have prepared this Independent Market Research Report ("**IMR Report**") on the Credit Reporting Industry in leading and regional markets (UK, US, ASEAN and Malaysia) for inclusion in CTOS Digital's prospectus in relation to its initial public offering ("**IPO**") in conjunction with the listing of and quotation for the entire enlarged issued ordinary shares in CTOS Digital on the Main Market of Bursa Malaysia Securities Berhad ("**Prospectus**").

We are aware that this IMR Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this IMR Report to be updated for the changes and where applicable, cause CTOS Digital to issue a supplementary prospectus, or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

IDC Malaysia has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. IDC Malaysia shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of IDC Market Research (Malaysia) Sdn Bhd:

Sudev Bangah
Managing Director – IDC ASEAN

8. INDUSTRY OVERVIEW (Cont'd)



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Profile of IDC Market Research (Malaysia) Sdn Bhd

IDC Malaysia, a key IDC global office, was established in November 1993 and has since been known as the leading Information and Communication Technology ("ICT") market research and consulting firm in the country. IDC Malaysia has been tracking the Malaysian ICT industry from its infancy and will continue to analyse its growth and development. IDC Malaysia has comprehensive experience and knowledge of the ICT revolution and evolution.

IDC Malaysia is today the ASEAN regional headquarter of IDC, and does research covering every technology market segment in the ICT industry: from hardware, software, services, components, peripherals, communications, data communications, channels, vertical industries, internet, telecommunication, eBusiness to the emerging technologies, services and markets.

Methodology

For the purpose of this IMR Report, IDC Malaysia used a combination of research methodologies which includes primary and secondary research. For its primary research IDC Malaysia examined information from IDC Malaysia's surveys and vendors assessments, which was further supplemented with insights from IDC Malaysia domain experts. Insights from secondary research include reviews of company annual reports, official website, financial statements, information from independent global institution and local regulatory bodies, associations and authorities and IDC Malaysia's research reports. IDC Malaysia database of research reports comprises of market sizing, market forecasting, market benchmarking, product maturity assessment, product spending assessment and customer profiling reports.

Profile of this IMR Report signee, Sudev Bangah

Sudev Bangah is the Managing Director for IDC ASEAN. Sudev directs the overall operations of the ASEAN country offices' development, sales, consulting, as well as marketing, and works alongside local and global organisations' C-level executives in their aspirations in developing robust plans and strategies for emerging countries. Having previously led IDC's Southeast Asia Consulting group, Sudev has brought that rich experience in the country level by providing advice and thought leadership to chief executive officers ("CEOs"), country heads and chief strategy officers. Sudev continues to be hands on in providing tailored insights, analysis and strategies to top tier technology vendors and telecommunications providers in expanding market share, market penetration strategies and providing tactical approaches in winning the market. Sudev is also a frequent speaker at industry events across Southeast Asia on a wide range of topics and is regularly quoted in both local and international media such as Bloomberg, Asian Wall Street Journal, Financial Times and BBC.

Sudev holds a Bachelor's degree in psychology from Curtin University of Technology, Australia. He is also a certified ISO 9001 Lead Auditor and holds an Information Technology Infrastructure Library certification.

For further information, please contact:

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8. INDUSTRY OVERVIEW (Cont'd)



1.0 The Global Credit Reporting Industry

1.1 Overview. Credit reporting is a critical component of credit infrastructure and contributes significantly to access to funding for both individuals as well as organisations. Credit reporting is managed by organisations known as consumer reporting agencies, credit reference agencies or credit reporting agencies, depending on the jurisdiction (collectively referred to as “CRAs”). CRAs collect and analyse information on both consumers and corporations. Both government/government-linked and private entities can function in these roles dependent on their developmental, credit and regulatory environment. Modern credit reporting requires sophisticated data analytics, enabling users to make informed decisions based on identification of patterns, correlations and trends. Credit reporting systems across the world serve as an effective indicator of the development of financial systems, as well as a benchmark of that population’s access to financial services. The industry today has grown into a technology driven global multi-billion-dollar industry. As advancements in fintech, artificial intelligence and analytics continue to emerge, the credit reporting industry has also expanded in its depth and breadth of services. The industry within Malaysia is growing steadily with an estimated Compound Annual Growth Rate (“CAGR”) of 13.2% from 2021-2025E. In 2020, Malaysia was the second largest market by revenue for the credit reporting industry in the ASEAN region and still has potential to grow further based on future services and products which can be rolled out to market when compared to developed markets such as the US and UK.

1.2 Key Drivers, Demand Shifts and Supply Conditions of the Industry. There are key shifts in demand from corporate and individual customers which are driving how the credit reporting industry is further developing its products and services.

Table 1-1: Key Drivers, Demand Shifts and Supply Conditions in the Credit Reporting Industry

| Key Drivers | Demand Shift | Supply Conditions |
|---------------------------------|---|--|
| Personal and Business Credit | Changes in demand in both volume and type of goods spent by both consumers and businesses, leading to more demand for credit for new types of products and services. | CRAs continue to refine their products and services to be able to offer credit checks to a variety of corporate customers in different industries. |
| Changing Consumer Behaviour | Consumer lifestyles continue to change to digital, using more digital services such as e-commerce and digital banking. | CRAs are looking to work closely and embed their services more closely with fintechs and e-commerce players through offering new services such as electronic ‘Know-Your-Customer’ (“eKYC”) and fraud management. |
| Financial Inclusion | Increased need for solutions which can use non-traditional credit history and use new data such as behavioural or psychometric data to assess credit worthiness for unbanked or underbanked customers | The industry continues to offer new solutions beyond traditional credit reports and has innovated with developments into new solutions which can assess unbanked and underbanked customers. |
| The Value of Data | Demand for more and higher quality data on customers for both decisioning and profiling purposes. | Industry players are offering more detailed information on customers through their cross-industry efforts such as using telecommunications data or retail data to augment the decisioning process for banking customers. |
| Financial System Transformation | Increased demand for credit checking services as well as other services such as eKYC from third party players such as aggregators which now can market products from banks and other entities. | CRAs continue to develop capabilities and Application Programming Interface functionality which allows them to work as part of this greater expanding financial ecosystem. |

Source: IDC Malaysia Analysis.

1.3 The Impact of the COVID-19 Pandemic in 2020-2021 to Key Drivers. The pandemic situation of 2020 to 2021 has affected the key drivers involved in industry growth some positively and some negatively.

Table 1-2: Key Drivers and the Impact of the COVID-19 Pandemic in 2020-2021

| Key Drivers | Pandemic Effect | Explanation |
|---------------------------------|-----------------|--|
| Personal and Business Credit | ↓ | Consumer and business spending dropped globally in 2020. While there is an increased need for loans and more accurate credit decisioning, the volume of loans issued and risk appetite from lenders globally may reduce demand for credit decisioning. |
| Changing Consumer Behaviour | ↑ | The pandemic has accelerated the transformation and shift for consumers to move to digital for their needs. This shift will increase the need for credit decisioning in digital ecosystems. |
| Financial Inclusion | ↑ | Financial inclusion and decisioning technologies based on data not typically held within credit records continue to grow in demand against the backdrop of the pandemic, especially since the pandemic has devalued traditional credit record data sets. |
| The Value of Data | ↑ | While the pandemic has caused traditional credit record data sets to be devalued as credit behaviour diverges, this has increased the need for corporates to acquire multiple data sets for their decisioning purposes in the long term. |
| Financial System Transformation | ↑ | Digital transformation across industries and particularly in banking has been accelerated by the pandemic’s knock-on effect of forcing digitalisation. More connected and open banking infrastructures are being rolled out which will need credit data. |

Source: IDC Malaysia Analysis.

1.4 US Industry Performance, Size and Growth. The US represents the origin of modern credit scoring globally. It is the largest market worldwide for credit reporting with revenues of RM27.9 billion (USD6.7 billion¹) in 2020. The US operates largely on the universal credit score basis (FICO score) measured on a range of 300-850. Three major credit agencies: Equifax Inc, Experian plc and TransUnion LLC offer a variation of this score to lenders that may differ depending on industry.

¹ Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

8. INDUSTRY OVERVIEW (Cont'd)



Table 1-3: US Credit Reporting Industry Market Size 2016 – 2025E

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 16-20 | CAGR 21E-25E | CAGR 16-25E |
|-------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|------------|--------------|-------------|
| RM ¹ billion | 19.9 | 21.4 | 23.6 | 25.8 | 27.9 | 29.6 | 31.9 | 34.4 | 36.9 | 39.6 | 8.8% | 7.5% | 7.9% |

Source: Company Annual Reports, IDC Malaysia Analysis.

Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

Birthplace of Modern Credit Reporting. The credit reporting industry in the US was born from regional cooperatives which shared information regarding consumers amongst themselves. This information was limited however until the Fair Credit Reporting Act of 1970 ("FCRA") shaped developments by providing a framework for standards for accuracy and access to credit information. The focus on both positive and negative credit information shaped modern day consumer scores internationally and with the development of computing, this drove the industry to further levels of modernisation with shared information leading to centralised data repositories. The FCRA further moulded the direction of the industry with the 'give to get' policy which stipulated that in order for a creditor to gain access to credit data, they had to be themselves willing to share their own data with others in the pool. This policy created an environment which continues to today, where credit reporting entities have had to continuously update both their data, technology and offerings to their clients.

Historical Growth Driven by Credit. Overall growth in the US credit reporting industry has been largely driven by financial transactions in both the consumer and corporate space. Consumer credit in particular has been a significant driver of the US credit reporting industry growth, with the US holding average consumer credit debt at RM53,582.20 (USD12,923.83²) per capita as of May 2021, according to the US Federal Reserve.

Revenue momentum to be maintained for 2021 and beyond. In the first quarter ("Q1") of 2020 (January to March) the US Federal Reserve recorded an increase of 1.0% and in the second quarter ("Q2") of 2020 (April to June) a decrease of 5.6% in total consumer credit levels respectively as customers chose to forego credit purchases for non-essential items during uncertain economic conditions as a result of the COVID-19 pandemic. The third quarter ("Q3") of 2020 (July to September) and fourth quarter ("Q4") of 2020 (October to December) saw a return to growth for total consumer credit levels of 1.9% and 2.3% respectively in each quarter. The Q1 of 2021 recorded an increase of 5.1%, signalling a rebound in consumer confidence with vaccine rollouts throughout 2021 which should lead to continued growth of the US credit reporting industry.

1.5 UK Industry Performance, Size and Growth. The UK market for credit reporting was at RM3.9 billion (USD952.5 million²) in 2020 and is one of the largest markets for credit reporting globally behind the US. Credit scoring is done very differently in the UK compared to the US, with lenders generally operating off their own internal risk models and with no universal score being made available. The three major credit reporting organisations present in the US are also the major players in the UK market and market their products to a variety of industries and customers.

Table 1-4: UK Credit Reporting Industry Market Size 2016 – 2025E

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 16-20 | CAGR 21E-25E | CAGR 16-25E |
|-------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|------------|--------------|-------------|
| RM ¹ billion | 3.7 | 3.8 | 4.0 | 4.4 | 3.9 | 4.0 | 4.2 | 4.6 | 4.8 | 5.0 | 1.4% | 5.3% | 3.2% |

Source: Company Annual Reports, IDC Malaysia Analysis.

Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

Pivotal to the Early and Modern Development of the Industry. Credit reporting in the UK follows a different evolutionary path to that of the US, but which is highly tied to the developments there. The first credit database globally was seen in London in the 19th century, being used by retailers. This practice extended to the 20th century and continued to develop in large retailers which were involved in mail order catalogue industries. These databases were later commercialised into a company named Consumer Credit Network ("CCN") which provided credit information on consumers to its corporate clients. CCN used technology to automate the manual processes being used at that time and playing a similar role to that of the FCRA in the US, they convinced their customers to share their own data with the database, driving adoption by enhancing the data depth and coverage available to all subscribers. Deregulation of previously government controlled financial markets in the 1980s and entry of new credit card players from overseas provided further room for the industry to grow. The latest set of discussions in the UK have centred on expanding access to credit data even further, even data which could previously be masked from viewers in an effort to ensure open and transparent access to credit reporting data.

Slower Growth Due to Uncertainties with Some Recovery by 2021. UK credit reporting industry growth has closely followed the UK's gross domestic product ("GDP") growth which is highly intertwined with overall consumer spending performance. Economic uncertainties have created sluggish GDP growth over the past few years, particularly with issues regarding the UK's exit from the European Union ("Brexit"), which has been a major contributing factor to overall economic performance. 2016 credit reporting revenue saw a dip from 2015, attributed to a variety of factors including weak currency strength from Brexit and both consumers and businesses putting a hold on big ticket items and

² Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

8. INDUSTRY OVERVIEW (Cont'd)



investments due to economic uncertainties. Recovery to 2015 revenues was only seen in 2019 as further clarity over the economic situation of the UK in the future began to emerge. 2020 has seen a drop in revenue for the UK credit reporting industry as economic activity dropped significantly due to pandemic related lockdowns which have affected purchases and credit uptake. The Bank of England has also recorded significant dips in credit usage in 2020, with a contraction of 7.5% for the year January to December, the lowest dip seen since credit usage records were started. The UK credit reporting industry is expected to return to growth levels in 2021 but remains at levels below 2019 as economic troubles including the threat of new COVID-19 variants continue to weigh on the outlook for economic recovery.

1.6 ASEAN Industry Performance, Size and Growth. The ASEAN region consisting of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam represents a key growth region in Asia. Despite rapidly growing consumer spending power, the region still remains uneven in its development and ranges from Singapore with one of the highest GDP per capita globally (2020: RM252,779.65) to Cambodia (2020: RM6,517.18) which has one of the lowest³. Similar to overall economic disparity within the region, the credit reporting industry remains underdeveloped in certain major markets such as the Philippines and Indonesia, with much potential to grow further.

Table 1-5: ASEAN Credit Reporting Industry Market Size 2016 - 2025E (RM' million)

| Country | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 16-20 | CAGR 21E-25E | CAGR 16-25E |
|---------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|
| Indonesia | 114.9 | 148.2 | 183.8 | 213.2 | 218.8 | 230.5 | 252.8 | 280.7 | 305.9 | 331.6 | 17.5% | 9.5% | 12.5% |
| Malaysia | 138.5 | 169.5 | 196.9 | 215.6 | 224.7 | 246.6 | 283.1 | 320.9 | 362.6 | 405.6 | 12.9% | 13.2% | 12.7% |
| Philippines | 26.3 | 35.0 | 45.8 | 58.3 | 62.3 | 69.9 | 83.5 | 100.0 | 115.5 | 131.9 | 24.0% | 17.2% | 19.6% |
| Singapore | 181.3 | 197.9 | 213.7 | 228.3 | 240.5 | 257.1 | 270.9 | 285.3 | 300.4 | 314.0 | 7.3% | 5.1% | 6.3% |
| Thailand | 103.8 | 113.9 | 123.6 | 132.9 | 139.1 | 145.6 | 154.6 | 165.1 | 175.3 | 188.2 | 7.6% | 6.6% | 6.8% |
| Vietnam | 24.6 | 31.7 | 40.4 | 50.7 | 58.0 | 68.0 | 78.4 | 93.4 | 110.7 | 137.5 | 24.0% | 19.3% | 21.1% |
| Other Markets | 23.1 | 27.4 | 29.0 | 33.7 | 47.1 | 53.3 | 61.2 | 73.3 | 88.6 | 105.1 | 19.5% | 18.5% | 18.3% |
| ASEAN | 612.5 | 723.6 | 833.2 | 932.6 | 990.5 | 1,070.9 | 1,184.5 | 1,318.7 | 1,458.9 | 1,613.9 | 12.8% | 10.8% | 11.4% |

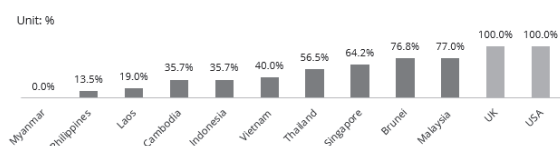
Source: Company Annual Reports, IDC Malaysia Analysis.

Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

Growing Rapidly but Underserved. Market size of the ASEAN region for credit reporting is at RM990.5 million (USD238.9 million⁴) in 2020. Growth for ASEAN from 2021 to 2025 is expected to be at 10.8% annually, much higher than in developed countries such as the US and UK. Growth potential in ASEAN comes from greater penetration and usage of credit reporting services and further expansion of other services such as offering analytics, eKYC, application automation and direct-to-consumer services, building from its current base which has fewer products and services available to customers when compared to developed countries.

Different Business Models in use Throughout the Region. When compared to the US and UK which have different models for credit reporting, the ASEAN region contains a mix of different structures for credit reporting. In Malaysia, a mixture of different licensed bureaux, consisting of both government-related and private bureaux can provide credit checks, whereas in Thailand and the Philippines, a national credit bureau centralises credit reporting functions, which private CRAs can then draw from to provide their own services to their clients.

Table 1-6: Percentage of Population Covered by a Credit Bureau in 2019



Based on latest data available as at 31 May 2021.
Source: from World Bank, IDC Malaysia Analysis.

While markets such as Malaysia and Brunei have significant coverage of the population, key large markets such as the Philippines and Indonesia still have large segments which do not have any credit record coverage. Myanmar at the far end has just established its first credit bureau in 2020. Coverage by a credit bureau is highly tied to access to financial services such as banking. Markets with high numbers of unbanked residents will also have low numbers of credit bureau records.

New Technologies Play a Huge Role in Driving Credit Reporting Growth. Traditional credit bureaux in developed markets may not offer the full suite of solutions in the emerging markets of ASEAN as access to financial services may be limited. Governments, the banking sector and many fintech players through joint efforts with other industries like telecommunications have looked towards alternative credit assessment techniques using behavioural and social data as new models of customer credit assessments. Such schemes have found good traction in markets such as Indonesia and the Philippines, with both have sizeable, underserved populations. Using digital technologies to bolster credit reporting coverage and capabilities will be a key enabler of financial inclusion and loan growth in ASEAN.

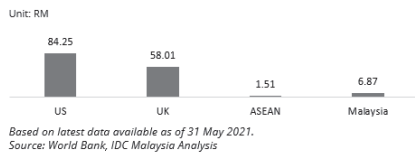
³ International Monetary Fund ("IMF"), 2020.

⁴ Based on USD to RM exchange rate of 4.1 as of 31 of May 2021.

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Table 1-7: Credit Reporting Revenue per Capita in 2020



In comparison to developed markets such as the US and UK, the ASEAN region has strong potential for credit reporting revenue growth. ASEAN credit reporting revenue in 2020 at RM1.51 per capita is 56 times smaller than the US in 2020 at RM84.25 per capita, while Malaysia by itself stands better with RM6.87 per capita (12 times smaller than the US). For the industry in ASEAN to further grow and improve its revenue on a per capita basis, there are several key possible

growth paths as featured in Table 1-9.

1.7 Comparison of Indicators in Key Geographies. The table below summarises key macroeconomic indicators for the selected ASEAN countries, comparative to the UK and US market.

Table 1-8: Comparison of Indicators in Key Geographies

| Indicators ¹ | Malaysia | Singapore | Indonesia | Thailand | Philippines | Vietnam | UK | US |
|--|-----------|------------|-----------|-----------|-------------|-----------|------------|------------|
| GDP per Capita, 2020 (RM) ³ | 44,054.36 | 252,779.65 | 17,454.76 | 31,514.99 | 14,576.71 | 15,116.94 | 169,553.68 | 272,521.04 |
| GDP per Capita CAGR, 2021– 2025E | 5.5% | 3.4% | 6.8% | 5.4% | 6.3% | 8.9% | 4.9% | 3.6% |
| Population, 2020 (million) | 32.7 | 5.7 | 270.2 | 69.8 | 109.6 | 97.3 | 67.9 | 331.0 |
| Credit Reporting Industry Market Size, 2020 (RM' million) ² | 224.8 | 240.5 | 218.8 | 139.1 | 62.3 | 58.0 | 3,938.7 | 27,887.0 |
| Credit Reporting Industry CAGR, 2021-2025E | 13.2% | 5.1% | 9.5% | 6.6% | 17.2% | 19.3% | 5.3% | 7.5% |
| Population covered by a Credit Bureau, 2019 ² | 77.0% | 64.2% | 35.7% | 56.5% | 13.5% | 40.0% | 100.0% | 100.0% |
| Credit Reporting Revenue per Capita 2020 (RM) ³ | 6.87 | 42.19 | 0.81 | 1.99 | 0.57 | 0.59 | 58.01 | 84.25 |

Notes: (1) Data extracted as of 31 May 2021 and is the latest data available. (2) Based on latest data as of 31 May 2021 published by the World Bank in 2019. (3) Conversion from USD to RM based on the exchange rate of 4.1 as of 31 May 2021.

Source: IMF Data, World Bank, Asia Development Bank, IDC Malaysia Analysis.

Table 1-9: How the Credit Reporting Industry in ASEAN Can Grow Revenue

| US/UK | ASEAN | ASEAN Potential Growth Path |
|---|--|---|
| Industry revenue per capita 2020: RM84.25/RM50.01 | Industry revenue per capita 2020: RM1.51 | Increase revenue per capita through growth to above RM1.51 beyond 2020 |
| Percentage of adults covered by credit bureau: 100%/100% | Percentage of adults covered by credit bureau: 46% | Increase percentage covered by increasing access to credit bureau associated products and services |
| Market(s) dominated by the three major players, namely, Experian plc, TransUnion LLC and Equifax Inc | Market fragmented with multiple smaller players operating in each market | Potential to consolidate market and increase depth of customer databases through inorganic acquisition and organic competition |
| Typical Services offered in the US/UK market core credit services – Average 50% of revenue <ul style="list-style-type: none"> ▪ Credit reporting for large businesses/SMEs ▪ Consumer services – Average 25% of revenue ▪ Direct-to-consumer products ▪ Analytical services – Average 25% of revenue ▪ Customer and market insights ▪ Automation of application processing – eKYC ▪ Fraud detection and management ▪ Debt management ▪ Vehicle identities ▪ Lead generation and prequalification | Typical Services offered in the ASEAN market Core credit services – average 80% of revenue <ul style="list-style-type: none"> ▪ Credit reporting for large businesses/SMEs ▪ Consumer services – Average 10% of revenue ▪ Direct to consumer products (just starting) ▪ Analytical services – Average 10% of revenue ▪ Customer and market insights ▪ Automation of application processing – eKYC ▪ Fraud detection and management | Increase services offered to the ASEAN market via <ul style="list-style-type: none"> ▪ Increase core credit services revenue by more dedicated credit reporting solutions for SME customers ▪ Increase consumer credit services revenue by increasing penetration and access to direct to consumer products ▪ Increase analytical services revenue by introducing services such as debt management, vehicle identities and lead generation into the market ▪ Increase penetration and access to customer and market insights, automation of application processing (eKYC) and fraud detection and management |
| Typical industry penetration in US/UK market <ul style="list-style-type: none"> ▪ Financial services, direct-to-consumer businesses, health, retail, telecommunication, automotive, software/professional services, insurance, media and public sector | Typical industry penetration in ASEAN market <ul style="list-style-type: none"> ▪ Financial services, insurance, direct to consumer businesses, retail and telecommunication | Increase industry penetration in ASEAN market <ul style="list-style-type: none"> ▪ Strengthen coverage into financial services, insurance, direct to consumer businesses, retail ▪ Expand to health, automotive, software/professional services, media and public sector |

Source: IDC Malaysia Analysis.

2.0 The Malaysian Credit Reporting Industry

2.1 Malaysia's Macroeconomic Environment. Malaysia's 2020 GDP per capita is the third highest in ASEAN⁵, after Singapore and Brunei, at RM44,054.36 (USD10,625.75⁶). Malaysia's GDP per capita grew by a CAGR of 2.5% between 2016-2020. The increase is attributed to the growth of domestic private expenditure and export growth during this period. In tandem with global economic trends, the Malaysian economy grew at a modest pace in 2019. Followed by weaker economic investment combined with the COVID-19 outbreak in 2020, Malaysia has experienced a decline in its GDP per capita in 2020 compared to 2019⁷ but is expected to rebound in 2021. Between 2021 to 2025, IDC Malaysia forecasts the Malaysian GDP per capita to grow by a CAGR of 5.5%⁸.

⁵ IMF, World Bank, BNM, IDC Malaysia Analysis.

⁶ Based on USD to RM exchange rate of 4.1 as of 31 of May 2021.

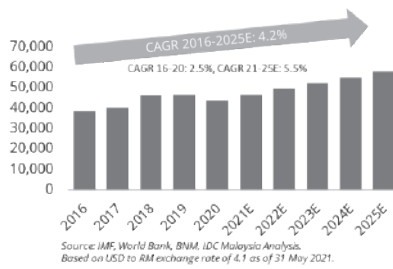
⁷ Malaysian GDP per CAGR for 2016-2019 = 5.3%.

⁸ IMF, World Bank, BNM, IDC Malaysia Analysis.

8. INDUSTRY OVERVIEW (Cont'd)



Table 2-1: Malaysian GDP per Capita (RM)



The Malaysian GDP and its GDP per capita are anticipated to gradually rebound in 2021 after having contracted in 2020 as a result of continued government support in strengthening economic recovery and growth. Economic plans introduced by the Malaysian government in 2020 to weather the impact of the COVID-19 pandemic included allowances amounting to RM260.0 billion under the Prihatin Rakyat Economic Stimulus Package and RM35.0 billion under the Short-Term Economic Recovery Plan. In addition to the stimulus packages launched in 2020, the Malaysian government rolled out the Strategic Programme to Empower

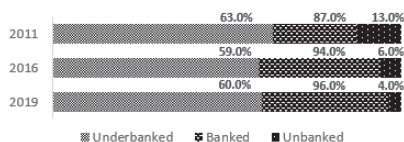
the People and Economy (Pemerkesa) Plus aid package, worth RM40.0 billion, on 31 May 2021 to mitigate any economic impact for the two weeks lockdown effective June 2021. The financial aid, grants and incentives to businesses are expected to assist with operational costs and cashflow. Coupled with Malaysia's stable population growth, this is expected to increase consumer confidence in making loan applications thus leading to an increased usage of CRA services. In addition to the existing stimulus packages announced under the 2021 budget, the Malaysian government has allocated RM1.0 billion for digital transformation, including funds of RM150.0 million in SME digitalisation and automation grants and RM100.0 million in upskilling digital ready professionals to grow Malaysia's digital economy in the short and medium term. In order to strengthen its long-term position, the Malaysian government launched the Malaysian Digital Economy Blueprint (MyDIGITAL) in February 2021 as a national initiative to transform the country into a digitally-driven high-income nation and making it a regional market leader in producing digital products and digital solutions in Southeast Asia by 2030. As part of initiatives, it aims that the digital economy will contribute 22.5% of Malaysia's total GDP by 2025, boosting demand for digital technologies across Malaysian industries, including the CRA industry.

Table 2-2: Malaysia Demographics

| Demographics | 2012 | 2014 | 2016 | 2019 | 2020 |
|---------------------------------|----------|----------|----------|----------|----------------|
| Population (million) | 29.5 | 30.7 | 31.6 | 32.5 | 32.7 |
| Median Household Income (in RM) | 3,626.00 | 4,585.00 | 5,228.00 | 5,873.00 | Not Published* |

Source: Department of Statistics Malaysia ("DOSM"); World Bank; Statista; *Median Household Income = Published every 2-3 years.

Table 2-3: Financial Inclusion in Malaysia



Source: BNM & Alliance for Financial Inclusion (AFI) Core Set of Financial Inclusion Indicators, extracted as of 31 May 2021.

In 2019, Malaysia's banked population is represented by 96.0% of adults who own at least 1 type of regulated deposit account. Meanwhile, 60.0% represents underserved Malaysian adults without a regulated credit account. The unbanked population of 4.0% constitutes Malaysian adults who do not own any type of regulated bank accounts. While financial inclusion has increased by 9.0% since 2011, the credit gap of 64.0% remains wide for the unbanked and underserved segments.

2.2 Innovation in Digital Financial Services

Table 2-4: Infrastructure and Digital Adoption Indicators

| | 2018 | 2020 |
|---|-------|-------|
| Internet Penetration by Individuals ¹ | 87.4% | 88.7% |
| Smartphone Penetration of Internet Users ¹ | 93.1% | 98.7% |
| | 2019 | 2020 |
| 4G LTE Population Coverage | 79.7% | 82.2% |

Based on latest available data as of 31 May 2021. Source: (1) Malaysia Communications and Multimedia Commission ("MCMC") Internet User Survey CMC Internet Users Survey 2020 (Biennial), (2) MCMC Press Release: Connectivity as a Catalyst to a Progressive Digital Nation.

At the industry level, financial service providers are increasingly looking to capture the potential of digital innovation. Internet penetration reached 88.7% while smartphone penetration was at 98.7% in 2020. 82.2% of the population also had access to 4G LTE coverage. The transformation of digital financial services is spurred by the entrance of fintech companies.

In 2019, Malaysia was home to over 200 fintech companies, as compared to 167 in 2018⁹. In March 2021, 64.8% of Malaysians also had active mobile banking accounts, as compared to 52.8% in March 2020¹⁰. Infrastructure and digital channel developments have had an impact in increasing access to banking services and raising financial literacy, with greater convenience and flexibility for consumers to keep track of their personal finances. This further reduces complexities and lowers the barrier for access to credit across all segments.

2.3 Malaysia's Credit Data. In the past 20 years, the Malaysian banking sector has experienced a shift in its lending focus, with total credit portfolios shifting from businesses to households. The share of the latter has more than doubled in the last two decades to reach 58.8% of total financing as of March 2021.

⁹ Malaysia: A Flourishing Fintech Ecosystem, International Monetary Fund.

¹⁰ BNM Payment Data, as of 31 May 2021.

8. INDUSTRY OVERVIEW (Cont'd)



Table 2-5: Growth of Total Outstanding Loans

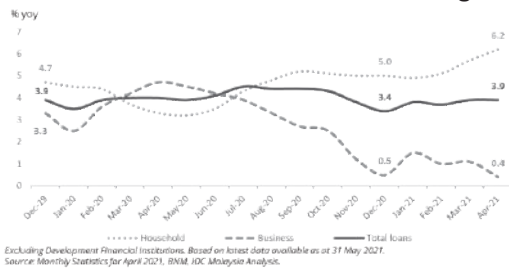
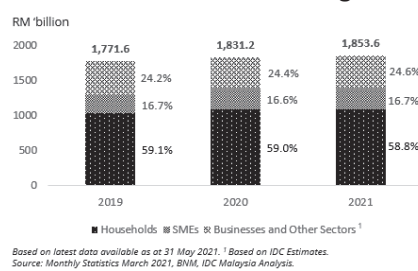


Table 2-6: Total Outstanding Loans



At the end of 2020, Malaysia’s total outstanding loans grew moderately by 3.4% to RM1,831.2 billion, compared to 3.9% at RM1,771.6 billion in 2019 despite nationwide contraction of economic activity following weak external conditions. The moderate growth was also in part due to a high base effect in 2019 from the disbursements of large-value loans in the manufacturing sector. As of April 2021, total outstanding loans grew by 3.9% year-on-year driven by an uptick in outstanding household loans. Household loans increased to 6.2% as disbursements grew at a higher pace compared to loan repayments. Meanwhile, business loans moderated to 0.4% reflecting lower growth in loans taken for working capital purposes.

Annual Growth of Household Debt. Household debts in the second half of 2020 has normalised to pre-pandemic levels, recording an annual growth of 5.5% in December 2020 as opposed to 4.0% in June 2020. Growth was mainly driven by the strong response to the sales and service tax (SST) incentives for the purchase of cars and various home ownership incentives, leading to an annual growth of 4.1% (first half of 2020: 3.9%) in residential properties and 0.8% (first half of 2020: -0.1%) for the purchase of motor vehicles. Personal financing also registered a higher growth of 0.9% (first half of 2020: 0.6%) partly due to the suspension of repayments during the automatic loan moratorium period. While the effects of recent shocks from the pandemic differ according to the various income groups, overall, in the second half of 2020 repayments by the household segment had reached 93% of levels in the corresponding period of 2019, indicating most households have resumed their repayments.

Impact of the Moratorium on Malaysia's Credit Landscape. The Malaysian government declared a six-month loan moratorium in 2020, which deferred all repayments for retail and SME loans. During this span of time, banks have preemptively built up their provisions against future losses. Total loan provisions gradually increased from RM23.2 billion since the start of the moratorium, ending on a high at RM30.8 billion in December 2020, reflecting forward-looking factors particularly the uncertainty of economic recovery and the second lockdown that eventually happened in January 2021. Total provisions continued to increase to RM32.4 billion as of April 2021.

Table 2-8: Total Loan Provisions

| RM' billion | 2018 | 2019 | 2020 | | | | | | | | | | | | 2021 | | | |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | | | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
| | 23.4 | 21.9 | 22.0 | 22.3 | 23.2 | 24.3 | 24.8 | 24.7 | 24.9 | 25.2 | 27.1 | 28.6 | 29.9 | 30.8 | 31.2 | 31.4 | 32.8 | 32.4 |

Based on latest data available as at 31 May 2021.
Source: Monthly Statistics for April 2021, BNM.

Impacted by losses in revenue, shutting down of businesses and prolonged unemployment, total impairments across household and business segments also reached a 9 year high at RM29.4 billion in January 2021 despite continued targeted repayment assistance to segments most hard-hit by the pandemic. Proactive measures have been taken by banks to assess and manage risks by engaging borrowers directly, increasing the use of data and analytics as well as working with CRAs to identify other early-warning indicators sourced from non-financial institution data. Ensuring the quality of these loans moving forward will be of paramount importance, driving banks to conduct more frequent credit assessments over their existing portfolios.

Malaysia's SME Segment. As of March 2021, an estimated 22.2% of total loans disbursed were to the SME segment¹¹. SMEs contributed 38.9% to Malaysia’s GDP, amounting to RM552.3 billion in 2019 (2018: 38.3%; RM522.1 billion)¹². In Q1 2019, 96.7% of total SME applications for financing were approved, as compared to 94.4% in Q3 2018.

¹¹ Latest Financial Inclusion Data extracted as at 31 May 2021, IDC Malaysia Analysis.
¹² Latest SME Performance 2019, DOSM.

8. INDUSTRY OVERVIEW (Cont'd)



Table 2-9: SME Loan Approval Rates (%)

| 2016 | 2017 | 2018 | 2019 |
|-------|-------|-------|------|
| 90.1% | 89.9% | 94.4% | 96.7 |

Based on latest data available as at 31 May 2021.
Source: SME Insights 2019/20.

Table 2-10: Total SME Loans Disbursed (RM' billion)

| 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|-------|-------|-------|-------|
| 267.4 | 296.3 | 308.1 | 295.8 | 256.8 |

Based on latest data available for a full year of loans disbursed as at 31 May 2021.
Source: Financial Inclusion Data, BNM.

SMEs continued to have access to financing from financial institutions with a high approval rate of 96.7%, despite a slowdown in demand for loans. According to the 2019 SME Survey, only 36.1% of respondents indicated that they were seeking for new or additional financing in Q1 2019, which was lower than 44.0% in Q3 2018.

By the end of 2020, total SME loans disbursed were at RM256.8 billion, a 13.2% reduction from 2019. Average sizes of new working capital loan applications among SMEs were down to 40% lower than levels before the pandemic. However, demand for financing from the SME sector remained stable, with close to 162,000 loan applications received in the second half of 2020 compared to an average of 123,500 in the same period between 2017 and 2019¹³. The continued demand for credit in the SME segment will have a direct impact on the frequency of credit checks made by financial institutions to make sound credit decisions.

2.4 Industry Overview

Table 2-11: Public Credit Bureau ("PCB") and Private CRA

| PCB | Private CRA | Relationship between PCB and CRA |
|--|---|--|
| BNM's credit bureau was established in 1982 and operates under the Central Bank of Malaysia Act 2009. The Central Credit Reference Information System ("CCRIS") is a centralised database that provides standardised credit reports. CCRIS collects credit-related information on borrowers from participating financial institutions in Malaysia, such as banks, insurance providers, development financial institutions, payment instrument issuers, rehabilitation companies, building societies, credit leasing companies and government agencies. | The first private CRA was incorporated in 1985 and while the PCB focuses on sourcing information on borrowings from financial institutions, private CRAs offer additional credit and business information collected from a wider variety of financial and non-financial entities to facilitate accurate credit decisioning. The private CRAs typically have credit scoring capabilities derived from their internal analytical models as a value-added offering, unlike CCRIS, which does not produce a score. Private CRAs charge for reports while CCRIS charges for access to the database. CCRIS is temporarily free to access till the end of 2021. BNM has also introduced eCCRIS in 2018 which is free of charge and available nationwide. | Subject to the approval of BNM, CRAs registered under the Credit Reporting Agencies Act 2010 ("CRA Act") can access the credit information of borrowers in CCRIS with prior consent obtained from the borrower. Only three CRAs currently has obtained such approval from BNM. These are Credit Bureau Malaysia Sdn Bhd ("CBM"), CTOS Data Systems Sdn Bhd ("CTOS Data Systems"), a subsidiary of CTOS Digital and Experian Information Services (Malaysia) Sdn. Bhd. ("Experian"), an associate of CTOS Digital. Collaboration between public and private entities has improved the depth of credit market transactions and broadened access to finance, particularly individuals and SMEs. |

Source: BNM Credit Bureau website as of 31 May 2021, IDC Malaysia Analysis.

As of the date of this IMR report, seven CRAs have been registered under the Registrar Office of Credit Reporting Agencies. These are CTOS Basis Sdn Bhd ("**Basis**") (formerly known as Basis Corporation Sdn Bhd), CBM, CRIF OMESTI Sdn Bhd ("**CRIF**"), CTOS Data Systems, Dun & Bradstreet (Malaysia) Sdn Bhd ("**D&B**"), Experian and FIS Data Reference Sdn Bhd ("**FIS**").

2.5 Malaysia Industry Size and Growth. Malaysia represents one of the most developed financial markets within the ASEAN region and its credit reporting structure reflects its development with three major private CRAs (CBM, CTOS Data Systems and Experian).

Table 2-12: Malaysian Credit Reporting Market Size 2016 – 2025E by Revenue

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 16-20 | CAGR 21E-25E | CAGR 16-25E |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------|--------------|-------------|
| RM' million | 138.5 | 169.5 | 196.9 | 215.6 | 224.7 | 246.6 | 283.1 | 320.9 | 362.6 | 405.6 | 12.9% | 13.2% | 12.7% |

Source: Company Annual Reports, IDC Malaysia Analysis.

Slow 2020 but Rebound Predicted for 2021. 2020's economic slowdown from the COVID-19 pandemic has created a slight pullback on the impressive growth rates that the industry previously experienced. In 2020, growth was 4.3% compared to 2019 where a 9.5% increase was recorded. Recovery to higher levels of growth in 2021 at 9.7% for the year is expected based on increasing consumer confidence and lending. Slowdown in lending in Malaysia through 2020 has created less demand for credit checks, but this has been offset by industry players shifting business focus to offer other services. The Malaysian government declared an automatic six-month loan moratorium in 2020 which deferred all payments for loans. In May 2021, borrowers from lower income groups would also be eligible for an automatic three-month loan moratorium ahead of the third full lockdown. Banks have been left in need of trying to reassess the quality of their loan portfolios and identifying which areas could possibly see issues and have looked towards new technologies and vendors which can assist in this process and reduce their own risks that they are carrying in their portfolios.

¹³ BNM Financial Stability Review, Second Half 2020.

8. INDUSTRY OVERVIEW (Cont'd)



2.6 Supply and Demand Drivers

Table 2-13: Key Drivers Impacting the Malaysian Credit Reporting Landscape

| Drivers | Impact |
|--------------------|---|
| Financial Literacy | Malaysia's growing middle-class population directly correlates to higher education levels, resulting in greater financial literacy among Malaysians. Consumers are now more empowered with both the knowledge and skills to make good financial decisions through financial education. By being able to check, assess and track their financial health, consumers are better informed and motivated to maintain good credit records. Various governmental programs developed by BNM, Agensi Kaunseling dan Pengurusan Kredit and the financial sector will further drive awareness of consumers on the risks involved in using various financial products. |
| SME Sector | 98.5% of Malaysia's business establishments are SMEs, collectively contributing RM552.3 billion or 38.9% of the country's GDP in 2019 ¹⁴ . The provision of financial services for this sector is supported by a comprehensive ecosystem that consists of an enabling infrastructure through the establishment of SME-focused banks and various governmental policies. The country has also an expansive coverage of outreach and awareness programs to bolster a supportive environment for the SME sector. These factors contribute to the understanding of the risks and benefits involved in maintaining good payment behaviours to ensure the certainty of funding for SMEs. It similarly allows banks to establish fair credit terms in extending facilities to the SME sector. |
| Demand for Credit | Despite the rising and contracting demand for credit, the demand for credit reporting services is relatively stable. In adverse conditions, banks tighten lending policies and restrict new loan approvals, choosing instead to focus on their existing portfolios. The process requires close monitoring of accounts, and thus requires constant credit checks to weed out watchlist accounts and potential impaired loans. In better conditions, banks loosen lending policies and will seek to grow favourable portfolios, welcoming new credit applications. |
| Digital Banking | Digital banking, be it from the transformation of traditional financial institutions or new entrants of fintechs hailing from a variety of industries will start incorporating both full-fledged and micro-loans. The usage of alternative data in credit scoring is gaining momentum in Malaysia, as digital players such as e-wallet providers and lifestyle or ecosystem apps now seek to increase the total addressable market by targeting borrowers who may not have previously established a formal credit record. These alternative data are sourced from telecommunication payment records, payments made on the e-wallets and trade suppliers and vendors. Growing credit volumes bode well for the credit reporting industry, creating higher demand for innovative players who incorporate analytics from reliable alternative data in their product suite. |

Source: IDC Malaysia Analysis

In comparison to the global CRA industry, Malaysia is still in an early stage and offers strong growth opportunities across different verticals. From 2021 to 2025, the total addressable market ("TAM") is projected to grow by a CAGR of 28.2%. Based on development across advanced economies and on future solution rollouts in the Malaysia market, the high growth potential lies in the automotive, media technology, insurance, healthcare, real estate, retail and healthcare sectors which all have CAGR over 40% from 2016-2025E. The largest vertical by value is and will remain with the financial services sector at RM682.3 million in 2025E.

Table 2-14 TAM for Credit Reporting Industry Solutions by Industry

| RM' Million | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 16-20 | CAGR 16-25E | CAGR 21E-25E |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| Financial Services | 124.1 | 151.0 | 176.4 | 199.6 | 203.4 | 310.1 | 403.2 | 491.9 | 592.3 | 682.3 | 13.1% | 20.8% | 21.8% |
| Direct to consumer | 14.4 | 17.5 | 20.3 | 22.8 | 23.5 | 39.8 | 56.5 | 74.4 | 96.3 | 122.6 | 12.9% | 26.8% | 32.4% |
| Retail | 3.3 | 3.9 | 4.6 | 5.1 | 5.2 | 12.1 | 21.5 | 33.8 | 42.1 | 50.1 | 12.0% | 35.1% | 42.6% |
| Healthcare | 1.8 | 2.0 | 2.3 | 2.6 | 2.7 | 12.1 | 17.8 | 26.5 | 40.4 | 60.0 | 10.9% | 47.9% | 49.2% |
| Insurance | 4.8 | 6.0 | 7.1 | 7.8 | 8.0 | 12.4 | 19.3 | 27.2 | 38.1 | 52.9 | 13.7% | 30.5% | 43.7% |
| Telco and utilities | 4.9 | 6.0 | 7.1 | 7.9 | 8.1 | 13.1 | 18.5 | 26.1 | 34.2 | 44.6 | 13.3% | 27.8% | 35.8% |
| Automotive | 1.8 | 2.3 | 2.4 | 2.8 | 3.0 | 6.3 | 11.9 | 19.4 | 30.9 | 49.1 | 13.9% | 44.7% | 67.3% |
| Media Technology | 1.7 | 2.1 | 2.5 | 2.7 | 2.8 | 6.3 | 10.9 | 19.0 | 28.8 | 43.7 | 13.5% | 43.7% | 62.5% |
| Real Estate | 1.9 | 2.3 | 3.3 | 5.1 | 5.4 | 6.4 | 7.6 | 11.1 | 17.6 | 26.9 | 29.6% | 34.2% | 43.2% |
| Software and professional services | 1.8 | 2.2 | 2.5 | 2.7 | 2.9 | 4.8 | 6.2 | 8.8 | 9.5 | 9.3 | 12.9% | 21.6% | 21.2% |
| Total | 160.5 | 195.3 | 228.6 | 259.2 | 264.9 | 423.4 | 573.4 | 738.3 | 930.3 | 1,141.5 | 13.3% | 24.4% | 28.2% |

TAM defined as revenue opportunity available

Source: Company Annual Reports, IDC Malaysia Analysis.

3.0 Competitive Landscape. The privatisation of CRAs in Malaysia has introduced competitive forces between the seven registered CRAs. With CCRIS providing the most basic borrower information, private CRAs compete on the extent of their databases and range of value-added services. IDC Malaysia has profiled players that in IDC Malaysia's perspective compete with CTOS Digital for market share in the core solution suite of credit reporting and value-added services.

¹⁴ SME Performance 2019, Department of Statistics Malaysia (DOSM).

8. INDUSTRY OVERVIEW (Cont'd)



Table 3-1: Solutions and Services Comparison

| | CTOS Digital ¹ | CBM | Experian ² | CRIF | D&B | FIS ³ |
|----------------------|------------------------------------|-----|-----------------------|------|-----|------------------|
| CORE SOLUTIONS | Access to CCRIS | √ | √ | √ | | |
| | Credit Scoring ⁴ | √ | √ | √ | | |
| | Credit Rating ⁵ | √ | √ | √ | √ | |
| | Consumer Credit Report | √ | √ | √ | | √ |
| | Commercial Credit Report | √ | √ | √ | √ | √ |
| | - Business Information Report | √ | √ | √ | √ | √ |
| | - Credit Monitoring Service | √ | √ | √ | | |
| | - International Reports | √ | | √ | √ | |
| VALUE-ADDED SERVICES | Business Analytics | √ | √ | √ | √ | |
| | Fraud Prevention | √ | | | | |
| | Fraud Monitoring | √ | | √ | | |
| | Scoring/Rating Validation Services | √ | √ | √ | | |
| | Credit Decisioning & Analytics | √ | | √ | √ | |
| | Digital Onboarding/eKYC | √ | | √ | √ | |
| | Credit Risk Management | √ | | √ | | √ |
| | Credit Comparison Site | √ | | √ | | |
| | Identity Theft Protection | √ | | √ | | |
| | Tenant Screening | √ | | | | |

Notes: (1) Includes solutions and services offered by both entities under the holding company which are CTOS Data Systems and Basis. (2) The scope of solutions and services may not have use cases in Malaysia. (3) FIS specialises in credit enquiries for individuals and businesses that are specifically for motor vehicles and leasing purposes. (4) Credit scores are a numerical summary of the borrower's credit health derived from statistical models. (5) Credit ratings are expressed as a letter grade of the creditworthiness of the borrower, also derived from statistical models but are more often used for businesses and governments.

Source: Company websites as of 31 May 2021, IDC Malaysia Analysis.

Several players in the industry, like CTOS Digital, Experian and CRIF have also repositioned themselves within the industry to offer services that are not limited to credit reporting but also specialise in analytical abilities for deeper insights into the borrower and adjacent solutions like fraud and protection monitoring and digital onboarding systems.

3.1 Market Share. The market size of the industry is estimated to be at RM224.7 million in 2020. In the last 10 years, there has only been one new entrant in the industry, CRIF, a purchase of controlling stake in RAM Credit Information Sdn Bhd by Experian in 2019 and the acquisition of Basis by CTOS Digital in 2021.

Table 3-2: Market Share based on Revenue, 2018-2020

| Market Share based on Revenue ¹ | CTOS Digital ² | Experian ³ | CBM | FIS | D&B | CRIF ⁴ |
|--|---------------------------|-----------------------|------|------|------|-------------------|
| 2020 | 71.2% | 17.5% | 7.0% | 2.1% | 2.1% | 0.0% |
| 2019 | 69.9% | 19.6% | 6.4% | 2.1% | 1.9% | 0.1% |
| 2018 | 70.0% | 18.7% | 6.8% | 2.5% | 1.9% | 0.1% |

Notes: (1) Market shares for CBM, FIS, D&B and CRIF in the financial year ("FY") 2020 are based on IDC Malaysia's projections over FY2019 revenue which are the latest publicly available financial data. The market shares are also based on IDC Malaysia's estimates for FY2020 for companies with different reporting periods. Revenues reported may include revenue derived from non-credit reporting related activities, details of which are not available due to the limited disclosure requirements of private companies in Malaysia. (2) CTOS Digital consists of CTOS Data Systems that contributes 94.5% of the holding company's revenue for FY2020, and Basis which was acquired in January 2021. (3) Market share for Experian reflect an apportionment to a 12-month period of January – December 2020 based on latest unaudited management accounts. Historical market shares are also adjusted to account for a change in year end from 31 December 2019 to 31 March 2020. (4) CRIF was incorporated in 2019. The financial data used were of parent company, CRIF Sdn Bhd that is principally engaged in business information, credit reporting and other services. Source: Company Annual Reports available as at 31 May 2021, IDC Malaysia Analysis.

CTOS Digital is Malaysia's market leader of the credit reporting sector and currently has an estimated total of 71.2% market share by revenue based on the revenue of CTOS Data Systems and Basis in FY2020. CTOS Digital's market share is estimated to have increased from 69.9% in 2019 to 71.2% in 2020, thus recording the largest growth in market share recorded among the Malaysian CRAs.

3.2 Financial Benchmarks. The largest companies by market share were CTOS Digital¹⁵, Experian and CBM. Other competitors are relatively smaller, cumulatively taking up less than 5.0% of the market share in 2020. On average, the other five players recognised an estimated revenue of RM11.3 million versus CTOS Data Systems' RM132.8 million and Basis' RM7.1 million in 2020. CTOS Digital also recorded the highest earnings before interest, tax depreciation and amortisation ("EBITDA") margin amongst its top three peers by market shares in the same year, indicating that the Company has better optimised operations.

Table 3-3: Financial Comparison of Malaysia's Three Largest CRAs

| Revenue & Financial Ratios | CTOS Digital ¹ | Experian ² | CBM |
|--|---------------------------|-----------------------|--------------------|
| | 31 December FY2020 | 31 March FY2020 | 31 December FY2019 |
| Revenue (RM' million) | 140.5 | 46.0 | 12.5 |
| Three Year Revenue CAGR (%) ³ | 15.1 | 23.6 | 15.5 |
| EBITDA Margin (%) ⁴ | 36.9 | 24.0 | 13.9 |
| Return-on-Equity (%) ⁵ | 39.0 | 43.8 | -8.1 |

Notes: Based on latest publicly available financial statements. The revenue and financial ratios of Experian and CBM do not reflect the effects of the pandemic and the CCRIS COVID-19 fee waiver introduced in June 2020 that may have impact on recent financial performance. (1) CTOS Digital is the holding company of CTOS Data Systems that contributes 94.5% of the holding company's revenue for FY2020. The revenue and financial ratios of Basis are not included as the acquisition by CTOS Digital was only completed in January 2021. (2) Revenue of Experian was for a period of 15-months from 1 January 2019 to 31 March 2020 due to a change in the financial year-end. (3) Revenue CAGR is derived from financial information of the three latest financial year information available for each respective company. Revenue CAGR for EXPERIAN was apportioned to a 12-month period based on IDC analysis. (4) EBITDA margin computed based on EBITDA divided by revenue for the period. (5) Return-on-Equity computed based on profit after tax over average shareholders' equity. Source: Company Annual Reports extracted on 31 May 2021, IDC Malaysia Analysis.

¹⁵ Market share for CTOS Digital includes CTOS Data Systems and Basis.

8. INDUSTRY OVERVIEW (Cont'd)



CTOS Digital's larger revenue base can be attributed to its diversification in offering value-added services that have expanded beyond traditional credit reporting services, to adjacent solution verticals that include fraud analytics, digital onboarding solutions and identity theft protection. The acquisition of Basis has also contributed to the growth in CTOS Digital's market share, alongside the introduction of new solution verticals, i.e., international credit reports. The company's propensity for growth estimated from historical CAGR, coupled with the launch of new products in 2020 is expected to further drive this performance for the next five years.

Table 3-4: Barriers to Entry

| Barriers | Impact |
|-------------------|--|
| Regulation | CRAs are regulated by the Registrar Office of Credit Reporting Agencies and bound by the CRA Act. To establish a new CRA, foreign shareholding cannot exceed 70.0%, CRAs that have more than 51.0% of foreign shareholding are only allowed to operate a commercial credit reporting business. It is also mandatory for the CEO and two-thirds of its board members to be Malaysian citizens. As part of the CRA Act, CRAs need to have and maintain a minimum paid-up capital of RM1.0 million unimpaired losses. It is also compulsory for a CRA to ensure that credit information is accurate, up-to-date, complete, relevant and not misleading. Being an industry that is highly regulated, it makes it difficult for new CRAs to enter the market. |
| Security | CRAs handle, process and analyse customer's highly confidential information. In this regard, taking the necessary cybersecurity precautions to avoid loss, misuse, modification, unauthorised or accidental access is imperative. To build a cyber-resilient organisation it is critical to not only have the right cybersecurity tools in place but also to educate and train employees on their social responsibility and business ethics to maintain cyber hygiene and prevent data breaches. This, together with the security requirement of the CRA Act creates a high barrier to entry for new CRAs. |
| Database | For a CRA to report on consumer and business credit behaviour, it is necessary to have access to a large database to build the algorithm and analytics necessary for modelling credit scores. This is a challenge for new entrants who might have limited access to data and lack historical information on consumers and businesses. Stiff competition from existing CRAs, with some having collected proprietary data for over 20-30 years, makes it challenging for a new entrant to offer the same amount of insights. Furthermore, getting access and approval from the necessary governmental agencies and other data sources are additional steps which a new entrant will have to take. |
| Brand Recognition | As CRAs provide and collect sensitive customer information, customer trust and brand recognition are important. New entrants would need to compete against established CRAs that have become household names and win over customers to build their database and expertise from the ground up. Organisations such as CTOS Digital have built a reputation for having one of the largest electronic trade reference databases in the country, making the barriers to entry significantly high for new entrants into the credit reporting industry. |

Source: IDC Malaysia Analysis

4.0 Prospects and Outlook for CTOS Digital

Behaviour of consumers across the world is changing and the shifts to online for spending and other services have only been accelerated by the COVID-19 pandemic. New technologies will play a huge role in driving credit reporting growth. This shift will increase the need for real-time credit decisioning in digital ecosystems, creating significant opportunities for a CRA which can scale and connect the credit ecosystem to multiple industries from new data sets on customers.

CTOS Digital which offers a digital end-to-end portfolio is in a good position to capture future growth of the changing CRA landscape. CTOS Digital's track record for its existing digital solutions, such as CTOS IDGuard, for which it is a pioneer in the industry and the only fraud bureau in Malaysia that offers this solution, shows its commitment towards new technology. Additionally, as CTOS Digital works closely with their customers to facilitate digital transformation of their credit management processes, it has exhibited the development of new value-added digital solutions which has been customised to customers' needs. This further differentiates the Company from most of their local and regional peers.

In Malaysia, the second largest CRA market in ASEAN by revenue, CTOS Digital's market share as of 2020 was 71.2%, putting it in a favourable position to further grow its revenue locally. IDC Malaysia anticipates the Malaysian CRA market to grow to RM405.6 million by 2025. CTOS Digital's associate company, Experian, is also the second largest by revenue in the Malaysian market at the end of 2020. Other countries with strong growth potential are Thailand, Vietnam and Indonesia, which are still in a nascent stage of the credit reporting industry. CTOS Digital's growth strategy of acquiring complementary businesses has enabled it to gain a strong foothold into the Thailand market in 2020. Through its 20.0% equity interest in BOL, CTOS Digital is expanding its digital solution portfolio and customer base. Even in the home market, Malaysia, CTOS Digital recently acquired the entire equity interest in Basis which further grows CTOS Digital's current local market share by revenue by 3.6%.

BOL has over 20 years' experience and is among the largest credit and company information bureaux in its local market, based on revenue. In 2020, BOL market share for Thailand was 59.0% based on revenue. This overseas interest serves to further strengthen CTOS Digital's market knowledge and development across the region. Through its existing market presence across multiple markets and market position in the markets it operates in (as the largest CRA in Malaysia by revenue and via its 20.0% equity interest in BOL, the largest CRA in Thailand by revenue), CTOS Digital is a leading regional market leader for credit bureaux in ASEAN.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

9.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Profiles of our Promoter and substantial shareholders

(i) Inodes as our Promoter and substantial shareholder

Inodes was incorporated in the BVI under the BVI Business Companies Act, 2004 on 5 June 2014 as a special purpose vehicle to hold investments of the Funds including their investment in our Company. As at the LPD, the only other investment held by Inodes is a 51.0% equity interest in Credisense. Credisense is principally engaged in software development. Credisense has been providing services to CTOS Data Systems pursuant to a master software licence and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support. For more details on the services provided by Credisense to CTOS Data Systems, see Section 10.1.2(ii) of this Prospectus.

The shareholders of Inodes and their respective shareholdings in Inodes as at the LPD are as follows:

| Shareholder | Registration no. | Country of incorporation | Direct | | Indirect | |
|----------------------------------|------------------|--------------------------|------------------------|------|------------------------|---|
| | | | No. of ordinary shares | % | No. of ordinary shares | % |
| Creador II ⁽¹⁾ | 117134 C1/GBL | Republic of Mauritius | 46,965,294 | 78.6 | - | - |
| Creador II L.P. ⁽²⁾ | L40 C1/ GBL | Republic of Mauritius | 2,384,706 | 4.0 | - | - |
| Siguler Guff BRIC ⁽³⁾ | 4815788 | United States | 4,000,000 | 6.7 | - | - |
| MIT Investments ⁽³⁾ | 4709204 | United States | 4,441,029 | 7.4 | - | - |
| Siguler Guff FM ⁽³⁾ | 5216376 | United States | 2,000,000 | 3.3 | - | - |

Notes:

- (1) A public company limited by shares with limited life, formed under the laws of the Republic of Mauritius and licensed by the Financial Services Commission of the Republic of Mauritius to operate as a closed-end fund.
- (2) A limited partnership formed under the laws of the Republic of Mauritius and licensed by the Financial Services Commission of the Republic of Mauritius to operate as a closed-end fund.
- (3) A limited partnership formed under the laws of the state of Delaware under the Limited Partnership Act of Delaware.

Each of the Funds is managed by its respective fund manager which is responsible for the conduct and affairs of each of the Funds.

The fund manager of Creador II and Creador II L.P., namely Creador Management Company II Ltd is formed under the laws of the Republic of Mauritius as a private company limited by shares with limited life and holds a collective investment scheme manager licence granted by the Financial Services Commission of the Republic of Mauritius. Accordingly, Creador Management Company II Ltd manages the portfolio investment of Creador II which includes its investment in our Company through Inodes.

The fund manager of Siguler Guff BRIC and Siguler Guff FM, namely Siguler Guff Advisers, LLC, is formed under the laws of the state of Delaware as a limited liability company. The fund manager of MIT Investments, namely its general partner, MIT, a charitable corporation, is duly formed under the laws of the Commonwealth of Massachusetts.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

The Funds' interests in our Company, being one of their investee companies, are for investment purposes only where they do not participate in the day-to-day management and operations of such investee companies.

As at the LPD, the Funds are diversely owned by 151 limited partners/shareholders which include institutions such as university endowment funds, pension funds, fund of funds, foundations, not-for-profit organisations and family offices from North America, Europe and Asia. Creador II, which is the only controlling shareholder of Inodes, is held by shareholders with interests ranging from 0.03% to 8.31% in Creador II.

No single limited partner/shareholder of the Funds has any control or ability to participate in the management of the Funds or ultimately the Funds' investee companies, including Inodes.

(ii) **Chung Tze Keong as substantial shareholder**

Chung Tze Keong, a Malaysian aged 65, is our substantial shareholder and one of the co-founders of our Group.

From October 1980 to May 1981, he joined United Orient Leasing Sdn Bhd as a credit officer where his primary responsibilities were marketing and conducting credit evaluation. From May 1981 to June 1986, he was a branch manager with The Pacific Bank Berhad (subsequently merged with Malayan Banking Berhad) where he was responsible for processing of credit applications and management of the branch office. From June 1986 to June 1988, he joined Prudential Assurance Malaysia Berhad as a sales officer. From June 1988 to November 1990, he joined Isijaya Sdn Bhd as a general manager where he was primarily involved in sales and marketing as well as finance related matters.

In November 1990, he co-founded CTOS Sdn Bhd with Chung Tze Wen which was the starting point of the formation of our Group. From November 1990 to July 2014, he was the Chief Executive Officer of CTOS Sdn Bhd, and from July 2014 until November 2020, he was a director of our Company.

He obtained a Diploma in Industrial Studies and Bachelor of Science (Hons) in Accounting and Financial Management from Loughborough University, United Kingdom in 1980.

(iii) **Chung Tze Wen as substantial shareholder**

Chung Tze Wen, a Malaysian aged 63, is our substantial shareholder and one of the co-founders of our Group.

In February 1984, he joined Computer Management Associates Pte Ltd in Singapore where he worked as a system analyst involved in system design and programming until August 1986. From September 1986 to April 1988, he worked as a system analyst with Wang Computers Pte Ltd in Singapore. From June 1988 to November 1990, he served as the head of the IT department and a director of Isijaya Sdn Bhd.

In November 1990, he co-founded CTOS Sdn Bhd with Chung Tze Keong which was the starting point of the formation of our Group. He was also a director of our Company from July 2014 until November 2020. In addition to this, he was the head of the IT department of CTOS Sdn Bhd until July 2014.

He obtained a Bachelor of Science Degree from the University of Manchester, United Kingdom in 1981 and thereafter obtained a Diploma in Systems Analysis from the National University of Singapore, Singapore in 1983.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.1.2 Shareholding of our Promoter and substantial shareholders

The following tables set out the direct and indirect shareholding of our Promoter and substantial shareholders before and after our IPO:

| Name | Nationality/ Country of incorporation | Before our IPO ⁽¹⁾ | | | After our IPO ⁽²⁾ | | | | |
|---|---|-------------------------------|----------|------------------|------------------------------|----------|------------------|---------|------|
| | | Direct | Indirect | Indirect | Direct | Indirect | | | |
| | | No. of Shares | % | No. of Shares | No. of Shares | % | No. of Shares | | |
| Promoter and substantial shareholder | | | | | | | | | |
| Inodes | BVI | 1,600,000 | 80.0 | - | - | 880,000 | 40.0 | - | |
| Substantial shareholders | | | | | | | | | |
| Creator II | Republic of Mauritius | - | - | 1,600,000 | 80.0 ⁽³⁾ | - | - | 880,000 | 40.0 |
| Chung Tze Keong | Malaysian | 180,000 | 9.0 | - | - | 99,000 | 4.5 | - | |
| Chung Tze Wen | Malaysian | 180,000 | 9.0 | - | - | 99,000 | 4.5 | - | |

Notes:

- (1) Based on our issued share capital of 2,000,000,000 Shares after the Subdivision.
- (2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing.
- (3) Deemed interested by virtue of its interest in our Company via Inodes pursuant to Section 8(4) of the Act.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.1.3 Changes in our Promoter's and substantial shareholders' shareholdings in our Company for the past three years

Save as disclosed below, there has been no change in our Promoter's and substantial shareholders' shareholdings in our Company for the past three years preceding the LPD:

| Name | As at 31 December 2017 | | | As at 31 December 2018 | | | As at 31 December 2019 | | | |
|---|------------------------|--------------------|---------------------|------------------------|--------------------|---------------------|------------------------|--------------------|------|---------------------|
| | Direct | Indirect | | Direct | Indirect | | Direct | Indirect | | |
| | No. of Shares '000 | No. of Shares '000 | % | No. of Shares '000 | No. of Shares '000 | % | No. of Shares '000 | No. of Shares '000 | % | |
| Promoter and substantial shareholder | | | | | | | | | | |
| Inodes | 75,000 | - | 75.0 | 80,000 | - | 80.0 | 80,000 | - | 80.0 | - |
| Substantial shareholders | | | | | | | | | | |
| Creador II | - | 75,000 | 75.0 ⁽¹⁾ | - | 80,000 | 80.0 ⁽¹⁾ | - | 80,000 | - | 80.0 ⁽¹⁾ |
| Chung Tze Keong | 11,250 | - | 11.25 | 9,000 | - | 9.0 | 9,000 | - | 9.0 | - |
| Chung Tze Wen | 11,250 | - | 11.25 | 9,000 | - | 9.0 | 9,000 | - | 9.0 | - |

| Name | As at 31 December 2020 | | | As at the LPD | | |
|---|------------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| | Direct | Indirect | | Direct | Indirect | |
| | No. of Shares '000 | No. of Shares '000 | % | No. of Shares '000 | No. of Shares '000 | % |
| Promoter and substantial shareholder | | | | | | |
| Inodes | 80,000 | - | 80.0 | 80,000 | - | 80.0 |
| Substantial shareholders | | | | | | |
| Creador II | - | 80,000 | 80.0 ⁽¹⁾ | - | 80,000 | 80.0 ⁽¹⁾ |
| Chung Tze Keong | 9,000 | - | 9.0 | 9,000 | - | 9.0 |
| Chung Tze Wen | 9,000 | - | 9.0 | 9,000 | - | 9.0 |

Note:

(1) Deemed interested by virtue of its interest in our Company via Inodes pursuant to Section 8(4) of the Act.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.2 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the MCCG which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies.

Our Company has adopted the recommendations under the MCCG to have a Board comprising a majority of Independent Non-Executive Directors.

With that, our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively. Our Board is also committed to achieving and sustaining high standards of corporate governance.

Within the limits set by our Constitution, our Board is responsible for the governance and management of our Group. To ensure the effective discharge of its functions, our Board has set out the following key responsibilities in the board charter:

- (i) Set corporate values and promote good corporate governance culture within our Group, which reinforces ethical, prudent and professional behaviour to ensure our obligations to shareholders and stakeholders are met;
- (ii) Consider, vet, challenge, review and approve management's proposals for our Group on matters including but not limited to the overall corporate strategy, business plan, annual budgets and regulatory plan, and monitor its implementation by management;
- (iii) Review and approve and oversee the implementation of strategic initiatives and business plans of our Group including corporate business restructuring or streamlining and strategic alliances, to ensure they support sustainability and long term value creation for our Group taking into consideration economic, environmental and social and governance (ESG) considerations;
- (iv) Evaluate, modify (if deemed necessary) and approve modifications to the approved business plans and annual budgets (including capital expenditure budget) based on a fair evaluation and robust discussion of the underlying assumptions;
- (v) Support the management on key stakeholder engagements related to initiatives critical to the success of the business, including but not limited to meeting facilitation with key clients, data providers, industry associations/representative bodies, as well as relevant government agencies and/or regulators;
- (vi) Formulate, review, approve and ensure compliance of all major policies of our Group;
- (vii) Ensure that all members of our Board and the management have the necessary skills and experience, and there are measures in place to provide for the orderly succession of our Board members and our Group Chief Executive Officer;
- (viii) Oversee the conduct of our Group's business to evaluate, supervise and assess management performance, including:
 - (a) Whether the business is being properly managed;
 - (b) To evaluate and approve the selection and terms of reference of management;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (c) To define and approve Key Performance Indicators (“KPIs”) for management performance measurement and evaluate their achievement against the agreed KPIs;
- (d) To evaluate and approve management compensation;
- (ix) Identify principal business risks faced by our Group and ensure the implementation of an appropriate internal controls and risk management framework to mitigate and address such risks;
- (x) Set the risk appetite within which our Board expects management to operate, and ensure that there is an appropriate risk management framework and internal controls to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (xi) Establish the appropriate Board sub-committees where required, and be responsible for all decisions made by the sub-committees;
- (xii) Review the adequacy and integrity of our Group’s financial and non-financial reporting, internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines at least on a quarterly basis;
- (xiii) Deliberate on proposals presented and recommended, including those proposed by our Board’s sub-committees at least on a quarterly basis;
- (xiv) Ensure that our Group has in place procedures to enable effective communication with our shareholders and stakeholders;
- (xv) Review and approve the financial statements encompassing annual audited accounts, dividend policy, credit facilities from financial institutions and guarantees;
- (xvi) Approve the appointment of all external advisers and their related advisory fees subject to the approved authorised limits; and
- (xvii) Carry out or perform such other functions as deemed necessary in the discharge of its fiduciary duties under the relevant laws, rules and regulations.

In addition, the roles and responsibilities of our Independent Non-Executive Chairman are clearly segregated to further enhance and preserve a balance of authority and accountability. Our Independent Non-Executive Chairman is primarily responsible for the following:

- (i) Providing leadership for our Board so that its members can perform its responsibilities effectively, this includes taking a leading role in establishing effective corporate governance system and practices;
- (ii) Setting the board agenda for each board meeting, with the assistance of our company secretaries and our Group Chief Executive Officer;
- (iii) Ensuring the provision of accurate, complete and timely information to the members of our Board to facilitate decision-making;
- (iv) Promoting constructive and respectful relations between Board members and managing the interface between our Board and the management;
- (v) Lead Board meetings and discussions by encouraging active participation and allowing dissenting views to be freely expressed;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (vi) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to our Board as a whole;
- (vii) Ensuring that prior to any new appointments to our Board, an assessment is undertaken on the candidate to ensure they have the necessary skills, expertise and diversity to carry out their fiduciary duty; and
- (viii) Ensuring that succession planning of our Board and our Group Chief Executive Officer is considered on an ongoing basis.

On the other hand, our Group Chief Executive Officer is primarily responsible for execution of the business plan in line with our Board's direction and drives the business and performance towards achieving our Group's vision and goals as well as the day-to-day management of our Group, within the authorities as delegated by our Board.

The details of the members of our Board and the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

| Director | Designation | Age | Date of appointment | Date of expiration of the current term of office | No. of years and months in office |
|----------------------------------|--|------------|----------------------------|---|--|
| Tan Sri Izzuddin Bin Dali | Independent Non-Executive Chairman | 72 | 15 August 2014 | Subject to retirement by rotation at the AGM in 2021 | 6 years and 9 months |
| Dato' Noorazman Bin Abd Aziz | Independent Non-Executive Director | 65 | 24 February 2020 | Subject to retirement by rotation at the AGM in 2022 | 1 year and 3 months |
| Datuk Azizan Bin Haji Abd Rahman | Independent Non-Executive Director | 65 | 1 October 2014 | Subject to retirement by rotation at the AGM in 2022 | 6 years and 8 months |
| Dennis Colin Martin | Non-Independent Executive Director / Group Chief Executive Officer | 57 | 1 November 2020 | Subject to retirement by rotation at the AGM in 2021 | 6 months |
| Loh Kok Leong | Non-Independent Non-Executive Director | 50 | 15 August 2014 | Subject to retirement by rotation at the AGM in 2022 | 6 years and 9 months |
| Lynette Yeow Su-Yin | Independent Non-Executive Director | 51 | 1 October 2020 | Subject to retirement by rotation at the AGM in 2021 | 7 months |
| Nirmala A/P Doraisamy | Independent Non-Executive Director | 54 | 1 April 2021 | Subject to retirement by rotation at the AGM in 2021 | 2 months |
| Su Puay Leng | Independent Non-Executive Director | 51 | 27 May 2021 | Subject to retirement by rotation at the AGM in 2021 | Less than 1 month |
| Wong Pau Min | Alternate Director to Loh Kok Leong | 39 | 15 February 2021 | Nil | 3 months |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

None of our Directors represent any corporate shareholder on our Board except for Wong Pau Min and Loh Kok Leong, who are representatives of Inodes on our Board. Further, there are no family relationships between our Directors.

9.2.1 Profiles of our Directors**(i) Tan Sri Izzuddin Bin Dali**

Tan Sri Izzuddin Bin Dali, a Malaysian aged 72, is our Independent Non-Executive Chairman. He was appointed to our Board on 15 August 2014.

He currently serves as the Independent Non-Executive Chairman of TCS Group Holdings Berhad, which is listed on the ACE Market of Bursa Securities, Chairman and director of Prima Gading Corporation Sdn Bhd, director of The Solid Kitchen Manufacturing Sdn Bhd and Chairman of MMSB Projects Sdn Bhd.

Tan Sri Izzuddin Bin Dali served in the public sector for 34 years in various departments in several ministries in the Government. He began his career in March 1972 in the Administration Division of the MOF where he worked on matters relating to the Government's financial control and procedures. He was then transferred to the Budget Division in 1975 where he assisted in budget matters followed by the Finance and Finance and Loan Division in 1981, where he was responsible for coordinating loans for the Government from bilateral sources. In 1982, he was sent to further his studies under a Government training program where he obtained his master's degree. Upon completing his course, he joined the Economics and International Division in September 1983 as a Principal Assistant Secretary where he was responsible for monitoring and analysing the Government's financial position. From 1983 to 1985, he worked at the Economics and International Division, before subsequently returning to the Budget Division in 1985, where he served as a Senior Assistant Director, responsible for the preparation of the budgets for the Ministry of Works and Ministry of Transport.

In 1993, he was seconded by the MOF to serve as the General Manager of KLIA Berhad where he oversaw the Administration/Company Secretarial Division, and also served as the company secretary. He returned to the MOF in 1999 as the Director of Budget Division, where he was responsible for the preparation and formulation of the Government's budget. He was later appointed as the Secretary General of the Ministry of Works in 2003 where he was responsible for the formulation of policies in respect of the Ministry of Works. He was reassigned to the MOF in August 2004 to serve as the Secretary General, MOF where he coordinated the overall formulation of policies until his retirement in March 2007.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

During his tenure in Government service, he sat on the boards of a number of government-linked companies and organisations, holding positions such as Chairman of Lembaga Hasil Dalam Negeri from 2004 to 2007, director of UDA Holdings Berhad from 1999 to 2003, board member of BNM from 2004 to 2007 and Non-Independent Non-Executive director of Malaysian Airline System Berhad from 2004 to 2007. After his retirement from Government service in March 2007, he served on the boards of a number of public and private companies in Malaysia including acting as Independent Non-Executive Chairman of Luster Industries Berhad from 2007 to 2008, director of the International Islamic Trade Finance Corporation, a subsidiary of The Islamic Development Bank in Jeddah, Saudi Arabia from 2007 to 2010, Group Chairman of Syarikat Prasarana Negara Berhad from 2009 to 2011, Independent Non-Executive director of Naim Holdings Berhad from February 2013 to May 2016 and director of MMSB Projects Sdn Bhd from October 2015 to April 2019.

He obtained a Bachelor of Economics (Hons) in Public Administration from Universiti Malaya, Malaysia in 1972 and a Master of Arts in Economics from the Western Michigan University, United States in 1983.

(ii) **Dato' Noorazman Bin Abd Aziz**

Dato' Noorazman Bin Abd Aziz, a Malaysian aged 65, is our Independent Non-Executive Director. He was appointed to our Board on 24 February 2020. He is also a member of our Audit and Risk Committee and our Nomination and Remuneration Committee.

He is currently serving as the Non-Independent Non-Executive Chairman of UEM Sunrise Berhad, and is a Non-Independent Non-Executive director of UEM Edgenta Berhad, an Independent Non-Executive director of Kumpulan Perangsang Selangor Berhad and an Independent Non-Executive director of Hong Leong Financial Group Berhad, which are all listed on the Main Market of Bursa Securities, and a director of PLUS Malaysia Berhad. He also currently serves as Chairman of the Board of Trustees of Yayasan UEM and International Centre for Education in Islamic Finance (INCEIF). He is also a member of the Investment Panel of Kumpulan Wang Persaraan (Diperbadankan) (KWAP), the global advisory board of Creador and the limited partner advisory committee of Ancora Fund Management Co. in Indonesia as well as an advisor at Vynn Capital Sdn Bhd. In his capacity as a member of the global advisory board of Creador, he participates in the discussion on prospective investments of Creador but excludes any matters relating to our Group.

Dato' Noorazman has over 37 years of experience in banking and finance, investments and capital markets. He began his career in Pernas International Holdings Berhad in March 1982 until April 1985 where he was the Senior Corporate Services Executive. He joined Citibank Berhad from May 1985 to April 2001 as a Senior Vice President, where he managed the corporate banking and treasury products offering to Citibank Berhad's clients. He then joined the Labuan Financial Services Authority (formerly known as Labuan Offshore Financial Services Authority) ("**Labuan FSA**"), the statutory body responsible for the development and administration of the Labuan International Business and Financial Centre ("**Labuan IBFC**"), the financial centre established in Labuan as a mid-shore jurisdiction, where he was the Director General from May 2001 to April 2003. From July 2003 to May 2004, he was appointed as the Chief Operating Officer of Bursa Securities (then known as Kuala Lumpur Stock Exchange Berhad), where he was responsible for commercial operations and oversaw the demutualisation of the exchange.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

From June 2004 to March 2005, he returned to Citibank Berhad where he was the Managing Director and Head of Corporate and Investment Banking, responsible for the strategy and planning of the growth and profitability of the corporate and investment banking division. From April 2005 to June 2006, he was appointed as the Managing Director and Chief Executive Officer of Bank Islam Malaysia Berhad where he led the restructuring and reorientation of the bank's corporate banking business strategy.

In June 2006 he was appointed as the Managing Director and Chief Executive Officer of BIMB Holdings Berhad where he oversaw the commercial operations of its subsidiaries including Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Berhad, BIMB Securities Sdn Bhd and Syarikat Al-Ijarah Sdn Bhd. In November 2007, he became the co-founder and Managing Director of Fajr Capital Ltd until April 2010. He was responsible for fundraising and investments related matters while he was at Fajr Capital Ltd. From May 2010 to May 2019, he was an Executive Director, Investments at Khazanah Nasional Berhad, the sovereign wealth fund of Malaysia where he was responsible for overseeing the investments and divestments activity in the infrastructure sector and in countries within the Organisation of Islamic Cooperation (OIC).

He was previously a director of Asian Finance Bank Berhad from November 2007 to September 2015, PLUS Expressways International Berhad from March 2012 to February 2017, Felda Investment Corporation Sdn Bhd from April 2017 to October 2018, UEM Group Berhad from October 2010 to September 2019 and Projek Lebuh raya Usahasama Berhad from October 2018 to November 2019.

He obtained a Bachelor of Science (Finance) from Louisiana State University, United States in 1982. He is a practising member of the Chartered Institute of Islamic Finance Professionals (CIIF) since 2017, a member of the Australian Institute of Company Directors since 2018 and a member of the Institute of Corporate Directors Malaysia since 2020.

(iii) **Datuk Azizan Bin Haji Abd Rahman**

Datuk Azizan Bin Haji Abd Rahman, a Malaysian aged 65, is our Independent Non-Executive Director. He was appointed to our Board on 1 October 2014. He is also the Chairman of our Audit and Risk Committee.

He currently serves as the Chairman of MIDF Amanah Investment Bank Berhad. He is also a director of Azizan Abd Rahman Associate Sdn Bhd, Cagamas Berhad, Cagamas SRP Berhad, City Credit Investment Bank Limited, Labuan, Kensington Trust Malaysia Berhad, Malaysian Industrial Development Finance Berhad, OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad and Danum Capital Berhad.

He started his career in 1979 with BNM, where he worked for 22 years, accumulating a wide range of experience in finance, supervision and examination. He rose through the ranks from a Senior Executive to become Senior Assistant Manager of the Supervision Department from 1979 to 1992. Subsequently, he pursued his MBA from 1993 to 1994. In 1995, he returned to BNM as the Director of Finance Department. He was appointed as the Director of Supervision Department of BNM from 1998 to 2004 where he was responsible for the supervision of banking institutions operating in Malaysia. From July 2005 to September 2011, he served as the Director General of the Labuan FSA. From November 2020 to April 2021, he served as the Chairman of the Labuan FSA.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He obtained a Bachelor of Accounting (Hons) from Universiti Malaya, Malaysia in 1979 and obtained an MBA from the University of Queensland, Australia in 1994. He has been a Chartered Accountant of the MIA since 1984. He also obtained his Certified Practising Accountant (“CPA”) certificate in 1995 and he has been a fellow member of CPA Australia since 2011.

(iv) Dennis Colin Martin

Dennis Colin Martin, a citizen of New Zealand aged 57, is our Non-Independent Executive Director and Group Chief Executive Officer. He joined us in March 2017 as Group Chief Executive Officer and was appointed to our Board on 1 November 2020. In his role as our Group Chief Executive Officer, he leads and manages our Group on strategic and financial areas of responsibility. He reports to our Board on the strategic direction and vision developed by our Board. He is also responsible for the overall regional expansion of our Group and oversees all of our Company’s Malaysian subsidiaries. His other board position includes Non-Independent Non-Executive director of BOL, which is listed on the Stock Exchange of Thailand. From June 2020 to April 2021, he was the Chairman of CIBI. From March 2020 to April 2021, he was a director of CIBI Holdings.

He has over 20 years of experience in the credit reporting industry and 16 years of experience in the banking sector. He also sat as a member of the boards of directors of multiple credit bureaux. He started his career in Bank of New Zealand (now part of National Australia Bank) in January 1981 and rose through the ranks to the position of Regional Credit Manager, and left Bank of New Zealand in January 1997. Between 1997 and 2005, he served in several different roles with Baycorp Advantage (New Zealand) Limited (“**Baycorp**”), a credit bureau based in Australia and New Zealand. While he was attached with Baycorp, he served as the Key Account Manager from January 1997 to December 1998 before being subsequently promoted to the role of Senior Sales Manager in January 1999. He was then appointed to several roles, namely Senior Advisor, Client Solutions based in Singapore from January 2000 to January 2001, Director of Business Development, International Business Solutions from January 2001 to January 2002, General Manager, CreditScan (Singapore), a credit bureau which was part of Baycorp, from January 2002 to January 2003 and finally International Business Manager of Baycorp from January 2003 to January 2005.

He subsequently joined Experian Asia Pacific Holdings Pte Ltd (“**Experian Asia Pacific**”) in Hong Kong in 2005 as the Director of Credit Services. He was subsequently appointed as the Managing Director, Credit Services Asia Pacific based in Singapore from January 2007 to March 2011. He was responsible for the oversight of their operations for the Asia Pacific region. He was then appointed as the Managing Director for South East Asia operations based in Singapore from April 2011 to June 2012, responsible for Experian Asia Pacific’s operations in South East Asia. From June 2012 to December 2012, he was appointed as the Vice President of Strategy and Sales of Experian Asia Pacific based in New Zealand.

He joined CoreLogic (New Zealand) Limited, as the General Manager, Corporate Solutions from May 2013 to February 2014. He then joined Dun & Bradstreet (New Zealand) Limited as Managing Director from February 2014 to December 2015, where he oversaw all aspects of the business including consumer credit bureau, debt collection and business information. Subsequently, he served as the owner and principal consultant of MicDan Consulting, a sole proprietorship, from January 2016 to January 2017 before joining our Group.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(v) Loh Kok Leong

Loh Kok Leong, a Malaysian aged 50, is our Non-Independent Non-Executive Director. He was appointed to our Board on 15 August 2014. He is also a member of our Nomination and Remuneration Committee.

He is a Senior Managing Director at Creador. He is also currently a director of BWY Group Sdn Bhd, BWY Holdings Sdn Bhd, Iris Pallida Sdn Bhd, BIG Pharmacy Healthcare Sdn Bhd, BIG Pharmacy Holdings Sdn Bhd, MyPharmacy Group Sdn Bhd, D'Apotic Healthcare Sdn Bhd, D'Apotic Pharmacy Sdn Bhd, which are investee companies of Creador. He is also a director of Aigeus Capital Sdn Bhd, Essensia Sdn Bhd and Oryza Food Industries Sdn Bhd. He was previously a Non-Independent Non-Executive director of Asiamet Education Group Berhad (now known as Asiamet Education Group Sdn Bhd) from April 2015 to May 2018.

His career began in August 1996 when he joined Astro Malaysia Holdings Berhad as an Executive until he became a Manager in December 1998. In January 2000, he joined the Boston Consulting Group Sdn Bhd ("**BCG**") as a Consultant and rose through the ranks to the position of Partner and Managing Director. In January 2009, he founded Aigeus Capital Sdn Bhd, where he managed the businesses of the consulting company until October 2013. He then joined Creador in November 2013 as a Managing Director and became a Senior Managing Director of the firm in August 2018 until now.

He obtained a Bachelor of Science in Business Administration from Hawaii Pacific University, United States in 1994 and an MBA from the same university in 1996.

(vi) Lynette Yeow Su-Yin

Lynette Yeow Su-Yin, a Malaysian aged 51, is our Independent Non-Executive Director. She was appointed to our Board on 1 October 2020. She is also the Chairman of our Nomination and Remuneration Committee.

She is currently serving as a Consultant in Messrs Sanjay Mohan. She is an Independent Non-Executive director of Malaysia Building Society Berhad, which is listed on the Main Market of Bursa Securities. She is also a Board Member of the SC and a member of the SC's Take-Overs and Mergers Committee. She is a Trustee of The Datai Pledge, a conservation and sustainability programme initiated by The Datai, Langkawi.

She has been in practice in Malaysian law firms since January 1995, specialising in corporate and securities laws, mergers and acquisitions and capital markets. She joined the legal profession in January 1995 as a legal assistant in Messrs Lee Hishammuddin, where she remained until April 1995. From June 1995 to November 1997, she was a legal assistant in Messrs Lee Choon Wan & Co. Subsequently, from January 1998 to November 1998, she joined Messrs Rashid & Lee as a legal assistant. She then joined Messrs Raslan Loong in November 1998 as a legal assistant where in January 2000, she became a partner of the same legal firm until her departure in August 2002. From September 2002 to April 2011, she was a partner in Messrs Zaid Ibrahim & Co. From May 2011 to April 2012, she joined Kadir Andri & Partners as a partner. She took a career break and subsequently returned to the same position from January 2014 to October 2015. Subsequently, she joined Messrs Chua Associates as a partner in November 2015 and in April 2018, she became a Consultant in the same legal firm until December 2018. She joined Messrs Sanjay Mohan in January 2019 and serves as a Consultant in the same firm until now.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

She obtained a Bachelor of Arts in Law from the University of Cambridge, United Kingdom in 1992 and was conferred a Master of Arts in Law from the same university in 1996. She has been an advocate and solicitor of the High Court of Malaya and a member of the Malaysian Bar since 1994.

(vii) **Nirmala A/P Doraisamay**

Nirmala A/P Doraisamy, a Malaysian aged 54, is our Independent Non-Executive Director. She was appointed to our Board on 1 April 2021. She is also a member of our Audit and Risk Committee.

She is currently serving as an advisor at Credience Malaysia Sdn Bhd. She is an Independent Non-Executive director of both Petronas Dagangan Berhad and Evergreen Fibreboard Berhad, both of which are listed on the Main Market of Bursa Securities. She is also a member of the Auditing and Assurance Standards Board of the MIA. She was previously an Independent Non-Executive director of Ecobuilt Holdings Berhad from August 2013 to November 2019, a director of Essential Corporate Resources Sdn Bhd from April 2012 to December 2016, and a director of Teaq IP International Sdn Bhd from July 2013 to August 2016.

Nirmala has over 30 years of experience in banking and finance, risk management and advisory work. She commenced her career in March 1990 as an Officer in the Branch Operations and Credit Department at BSN Commercial Bank (Malaysia) Berhad until September 1992. From October 1992 to May 1994, she was a Senior Credit Officer at MBf Finance Berhad. She joined Affin Bank Berhad in June 1994 as an Executive, where she was involved in end to end credit functions and specialised in the evaluation and approval of business loans, and was promoted to a Manager in June 1999. She then became a Vice President in December 2000, where she remained until May 2005. From November 2005 to January 2007, she was the Group Risk Manager at Alliance Bank Malaysia Berhad. From July 2007 to December 2011, she was the Head of the Risk Management Department at Credit Guarantee Corporation Malaysia Berhad. From March 2012 until July 2019, she provided advisory services to audit firms, banks and companies on various ad-hoc projects on a contractual basis and during such period, she was also appointed as an Executive Director at Credience Malaysia Sdn Bhd from October 2012 where she held such position until July 2019. She continued to serve as an advisor in the same company from August 2019 until now.

She obtained a Bachelor of Economics (Hons) from Universiti Malaya, Malaysia in 1989 and an MBA from the International Islamic University Malaysia, Malaysia in 2008. She has been a Chartered Accountant of the MIA since 2017. She is a Chartered Global Management Accountant and a Fellow of the Chartered Institute of Management Accountants (“CIMA”).

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(viii) Su Puay Leng

Su Puay Leng, a Malaysian aged 51, is our Independent Non-Executive Director. She was appointed to our Board on 27 May 2021.

She is currently the Head of Legal of Maxis Berhad and its subsidiaries (“**Maxis Group**”). She commenced her career in July 1993 at Messrs Skrine and was admitted as an advocate and solicitor of the High Court of Malaya in June 1994. From July 1994 to August 1999, she was a legal assistant at Messrs Skrine. Subsequently, she joined Maxis Mobile Sdn Bhd in September 1999 as an Assistant Manager in the legal department, where she rose through the ranks to the position of General Manager in March 2008. In January 2015, she was promoted to the Head of Legal of the Maxis Group.

She graduated with first class honours in Bachelor of Laws from the International Islamic University Malaysia, Malaysia in 1993 and obtained an MBA from Judge Business School, University of Cambridge, United Kingdom in 2006.

(ix) Wong Pau Min

Wong Pau Min, a Malaysian aged 39, is the Alternate Director to Loh Kok Leong and was appointed on 15 February 2021.

He currently serves as an Executive Director of Creador and a non-executive director of CIBI. He was appointed as a director of CIBI Holdings in April 2021. Prior to joining Creador in May 2014, he was a Principal at BCG in Kuala Lumpur where he spent nine years in management consulting. He brings with him a range of strategic and operational expertise, having led execution teams and advised clients across Southeast Asia, primarily in industrial goods, financial services and the public sector.

He started his career as an Associate in management consulting with BCG in September 2004. He left BCG in August 2008 to pursue his MBA before returning to BCG in September 2010 as a Principal, a position he held until April 2014. In May 2014, he joined Creador as an Executive Director (non-statutory director) until today.

He graduated with first class honours in Master of Engineering (Electrical & Information Sciences) from the University of Cambridge, United Kingdom in 2004 and obtained an MBA from Haas School of Business, University of California Berkeley, United States in 2010.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.2 Shareholding of our Directors

The following table sets out the direct and indirect shareholdings of our Directors before and after our IPO:

| Director | Before our IPO ⁽¹⁾ | | | After our IPO ⁽²⁾ | | |
|----------------------------------|-------------------------------|----------|---------------|------------------------------|----------|---------------|
| | Direct | Indirect | | Direct | Indirect | |
| | No. of Shares | % | No. of Shares | No. of Shares | % | No. of Shares |
| | '000 | | '000 | '000 | | '000 |
| Tan Sri Izzuddin Bin Dali | - | - | - | 300 | * | - |
| Dato' Noorazman Bin Abd Aziz | - | - | - | 300 | * | - |
| Datuk Azizan Bin Haji Abd Rahman | - | - | - | 300 | * | - |
| Dennis Colin Martin | - | - | - | 500 | * | - |
| Loh Kok Leong | - | - | - | 500 | * | - |
| Lynette Yeow Su-Yin | - | - | - | 300 | * | - |
| Nirmala A/P Doraisamy | - | - | - | - | - | - |
| Su Puay Leng | - | - | - | 300 | * | - |
| Wong Pau Min | - | - | - | 700 | * | - |

Notes:

* Negligible.

(1) Based on our issued share capital of 2,000,000,000 Shares after the Subdivision.

(2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing and assuming the full subscription of the Issue Shares allocated to our Directors under the allocation for the Eligible Persons in respect of the Retail Offering.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.3 Principal business activities performed by our Directors outside our Group in the past five years

The principal business activities performed by our Directors outside our Group as at the LPD or otherwise specifically mentioned, and the directorships held by our Directors outside our Group at present and in the past five years preceding the LPD or otherwise specifically mentioned are as follows:

(i) Tan Sri Izzuddin Bin Dali

| <u>Name of company</u> | <u>Principal activities</u> | <u>Involvement in business activities</u> |
|--|---|--|
| <ul style="list-style-type: none"> Prima Gading Corporation Sdn Bhd | <ul style="list-style-type: none"> Provision and management of education and training services | <ul style="list-style-type: none"> Chairman and director (appointed on 29 February 2012) Substantial shareholder (direct) |
| <ul style="list-style-type: none"> TCS Group Holdings Berhad (listed on the ACE Market of Bursa Securities) | <ul style="list-style-type: none"> Investment holding and provision of management services to its subsidiaries, with its subsidiaries involved in provision of construction services for buildings, infrastructure, civil and structural works | <ul style="list-style-type: none"> Chairman and director (appointed on 30 May 2019) Shareholder (direct) |
| <ul style="list-style-type: none"> The Solid Kitchen Manufacturing Sdn Bhd (formerly known as The Solid Kitchen Centre Sdn Bhd) | <ul style="list-style-type: none"> Kitchen design and interior decoration | <ul style="list-style-type: none"> Director (appointed on 28 December 2020) |
| <ul style="list-style-type: none"> Smart Scholars Sdn Bhd | <ul style="list-style-type: none"> Education and learning centre | <ul style="list-style-type: none"> Director (appointed on 29 April 2011, resigned on 1 April 2021) |
| <ul style="list-style-type: none"> Bina Masyhur Sdn Bhd | <ul style="list-style-type: none"> Pavement works and road construction | <ul style="list-style-type: none"> Director (appointed on 1 August 2009, resigned on 1 May 2019) |
| <ul style="list-style-type: none"> MMSB Projects Sdn Bhd | <ul style="list-style-type: none"> Project management and consulting | <ul style="list-style-type: none"> Chairman (appointed on 1 October 2015)* Director (appointed on 1 October 2015, resigned on 12 April 2019) |

*Not a director under the Act.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|--|--|--|
| <ul style="list-style-type: none"> Naim Holdings Berhad (listed on the Main Market of Bursa Securities) | <ul style="list-style-type: none"> Investment holding and the provision of management services to its subsidiaries, with its subsidiaries involved in property development, civil, building and earthwork contractor and investment holding | <ul style="list-style-type: none"> Director (appointed on 27 February 2013, resigned on 26 May 2016) |
| <ul style="list-style-type: none"> Sinohydro Corporation (M) Sdn Bhd | <ul style="list-style-type: none"> Civil works, contractor on civil engineering design, consultant for hydropower, dredging, reclamation and quarry operation | <ul style="list-style-type: none"> Director (appointed on 1 November 2013, resigned on 1 November 2016) |

(ii) Dato' Noorazman Bin Abd Aziz

| Name of company | Principal activities | Involvement in business activities |
|---|--|--|
| <ul style="list-style-type: none"> Hong Leong Financial Group Berhad (listed on the Main Market of Bursa Securities) | <ul style="list-style-type: none"> Investment holding and provision of services to its subsidiaries to enhance group value, with its subsidiaries involved in the commercial banking business, Islamic banking services, insurance and family takaful business, investment banking, futures and stock broking and asset management business | <ul style="list-style-type: none"> Director (appointed on 20 April 2020) |
| <ul style="list-style-type: none"> Kumpulan Perangsang Selangor Berhad (listed on the Main Market of Bursa Securities) | <ul style="list-style-type: none"> Investment holding, with its subsidiaries involved in buildings and road construction | <ul style="list-style-type: none"> Director (appointed on 1 January 2020) |
| <ul style="list-style-type: none"> PLUS Malaysia Berhad | <ul style="list-style-type: none"> Investment holding with its subsidiaries involved in highway concessionaires and related services | <ul style="list-style-type: none"> Director (appointed on 1 October 2018) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|--|--|--|
| <ul style="list-style-type: none"> • UEM Edgenta Berhad (listed on the Main Market of Bursa Securities) | <ul style="list-style-type: none"> • Investment holding and provision of management services to its subsidiaries, with its subsidiaries involved in construction and management of real estate | <ul style="list-style-type: none"> • Director (appointed on 2 October 2018) |
| <ul style="list-style-type: none"> • UEM Sunrise Berhad (listed on the Main Market of Bursa Securities) | <ul style="list-style-type: none"> • Investment holding and provides shared services for its subsidiaries, with its subsidiaries involved in property development, land trading, property investment, project procurement and management, hotel operations and investment holding | <ul style="list-style-type: none"> • Chairman (appointed on 13 August 2020) • Director (appointed on 1 October 2018) |
| <ul style="list-style-type: none"> • Three Cube Interactive Sdn Bhd | <ul style="list-style-type: none"> • Multimedia development and advertising of digital contents | <ul style="list-style-type: none"> • Director (appointed on 23 January 2019) |
| <ul style="list-style-type: none"> • Versa Asia Sdn Bhd | <ul style="list-style-type: none"> • Investment holding, research and development on engineering and technology, computer programming | <ul style="list-style-type: none"> • Director (appointed on 16 March 2020) |
| <ul style="list-style-type: none"> • Smartpipe Technology Sdn Bhd | <ul style="list-style-type: none"> • Contractors and subcontractors for the laying of pipes for all kinds of constructional, structural and civil engineering works | <ul style="list-style-type: none"> • Director (appointed on 27 August 2020) |
| <ul style="list-style-type: none"> • Kumpulan Wang Persaraan (Diperbadankan) (KWAP) | <ul style="list-style-type: none"> • Public services pension fund | <ul style="list-style-type: none"> • Member of the Investment Panel (appointed on 3 July 2019) |
| <ul style="list-style-type: none"> • Creador | <ul style="list-style-type: none"> • Provision of business consultancy services to its related companies | <ul style="list-style-type: none"> • Member of global advisory board (appointed on 29 October 2019) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|--|---|--|
| • Ancora Fund Management Co, Indonesia | • Private equity firm | • Member of limited partner advisory committee (appointed on 1 October 2019) |
| • International Centre for Education in Islamic Finance (INCEIF) | • Development and nurturing of talent and experts in the Islamic financial services industry | • Chairman, Board of Trustees (appointed on 10 April 2018) |
| • Yayasan UEM | • Receive and administer funds for education, scientific research and charitable purposes, all for the public welfare and for no other purpose | • Chairman, Board of Trustees (appointed on 1 January 2019) |
| • Vynn Capital Sdn Bhd | • Venture capital companies and business management consultancy services | • Advisor (appointed on 16 March 2021) |
| • Projek Lebuhraya Usahasama Berhad | • Undertake the operation, maintenance and toll collection of highways | • Director (appointed on 11 October 2018, resigned on 1 November 2019) |
| • PT Lintas Marga Sedaya, Indonesia | • Undertake the design, construction, management, financing, operation, maintenance and toll collection of the 116.754-kilometre Cikampek-Palimanan Toll Road (CPTR) in Indonesia | • Vice President Commissioner (appointed on 19 March 2012, resigned on 28 November 2019) |
| • UEM Berhad Group | • Project design, management and contracting in the fields of civil, electrical and mechanical engineering, undertaking of turnkey projects, corporate and advisory support services and training services and investment holding | • Director (appointed on 15 October 2010, resigned on 1 September 2019) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|---|---|---|
| • Felda Investment Corporation Sdn Bhd | • Property investment and investment holding company | • Director (appointed on 10 April 2017, resigned on 1 October 2018) |
| • Plus Expressways International Berhad | • Investment holding and provision of expressway operation services | • Director (appointed on 1 March 2012, resigned on 1 February 2017) |

(iii) Datuk Azizan Bin Haji Abd Rahman

| Name of company | Principal activities | Involvement in business activities |
|---|---|---|
| • Cagamas Berhad | • Purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas Berhad and the issuance of bonds and notes to finance these purchases | • Director (appointed on 1 January 2019) |
| • Cagamas SRP Berhad | • Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) and Skim Perumahan Belia (Youth Housing Scheme) both of which were initiated by the Government | • Director (appointed on 1 June 2015) |
| • City Credit Investment Bank Limited, Labuan | • Provision of investment banking services (Labuan) | • Director (appointed on 29 January 2015) |
| • Kensington Trust Malaysia Berhad | • Provision of trust services | • Director (appointed on 23 April 2014) |
| • Malaysian Industrial Development Finance Berhad | • Investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia | • Director (appointed on 15 July 2013) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|---------------------------------------|---|---|
| • MIDF Amanah Investment Bank Berhad | • Investment banking and related financial services | • Chairman and director (appointed on 1 January 2013) |
| • OCBC Bank (Malaysia) Berhad | • Banking and related financial services | • Director (appointed on 3 June 2016) |
| • OCBC Al-Amin Bank Berhad | • Islamic banking and related financial services | • Director (appointed on 30 March 2018) |
| • Danum Capital Berhad | • Act as a special purpose vehicle for the issuance of Ringgit-denominated Islamic medium term notes on behalf of Khazanah Nasional Berhad, the ultimate beneficiary of the programme | • Director (appointed on 3 December 2018) |
| • Azizan Rahman Associate Bhd | • Provision of management services | • Director (appointed on 2 July 2015) • Substantial shareholder (direct) |
| • Pertamina Bhd | • Export and import of a variety of goods without any particular specialisation, oil and gas extraction service activities provided on a fee or contract basis, stock, share and bond brokers | • Shareholder (direct) |
| • Malaysian Rating Corporation Berhad | • Research, analysis, rating, evaluation and appraisal of the obligations, dues, debts, commitments and the like | • Chairman (appointed on 29 April 2013, resigned on 29 April 2021) • Director (appointed on 14 December 2012, resigned on 29 April 2021) |
| • Labuan FSA | • The statutory body responsible for the development and administration of the Labuan IBFC | • Chairman (appointed on 1 November 2020, resigned on 12 April 2021) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|---|--|---|
| • ACE Money Exchange Sdn Bhd (formerly known as Metro Money Exchange Sdn Bhd) | • Wholesale and retail money changing and remittances | • Director (appointed on 1 November 2012, resigned on 1 May 2016) |
| • Kensington Trust Labuan Ltd | • Provision of trustees and financing services for Labuan business | • Director (appointed on 13 February 2013, resigned on 1 December 2020) |

(iv) Dennis Colin Martin

| Name of company | Principal activities | Involvement in business activities |
|--|--|--|
| • BOL (listed on the Stock Exchange of Thailand) | • Service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management | • Director (appointed on 13 November 2020) |
| • CIBI | • Credit information bureau, business information reporting and data analytics services such as pre-employment checks | • Chairman and director (appointed on 19 June 2020, resigned on 23 April 2021) |
| • CIBI Holdings | • Investment holding with investment in CIBI | • Director (appointed on 9 March 2020, resigned on 23 April 2021) |

(v) Loh Kok Leong

| Name of company | Principal activities | Involvement in business activities |
|-----------------------------------|---|---|
| • Aigeus Capital Sdn Bhd | • Dormant* | • Director (appointed on 21 January 2009) • Substantial shareholder (direct) |
| • BIG Pharmacy Healthcare Sdn Bhd | • Investment holding, pharmacy operator, retail and rice business | • Director (appointed on 15 August 2016) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|---|---|---|
| • BIG Pharmacy Holdings Sdn Bhd | • Investment holding with its subsidiaries involved in retail pharmacy | • Director (appointed on 1 June 2018) |
| • BWY Group Sdn Bhd | • Investment holding with its subsidiary involved in supply of bakery ingredients and accessories | • Director (appointed on 20 June 2017) |
| • BWY Holdings Sdn Bhd | • Supply of bakery ingredients and accessories | • Director (appointed on 31 July 2017) |
| • D'Apotic Healthcare Sdn Bhd | • Dormant* | • Director (appointed on 15 August 2016) |
| • D'Apotic Pharmacy Sdn Bhd (in the process of winding up) | • Investment in properties | • Director (appointed on 15 August 2016) |
| • Essensia Sdn Bhd (in the process of winding up) | • Trading of organic herbal tea | • Director (appointed on 5 June 2009) |
| • Iris Pallida Sdn Bhd | • Investment holding with investment in pharmacy chain | • Director (appointed on 31 July 2017) |
| • My Pharmacy Group Sdn Bhd | • Dealing in pharmaceutical products | • Director (appointed on 12 December 2019) |
| • Oryza Food Industries Sdn Bhd (in the process of winding up) | • Commercialised grains and cereals processing | • Director (appointed on 26 August 2011) |
| • Asiamet Education Group Berhad (now known as Asiamet Education Group Sdn Bhd) | • Investment holding with its subsidiaries involved in provision of education services | • Director (appointed on 8 April 2015, resigned on 15 May 2018) |

Note:

* There is no immediate plan for this company currently.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(vi) Lynette Yeow Su-Yin

| Name of company | Principal activities | Involvement in business activities |
|--|--|--|
| • SC Shekar Photography Sdn Bhd | • Dealings in photography and photographic materials, exhibitions and artists' products and restoration and cleaning of picture of all kinds | • Director (appointed on 11 June 2012) • Substantial shareholder (direct) |
| • Beagle Books Sdn Bhd | • Dealings in publications of reading materials and pictures of all kinds, printers and distributors for printing materials and equipment, and general trading | • Director (appointed on 29 June 2012) • Substantial shareholder (direct) |
| • Malaysia Building Society Berhad (listed on the Main Market of Bursa Securities) | • Investment holding with its subsidiaries involved in Islamic banking and related financial services, leasing of real property and property development | • Director (appointed on 22 March 2017) |
| • SC | • The statutory body entrusted with the responsibility to regulate and develop the Malaysian capital market | • Board Member (effective 11 June 2021) |
| • SC | • The statutory body entrusted with the responsibility to regulate and develop the Malaysian capital market | • Member of the SC's Take-Overs and Mergers Committee (appointed on 10 January 2020) |
| • The Datai Pledge | • A conservation and sustainability programme initiated by The Datai, Langkawi | • Trustee (appointed on 21 February 2020) |
| • Messrs Mohan Sanjay | • Law firm | • Consultant (appointed on 1 January 2019) |
| • MBSB Berhad Bank | • Islamic banking and related financial services | • Director (appointed on 7 February 2018, resigned on 11 June 2021) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

| Name of company | Principal activities | Involvement in business activities |
|---|---|---|
| • Themed Attractions Resorts & Hotels Sdn Bhd | • Investment holding and provision of management services | • Director (appointed on 27 March 2015, resigned on 1 January 2021) |

(vii) **Nirmala A/P Doraisamy**

| Name of company | Principal activities | Involvement in business activities |
|---|--|---|
| • Petronas Dagangan Berhad (listed on the Main Market of Bursa Securities) | • Domestic marketing of petroleum products | • Director (appointed on 15 October 2019) |
| • Evergreen Fibreboard Berhad (listed on the Main Market of Bursa Securities) | • Manufacture of medium density fibreboard and wooden furniture (knock-down) | • Director (appointed on 1 January 2018) |
| • Credience Malaysia Sdn Bhd | • Consultancy services related to risk management, IT development and training | • Advisor (appointed on 1 August 2019) • Director (appointed on 10 October 2012, resigned on 19 July 2019) |
| • Ecobuilt Holdings Berhad (listed on the Main Market of Bursa Securities) | • Investment holding, with its subsidiaries involved in provision of mobile contents and data, and general contractors for construction work | • Director (appointed on 19 August 2013, resigned on 15 November 2019) |
| • Essential Corporate Resources Sdn Bhd | • Consultant and professional services | • Director (appointed on 30 April 2012, resigned on 5 December 2016) |
| • Teaq IP International Sdn Bhd | • Trademarks, patent and industrial design consultancy and training | • Director (appointed on 5 July 2013, resigned on 30 August 2016) |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(viii) Su Puay Leng

| <u>Name of company</u> | <u>Principal activities</u> | <u>Involvement in business activities</u> |
|-----------------------------|------------------------------|--|
| • Maxis Mobile (L) Ltd | • Investment holding company | • Director (appointed on 10 December 2007) |
| • Maxis Collections Sdn Bhd | • Dormant | • Director (appointed on 10 December 2007, resigned on 23 July 2020) |

(ix) Wong Pau Min

| <u>Name of company</u> | <u>Principal activities</u> | <u>Involvement in business activities</u> |
|------------------------|---|---|
| • CIBI | • Credit information bureau, business information reporting and data analytics services such as pre-employment checks | • Director (appointed on 19 June 2020) • Shareholder (direct and holding only one share) |
| • CIBI Holdings | • Investment holding with investment in CIBI | • Director (appointed on 23 April 2021) |

The involvement of our Directors mentioned above in other principal business activities outside of our Group and our Director's involvement as a non-executive director of CIBI as set out in Section 11.1 of this Prospectus will not affect their commitment and responsibilities to our Group in their respective roles as our Directors. See Section 11.1 of this Prospectus for further details.

9.2.4 Service contracts with our Directors

As at the date of this Prospectus, there are no existing or proposed service contracts between our Directors and us which provide for benefits upon termination of employment.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.5 Remuneration and material benefits in-kind of our Directors

The remuneration and material benefits in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our Directors for services rendered to us in all capacities to our Group for the FYEs 31 December 2020 and 2021 are as follows:

| FYE 31 December 2020 (Paid as at the LPD) | Salary | | Fees | Bonus | Contributions to SOCSO (EIS) | | Allowances | Benefits-in-kind | Total |
|---|--------|--------|------|-------|------------------------------|--------|------------|-------------------|-------|
| | RM'000 | RM'000 | | | RM'000 | RM'000 | | | |
| Tan Sri Izzuddin Bin Dali | - | 120 | - | - | - | - | - | 2 ⁽¹⁾ | 122 |
| Dato' Noorazman Bin Abd Aziz | - | 82 | - | - | - | - | - | 1 ⁽¹⁾ | 83 |
| Datuk Azizan Bin Haji Abd Rahman | - | 120 | - | - | - | - | - | 2 ⁽¹⁾ | 122 |
| Dennis Colin Martin | 1,180 | - | - | 197 | 0.6 | 6 | - | 39 ⁽¹⁾ | 1,422 |
| Loh Kok Leong | - | - | - | - | - | - | - | - | - |
| Lynette Yeow Su-Yin | - | 26 | - | - | - | - | - | - | 26 |
| Nirmala A/P Doraisamy | - | - | - | - | - | - | - | - | - |
| Su Puay Leng | - | - | - | - | - | - | - | - | - |
| Wong Pau Min | - | - | - | - | - | - | - | - | - |

| FYE 31 December 2021 (Proposed) | Salary | | Fees | Bonus | Contributions to SOCSO (EIS) | | Allowances | Benefits-in-kind | Total |
|----------------------------------|--------|--------|------|-------|------------------------------|--------|------------|------------------|-------|
| | RM'000 | RM'000 | | | RM'000 | RM'000 | | | |
| Tan Sri Izzuddin Bin Dali | - | 96 | - | - | - | - | - | - | 96 |
| Dato' Noorazman Bin Abd Aziz | - | 72 | - | - | - | - | - | - | 72 |
| Datuk Azizan Bin Haji Abd Rahman | - | 84 | - | - | - | - | - | - | 84 |
| Dennis Colin Martin | 1,180 | - | - | 295 | 0.6 | 6 | - | - | 1,482 |
| Loh Kok Leong | - | - | - | - | - | - | - | - | - |
| Lynette Yeow Su-Yin | - | 78 | - | - | - | - | - | - | 78 |
| Nirmala A/P Doraisamy | - | 54 | - | - | - | - | - | - | 54 |
| Su Puay Leng | - | 43 | - | - | - | - | - | - | 43 |
| Wong Pau Min | - | - | - | - | - | - | - | - | - |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Note:

- (1) During the FYE 31 December 2020, our Company had cancelled all outstanding ESOS options and as part of the cancellation, the amount payable to eligible executives whose ESOS options were cancelled has been recognised within other payables as at 31 December 2020. The payables were fully settled as at the LPD.

The remuneration of our Directors, which includes Directors' fees, bonus and such other allowances as well as other benefits, must be considered and recommended by the Nomination and Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.2.6 Audit and Risk Committee

Our Audit and Risk Committee was formed by our Board on 1 November 2020. Our Audit and Risk Committee currently comprises the following members, of which all of them are Independent Non-Executive Directors:

| Name | Designation | Directorship |
|----------------------------------|--------------------|------------------------------------|
| Datuk Azizan Bin Haji Abd Rahman | Chairman | Independent Non-Executive Director |
| Dato' Noorazman Bin Abd Aziz | Member | Independent Non-Executive Director |
| Nirmala A/P Doraisamy | Member | Independent Non-Executive Director |

Our Audit and Risk Committee undertakes, among others, the following functions:

(i) Risk Management

- (a) Develop and inculcate a risk awareness culture within our Group;
- (b) Provide input to management regarding our Group's risk appetite and risk tolerance;
- (c) Provide in-depth governance of risks for our Group;
- (d) Review and robustly assess the design, completeness and effectiveness of the risk management framework relative to our Group's activities to ensure key risks are systematically identified, monitored and controlled;
- (e) Oversee specific risk management concerns raised by business units;
- (f) Regularly review risk management and assurance reports from management and the appointed risk manager on matter relating to risk management as our Board may request from time to time;
- (g) Monitor and ensure the timeliness of and reports on the effectiveness of corrective action taken;
- (h) Ensure resources and systems are in place for the risk management function; and
- (i) Review the implementation and adequacy of our Group's business continuity plan.

(ii) Internal Controls

- (a) Evaluate the overall adequacy and effectiveness of the system of internal control including information technology controls to prevent data breaches and cybersecurity threats, our Group's financial, audit and accounting organisations and personnel and our Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and other consultants, where required and discussions with management;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (b) Provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of our Group's businesses towards achievement of sustainability goals across our Group;
- (c) Review the annual Statement on Risk Management and Internal Control and Sustainability Reporting to be published in our Company's annual report; and
- (d) Review the employees' code of business practice, vendors' code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

(iii) Internal Audit

- (a) Mandate the internal audit department or internal audit service providers to report directly to our Audit and Risk Committee;
- (b) Review the adequacy of the scope, functions, competency and resources of the internal audit and compliance functions, and that each function has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- (c) Review internal audit reports, discuss major findings and deficiencies in internal controls and ensure that appropriate and prompt remedial action is taken by the management on lapses in internal controls or procedures that are identified by internal audit;
- (d) Review the results of ad-hoc investigations performed by the internal auditors and the actions taken relating to those investigations;
- (e) Review the results of internal assessment performed on the internal audit function;
- (f) Review the results of the external assessment performed on the internal audit function;
- (g) Review any difficulties encountered in the course of audit or compliance work, including any restrictions on the scope of activities or access to required information;
- (h) Review and challenge the internal audit charter, internal audit annual budget, audit and compliance plans and audit methodology, to the extent applicable and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;
- (i) Approve the internal audit charter, when applicable, which defines the purpose, authority, scope and responsibilities of the internal audit function within our Group;
- (j) Approve any appointment or termination of internal audit service provider or senior staff members of the internal audit function, namely our Head of Internal Auditor and his/her deputy, if any;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (k) Review the appraisal or assessment of performance of the Head of Internal Auditor and his/her deputy, if applicable;
- (l) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (m) Direct any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and management's response; and
- (n) Review our Audit and Risk Committee Report to be published in our Company's annual report.

(iv) External Audit

- (a) Consider and make recommendations to our Board in relation to the nomination and re-appointment of the external auditors, audit fees, resignation or dismissal of the external auditors, by reviewing the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;
- (b) Monitor the effectiveness of the external auditors' performance and their independence and objectivity;
- (c) Discuss with the external auditors before the audit commences, the nature and scope of the audit, the audit plan, and ensure co-ordination where more than one audit firm is involved;
- (d) Review major findings raised by the external auditors including the external auditors' management letter and management's responses, including the status of the previous audit recommendations;
- (e) Discuss audit findings arising from the interim and final audits, and any matter the external auditors may wish to discuss (in absence of management or executive directors, at least twice a year or where necessary);
- (f) Provide a direct line of communication between our Board and the external auditors;
- (g) Review the extent of assistance and co-operation extended by our Group's employees to the external auditors, including any difficulties or disputes with management encountered during the audit;
- (h) Review and monitor the provision of non-audit services by the external auditors; and
- (i) Responsible for requiring our Company's external auditors to submit on a periodic basis to our Audit and Risk Committee a formal written statement delineating all relationships between the external auditors and our Company, consistent with International Standard on Auditing (ISA) 260, "Communication with Those Charged with Governance" modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are and have been, independent throughout the conduct of the audit engagement.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(v) Compliance

- (a) The adequacy of the processes and systems in place across our Company or Group to ensure compliance with all laws, regulations and rules established by all relevant regulatory bodies including without limitation the CRA Registrar, BNM, the Malaysian Anti-Corruption Commission and the Competition Commission;
- (b) Review all findings arising from any examinations by regulatory authorities;
- (c) Obtain updates from our management and our legal counsel regarding regulatory compliance matters;
- (d) Review and consider any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (e) Review the annual internal and external audit reports on matters relating to compliance;
- (f) Assess the performance of our Heads of Departments on annual basis; and
- (g) Consider any material breaches or exposure to breaches of regulatory requirements, including our Group's Anti-Bribery and Corruption Policy.

(vi) Related Party Transactions and Conflict of Interest

- (a) Review any related party transactions and conflict of interest situations and where appropriate, make recommendations to our Board for approval that such transactions are at arm's length and are in the best interest of our Group, including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (b) Review the process used to procure our shareholders' mandate for recurrent related party transactions.

(vii) Whistleblowing

- (a) Our Audit and Risk Committee shall exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures for our Group; and
- (b) Our Audit and Risk Committee shall report to our Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of our Board.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(viii) Other Responsibilities

- (a) Review and assess the adequacy of the terms of reference (where necessary), with the assistance of management, the external auditors and legal counsel; and
- (b) Perform any other duties as may be mutually agreed by our Audit and Risk Committee and our Board from time to time.

9.2.7 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee was established by our Board on 1 November 2020. Our Nomination and Remuneration Committee currently comprises the following members, of which a majority of them are Independent Non-Executive Directors:

| Name | Designation | Directorship |
|------------------------------|-------------|--|
| Lynette Yeow Su-Yin | Chairman | Independent Non-Executive Director |
| Dato' Noorazman Bin Abd Aziz | Member | Independent Non-Executive Director |
| Loh Kok Leong | Member | Non-Independent Non-Executive Director |

Our Nomination and Remuneration Committee undertakes, among others, the following functions:

(i) Nomination

- (a) Establish a framework for the appointment and re-appointment of Directors, Board committee members, our Group Chief Executive Officer and the company secretaries (where applicable);
- (b) Establish and recommend for our Board's approval, the criteria to assess the independence of independent directors;
- (c) Assess and recommend for our Board's approval, new and reappointed nominees (where applicable) for directorship, chairmanship and/or membership to our respective Board committees;
- (d) In recommending suitable candidates for directorship on our Board, our Nomination and Remuneration Committee should take into consideration the following factors:
 - (A) Skills, knowledge, expertise, experience and wide range of backgrounds of the candidates;
 - (B) Professionalism of the candidates;
 - (C) Integrity of the candidates;
 - (D) Commitment, contribution and performance of the candidates;
 - (E) Open advertising or the services of external advisers to facilitate the search;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (F) In the case of candidates for the position of independent directors, evaluate the candidates' ability to discharge such responsibilities and functions as expected from an independent director; and
- (G) In the case of candidates filling seats in respect of our Audit and Risk Committee in particular, to ensure the candidate is financially literate and possesses a wide range of necessary skills to discharge his/her duties;
- (e) Review on a periodic basis, the appropriate size, a balanced composition with a diverse mix of skills, knowledge, qualifications, experience, age, cultural background and gender diversity of our Board in order to ensure its effectiveness in discharging its duties, and having regard to the MCCG;
- (f) Assess on a periodic basis the independence of independent directors and that the Directors and officers of our Group meet the identified independence criteria and are not disqualified under the relevant regulations;
- (g) Review and recommend the continuation in office of independent director(s) who has/have served a cumulative term of nine years as an independent director at our AGM;
- (h) Establish and recommend for our Board's approval, a mechanism for the formal assessment of the performance of our Board as a whole, our Board committees, individual Directors, each member of our Board committees and our Group Chief Executive Officer;
- (i) Assisting in the definition and approval of KPIs for our Group Chief Executive Officer as a measurement of performance;
- (j) Assess on a periodic basis, our Group Chief Executive Officer's performance and achievement against the approved KPIs;
- (k) Recommend to our Board, the removal of any director, company secretary or member of the C-level Team found to be ineffective, errant or negligent in the discharge of responsibilities;
- (l) Recommend to our Board, Directors who are retiring by rotation or casual vacancy for re-election at our AGM;
- (m) Recommend to our Board suitable induction and training programs to ensure our Directors and Board committee members keep abreast with latest developments and for the closure of skill gaps;
- (n) Oversee the succession planning and talent management of our Group Chief Executive Officer;
- (o) Consider all other nomination matters as may be prescribed to our Nomination and Remuneration Committee by our Board;
- (p) Review the attendance of our Directors at our Board and/or Board committee(s) meetings; and
- (q) Establish a policy formalising its approach to boardroom diversity.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(ii) Remuneration

- (a) Ensure the establishment of formal and transparent procedures for developing remuneration and human resources policies, strategies and framework for our Directors and the C-level Team;
- (b) Recommend and assist our Board on all aspects of remuneration, including our Directors' fees, salaries, allowances, bonuses, option and benefits-in-kind, taking into consideration the following factors (where relevant):
 - (A) Market competitiveness and in support of our Group's business strategy and long-term objectives;
 - (B) Reflective of the responsibilities and commitment required;
 - (C) Sufficient but not excessive to attract and retain quality talent needed to manage our Group successfully; and
 - (D) Performance driven with a sufficient emphasis on long-term development of our Group to avoid any excessive short-term risk-taking;
- (c) Review and assess the effectiveness of our Company's human resources department in supporting our Group, including oversight of the scope and quality of our Company's human resources initiatives/programmes;
- (d) Recommend for our Board's approval, new Group human resource policies and frameworks, and changes to said frameworks, in line with human resources strategy and direction set by our Board; and
- (e) Consider all other remuneration matters as may be prescribed to our Nomination and Remuneration Committee by our Board.

9.3 KEY SENIOR MANAGEMENT

Our key senior management is responsible for the day-to-day management and operations of our Group. The members of our key senior management as at the date of this Prospectus are as follows:

| Name | Age | Designation |
|-----------------------|------------|--|
| Dennis Colin Martin | 57 | Non-Independent Executive Director / Group Chief Executive Officer |
| Chin Kuan Weng | 50 | Chief Executive Officer of CTOS Data Systems |
| Chen Thai Foong | 58 | Group Chief Financial Officer |
| Tracy Gan Jo Lin | 44 | Chief Operating Officer of CTOS Data Systems |
| Lim Sue Ling | 38 | Group Senior Head of Risk and Business Compliance |
| Benjamin Lau Chi Meng | 37 | Group General Manager of IT |

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.1 Profiles of our key senior management**(i) Dennis Colin Martin**

For details on Dennis Colin Martin's profile, see Section 9.2.1(iv) of this Prospectus.

(ii) Chin Kuan Weng

Chin Kuan Weng, a Malaysian aged 50, is the Chief Executive Officer of CTOS Data Systems. He has over 25 years of experience in helming senior leadership roles in business, sales and operational functions for multinationals and local corporates.

He joined our Group in November 2014 as the Chief Executive Officer of CTOS Data Systems. Since joining us in 2014, he has been involved in the management of our Key Accounts customers and acting as the key liaison with the regulators in respect of our business.

He began his career with Hong Leong Yamaha Distributors Sdn Bhd as a Parts Executive in April 1994. He then joined Sony TV Industries (M) Sdn Bhd as a Senior Purchasing Officer from September 1994 to December 1997. From January 1998 to January 2008, he worked at Siemens Malaysia Sdn Bhd under the Siemens Business Services division, and Siemens Nixdorf Information Systems (M) Sdn Bhd, where he rose through the ranks to become the vice president of IT and business advisory in charge of management of the business performance of solutions and consulting services practice and establishing new solutions. In May 2008, he joined Kelly Services (M) Sdn Bhd as the Head of Professional and Technical Division. He was the Chief Operating Officer of CBM from November 2008 to September 2014, where he was responsible for the management of the business teams, setup and strengthening of core business processes including bureau operations, marketing, procurement, IT, legal and financial management and human resources. He was also tasked with relationship management with key clients of the company.

He obtained a Bachelor of Economics majoring in Industrial Economics from Universiti Kebangsaan Malaysia, Malaysia in 1994.

(iii) Chen Thai Foong

Chen Thai Foong, a Malaysian aged 58, is our Group Chief Financial Officer. She has over 32 years of experience in finance and treasury.

She joined our Group in April 2016 as the Chief Financial Officer of CTOS Data Systems. Since joining us in 2016, she has been overseeing all finance related matters of our Group. In May 2021, she was designated as our Group Chief Financial Officer.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In 1988, she started her career at NEC Corporation of Malaysia Sdn Bhd, where between 1988 and 1995, she rose through the ranks from an accountant to become the Finance and Administration Manager. She then worked as the Finance Manager at Amoco Chemical Malaysia Sdn Bhd from May 1995 to May 2000. She joined Leo Burnett Advertising Sdn Bhd as the Finance Manager cum Company Secretary from June 2000 to September 2001. In October 2001, she became the Financial Controller cum Company Secretary of MOX Berhad until September 2005. From October 2005 to April 2008, she was the Chief Financial Officer of DHL Express (M) Sdn Bhd. She was later appointed as the Deputy Head of Quality Assurance and Shared Services Centre (“SSC”) for DHL Asia Pacific Shared Services Sdn Bhd in charge of shared services within Asia Pacific, Eastern Europe and Middle East Africa, a position she held from May 2008 to June 2012. From June 2012 to July 2014, she became the Director of Shared Services in Lafarge Malaysia Berhad where she led and managed its SSC operations and activities. From August 2014 to April 2016, she was the Group Chief Financial Officer of Taylor’s Education Group in charge of all finance and treasury related matters.

She completed her professional certificate with the CIMA in 1994 and she is a Chartered Global Management Accountant and a Fellow of the CIMA. She has been a Chartered Accountant of the MIA since 1995. She also obtained an MBA majoring in finance from the University of Dubuque, United States in 2000.

(iv) Tracy Gan Jo Lin

Tracy Gan Jo Lin, a Malaysian aged 44, is the Chief Operating Officer of CTOS Data Systems. She has over 23 years of experience in operations.

She joined our Group in May 2017 as the General Manager in Customer Experience before being promoted to the Chief Operating Officer of CTOS Data Systems in January 2019. Since joining us in 2017, she has been overseeing the strategic operations and customer experience, customer and operations management and business operations improvement as well as the Commercial customers.

In September 1997, she started her career as the Education Consultant at Institut Sarjana Sdn Bhd (Informatics Group Malaysia) before being promoted to Centre Manager in March 1998, and left in April 2000. She then worked as the Corporate Care Consultant from April 2000 to December 2003 with Jobstreet Sdn Bhd before being promoted to Corporate Care Manager in December 2003, where she remained until September 2004. From September 2004 to May 2009, she was the General Manager for Customer Service and Human Resources at e-pay (M) Sdn Bhd. Thereafter in June 2009, she joined TIME dotCom Berhad as the Head of Customer Operations where she was responsible for managing and overseeing the operations of customer service, order management, service delivery and outsourced services department, until December 2012. From December 2012 to December 2013, she was the Head of Order Management and Fulfilment at Maxis Berhad (“Maxis”). She was promoted to the Head of Distributor and Modern Trade Management at Maxis in December 2013. She was responsible to drive sales growth and reach of distributors, provide operational support, cost optimisation with regard to distributorship and to monitor and analyse distributors’ performances. She left Maxis in April 2017 and joined our Group thereafter.

She obtained a Bachelor’s degree in Business Administration (Hons) from University of Northumbria, United Kingdom in 1997 and an MBA from the Nottingham Trent University, Malaysia in 2002.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(v) Lim Sue Ling

Lim Sue Ling, a Malaysian aged 38, is our Group Senior Head of Risk and Business Compliance. She has over 15 years of experience in regulatory compliance and risk management of the credit bureau business and oversees all compliance related matters of our Group.

In March 2006, she started her career at Remote Data Support Sdn Bhd (a company which was established by our founders) as a Customer Service Officer, where she remained until June 2008. She joined our Group in July 2008 as a Special Project Officer under CTOS Business, where her job scope then includes direct promotion of the company's products and services to prospective customers, addressing customers' queries and requests and maintaining relationship with existing and new customers. From May 2010 to April 2012, she was the Assistant Manager of the Settlement and Record Update department of CTOS Business, where she oversaw our Group's service centre operation to ensure consumer enquiries were handled effectively, interaction with regulators on compliance issues and preparation for the compliance with the impending CRA Act, as well as strategic planning of our Group's consumer outreach program. From May 2012 to February 2015, she was in the same position of CTOS Data Systems' Settlement and Record Update department. In March 2015, she was promoted to Manager of Business Compliance.

In August 2017, she was promoted to Head, Business Compliance in recognition of her exemplary contribution to our Group. Her primary responsibilities include developing annual regulatory and compliance work plan that aligns with our objectives, evaluating the efficiency of control systems and to continuously improve these controls in order to prevent any non-compliance of laws regulatory guidelines and internal policies, providing guidance and training to improve our employees' understanding of regulatory requirements, liaising with regulators on compliance matters, coordinating audits, reviews and examinations exercises with external parties and overseeing consumer redress mechanism. In September 2020, she was promoted to Senior Head of Risk and Business Compliance where she is also responsible for overseeing our Group's enterprise risk governance framework, providing regular status updates and reports on key performance indicators and our Group's risk profile to the key senior management, our Audit and Risk Committee and our Board to facilitate strategic decision-making and providing risk related advice to customers, in addition to her earlier responsibilities. In May 2021, she was designated as our Group Senior Head of Risk and Business Compliance.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(vi) Benjamin Lau Chi Meng

Benjamin Lau Chi Meng, a Malaysian aged 37, is our Group General Manager of IT. He has over 15 years of experience in the area of IT.

He joined our Group in January 2010 as the Head of IT. He has been overseeing the management and development of IT infrastructure and security since joining our Group. He was designated as the General Manager of IT of CTOS Data Systems in December 2017. In May 2021, he was designated as our Group General Manager of IT.

He started his career in September 2005 as a Java Developer in Acelsys Sdn Bhd before being promoted to a Senior Java Developer in January 2008, where he remained until July 2008. From July 2008 to January 2010, he was a Senior Software Engineer in VersaPAC Sdn Bhd primarily responsible for design of software, database and infrastructure hosting of the company. Thereafter, he joined our Group and has been part of our key senior management ever since.

He obtained a Bachelor in Computer Science from Monash University, Malaysia in 2005.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.2 Shareholding of our key senior management

The following table sets out the direct and indirect shareholding of each of our key senior management (other than our Director who is also part of our key senior management which is disclosed in Section 9.2.2 of this Prospectus) before and after our IPO:

| | Before our IPO ⁽¹⁾ | | | After our IPO ⁽²⁾ | | |
|-----------------------|-------------------------------|---|---------------|------------------------------|---|---------------|
| | Direct | | Indirect | Direct | | Indirect |
| | No. of Shares | % | No. of Shares | No. of Shares | % | No. of Shares |
| | '000 | | '000 | '000 | | '000 |
| Chin Kuan Weng | - | - | - | 1,000 | * | - |
| Chen Thai Foong | - | - | - | 2,800 | * | - |
| Tracy Gan Jo Lin | - | - | - | 1,000 | * | - |
| Lim Sue Ling | - | - | - | 300 | * | - |
| Benjamin Lau Chi Meng | - | - | - | 500 | * | - |

Notes:

* Negligible

(1) Based on our issued share capital of 2,000,000,000 Shares after the Subdivision.

(2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing and assuming full subscription of our Issue Shares allocated to our employees under the allocation for the Eligible Persons in respect of the Retail Offering.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.3.3 Principal business activities performed by our key senior management outside our Group in the past five years

None of our key senior management (other than our Director who is also part of our key senior management which is disclosed in Section 9.2.3 of this Prospectus) are involved in principal business activities outside our Group as at the LPD or hold directorships in other companies outside our Group, at present and in the past five years preceding the LPD.

9.3.4 Service contracts with our key senior management

As at the date of this Prospectus, there are no existing or proposed service contracts between our key senior management and us which provide for benefits upon termination of employment.

9.3.5 Remuneration and material benefits in-kind of our key senior management

The remuneration and material benefits in-kind of our Director who is also part of our key senior management are set out in Section 9.2.5 of this Prospectus. The aggregate remuneration and material benefits in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our key senior management, other than our Director who is also part of our key senior management, for services rendered to us in all capacities to our Group for the FYE 31 December 2020 and 2021 are as follows:

| <u>Key senior management</u> | <u>Remuneration Band (FYE 31 December)</u> | |
|------------------------------|--|------------------------|
| | <u>2020 (Paid as at the LPD)</u> | <u>2021 (Proposed)</u> |
| | RM'000 | RM'000 |
| Chin Kuan Weng | 700-750 ⁽¹⁾ | 800-850 |
| Chen Thai Foong | 800-850 ⁽¹⁾ | 850-900 |
| Tracy Gan Jo Lin | 800-850 ⁽¹⁾ | 850-900 |
| Lim Sue Ling | 200-250 | 250-300 |
| Benjamin Lau Chi Meng | 450-500 ⁽¹⁾ | 500-550 |

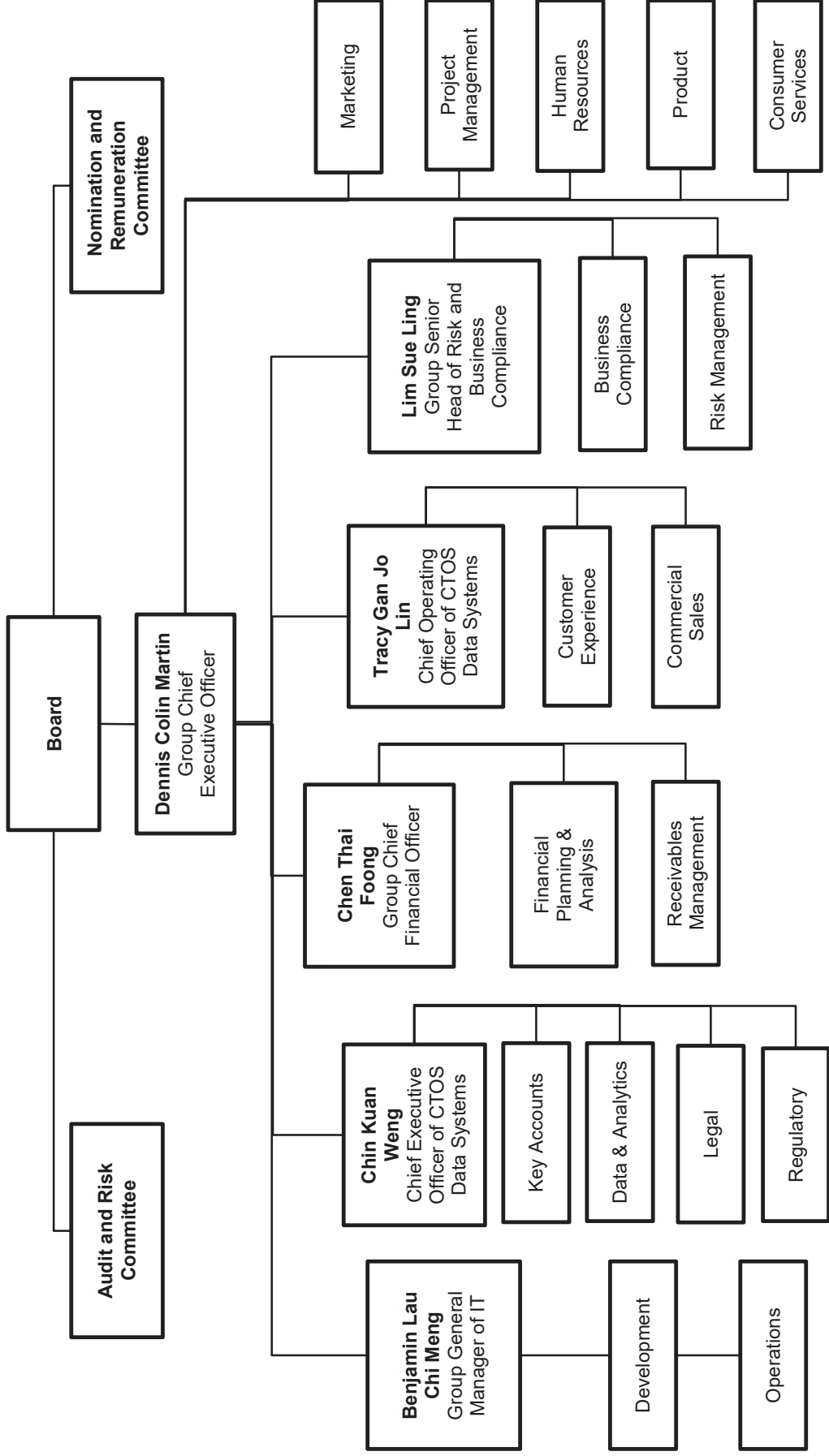
Note:

- (1) During the FYE 31 December 2020, our Company had cancelled all outstanding ESOS options and as part of the cancellation, the amount payable to eligible executives whose ESOS options were cancelled has been recognised within other payables as at 31 December 2020. The payables were fully settled as at the LPD.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.4 MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is as follows:



9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.5 ASSOCIATIONS OR FAMILY RELATIONSHIP BETWEEN OUR SUBSTANTIAL SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY SENIOR MANAGEMENT

Chung Tze Keong and Chung Tze Wen, both of whom are our substantial shareholders, are brothers.

Save as disclosed above, there are no associations or family relationships between our substantial shareholders, Promoter, Directors and key senior management.

9.6 DECLARATION BY OUR DIRECTORS, KEY SENIOR MANAGEMENT AND PROMOTER

As at the LPD, none of our Directors, key senior management or Promoter is and has been involved in any of following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against such person.

9.7 OTHER MATTERS

- (i) No other amounts or benefits has been paid or intended to be paid or given to our Promoter and our substantial shareholders within the two years preceding the date of this Prospectus, except for dividends paid to our shareholders.
- (ii) There is no arrangement the operation of which may result in the change in control of our Company at a date subsequent to our IPO and our Listing.
- (iii) Our Promoter and our substantial shareholders do not have different voting rights from our other shareholders.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:

- (i) a director, having the meaning given in subsection 2(1) of the CMA, and includes any person who is or was within the preceding six months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:
 - (a) 10.0% or more of all the voting shares in the corporation; or
 - (b) 5.0% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

10.1.2 Material related party transactions

Save as disclosed below, there are no other material related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the past three FYEs 31 December 2018, 31 December 2019, 31 December 2020 and up to the LPD:

- (i) Creador, being a person connected to our directors, Loh Kok Leong and Wong Pau Min, provided certain support services to CTOS Data Systems pursuant to the Expense Reimbursement Agreement comprising the following:
 - (a) advice and counsel in connection with the financial management, and administrative and operating activities of CTOS Data Systems;
 - (b) identifying potential value enhancement opportunities and developing value enhancement plan for CTOS Data Systems;
 - (c) identifying strategic opportunities including strategic alliances, joint ventures and acquisitions;
 - (d) providing execution support to CTOS Data Systems' management team; and
 - (e) providing ad hoc support when required.

The services were provided in exchange for all reasonable out-of-pocket expenses incurred by Creador in connection with the assistance rendered under the Expense Reimbursement Agreement including but not limited to travel, lodging, entertainment and other business expenses, compensation for employees designated or allocated to provide such assistance as well as other general out-of-pocket expenses including external consultants engaged by Creador.

10. RELATED PARTY TRANSACTIONS (Cont'd)

The amount incurred by our Group in respect of the services for the FYE 31 December 2018 was RM2,043,000 which represents 4.7%* of our Group's purchases for the FYE 31 December 2018 but there were no amounts incurred by our Group for the FYEs 31 December 2019 and 31 December 2020 in respect of the Expense Reimbursement Agreement. The provision of the abovementioned services by Creador were regarded as a material related party transaction upon aggregation with the services provided by Credisense (as described in item (ii) below).

We were unable to ascertain whether the said transaction has been carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our non-interested shareholders due to the following reasons:

- (a) the specific nature and varied scope of the services provided under the Expense Reimbursement Agreement do not facilitate direct comparison to other third-party contracts in our Group; and
- (b) the payments made to Creador are essentially reimbursements which have been incurred by Creador for (i) the deployment of personnel and engagement of an external consultant by Creador to provide services to CTOS Data Systems, which is akin to payment of employee salaries by CTOS Data Systems; and (ii) reimbursement of other out-of-pocket expenses incurred by such personnel.

Our Directors are of the view that the charges by Creador for the services are fair to our Company due to the following reasons:

- (a) the support and assistance rendered by Creador have been instrumental in propelling the growth and expansion of our Group; and
- (b) the management of CTOS Data Systems was able to leverage on the experience, expertise and resources of Creador.

Accordingly, our Directors are also of the view that the Expense Reimbursement Agreement was not detrimental to us.

The Expense Reimbursement Agreement was mutually terminated on 31 December 2020 given that our key senior management gradually became more established and has been able to grow and operate our Company more independently since 2019 without having to rely on support from Creador on strategic and operational matters.

Note:

- * Purchases comprise cost of sales, administrative expenses and property, plant and equipment additions and excludes staff costs, depreciation and amortisation, reversal of /(allowance for) impairment of trade receivables, gain/loss on disposal of property, plant and equipment, bad debts, unrealised (gain)/loss on foreign exchange, rental of buildings, sales commission and incentives.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (ii) Credisense, being a person connected to our substantial shareholder, Inodes, is principally engaged in software development. Credisense has been providing services to CTOS Data Systems pursuant to a master software licence and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support ("**Credisense Agreement**"). Credisense developed the entire software for CAD which allows for automated credit assessment and enabled customers to customise the platform on their own. Its sole customer in Malaysia is CTOS Data Systems.

Pursuant to the Credisense Agreement, the project cost payable to Credisense for the set-up of CAD for CTOS Data Systems' subscribers will be based on a standard support rate of New Zealand Dollar 1,000 per man-day or New Zealand Dollar 200 per man-hour, unless otherwise specified. In addition, 50% of the CAD usage charges collected by CTOS Data Systems from its subscribers will be paid to Credisense. The Credisense Agreement shall be valid until 7 June 2023 and not later than six months prior to such expiry date, the parties will enter into a discussion for the renewal of such agreement for a term to be determined by the parties.

The amount incurred by our Group in respect of the services provided by Credisense for the past three FYEs 31 December 2018, 31 December 2019, 31 December 2020 and up to the LPD are as follows:

| | FYE 31 December 2018 | FYE 31 December 2019 | FYE 31 December 2020 | From 1 January 2021 up to the LPD |
|----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Charges paid to Credisense | (1)350 | (2)920 | (3)1,096 | 327 |

Notes:

- (1) Represents 0.8% of our Group's purchases for the FYE 31 December 2018.
- (2) Represents 2.2% of our Group's purchases for the FYE 31 December 2019.
- (3) Represents 2.4% of our Group's purchases for the FYE 31 December 2020.

The provision of the abovementioned services by Credisense was regarded as a material related party transaction upon aggregation with the services provided by Creador.

Our Directors confirm that these services were carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our non-interested shareholders.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them but not yet effected up to the date of this Prospectus.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if such related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

10. RELATED PARTY TRANSACTIONS (Cont'd)

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Committee will, among others, supervise and monitor any recurrent related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosure in our annual report with regard to any recurrent related party transaction entered into by us.

10.1.3 Related party transactions entered into that are unusual in their nature or conditions

There are no related party transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past three FYEs 31 December 2018, 31 December 2019, 31 December 2020 and up to the LPD.

10.1.4 Outstanding loans and/or financial assistance made to or for the benefit of related parties

There are no outstanding loans and/or financial assistance made by our Group (including guarantees of any kind) to or for the benefit of any related party in respect of the past three FYEs 31 December 2018, 31 December 2019, 31 December 2020 and up to the LPD.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**10.2.1 Audit and Risk Committee review**

The Audit and Risk Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or our Group. The Audit and Risk Committee also reviews any transaction, procedure or course of conduct that raises questions of management integrity, including our related party transactions. In reviewing the related party transactions, the following, among others, will be considered:

- (i) the rationale and the cost/benefit to our Company is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and
- (iv) that the transactions are not detrimental to our Company's minority shareholders.

All reviews by the Audit and Risk Committee are reported to our Board for its further action.

10. RELATED PARTY TRANSACTIONS (Cont'd)

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers and the directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing at arm's length with our Group and are not to the detriment of our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework including, among others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;
- (ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

Save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are carrying on a similar trade as that of our Group or which are our customers or suppliers:

11.1.1 Substantial shareholders' interest in our supplier

As at the LPD, our substantial shareholders, Inodes and Creador II, have interests, direct and indirect, in Credisense, which is one of our suppliers. Credisense is principally engaged in software development and they developed the entire software for CAD which allows for automated credit assessment and enabled customers to customise the platform on their own. Its sole customer in Malaysia is CTOS Data Systems. As at the LPD, Inodes owns a 51.0% equity interest in Credisense whilst Creador II holds a 78.6% equity interest in Inodes.

Our Board is of the view that the involvement and interests of our substantial shareholders, as described above, in Credisense do not give rise to any existing and potential conflict of interest situation due to the following reasons:

- (i) our substantial shareholders' policy or objective for their interests in Credisense is only for investment purposes and their role or action is limited to formulating corporate or business strategies for Credisense which do not result in any conflict with our business or operations;
- (ii) our substantial shareholders are not involved in the day-to-day management of Credisense as Credisense has its own independent and standalone management team to undertake its day-to-day management or operations; and
- (iii) our substantial shareholders do not have control over the board of directors of Credisense which comprises three directors as our substantial shareholders only have one representative.

11.1.2 Substantial shareholders' and Director's interest in CIBI

As at 15 June 2021, our substantial shareholders, Inodes, Creador II, Chung Tze Keong and Chung Tze Wen have interests, direct and indirect, in CIBI, a credit information bureau in the Philippines which also provides business information reporting services and data analytics services such as pre-employment checks. Inodes holds an 80.0% equity interest in CIBI Holdings and each of Chung Tze Keong and Chung Tze Wen holds a 9.0% equity interest in CIBI Holdings whilst Creador II holds a 78.6% equity interest in Inodes. CIBI Holdings in turn owns a 51.0% equity interest in CIBI. Our Director, Wong Pau Min, who is an Alternate Director to Loh Kok Leong, our Non-Independent Non-Executive Director, is a non-executive director of CIBI.

Our Board is of the view that the involvement and interests of our substantial shareholders and Director, as described above, in CIBI do not give rise to any existing and potential conflict of interest situation due to the following reasons:

- (i) our current operations are in Malaysia while CIBI operates only in the Philippines. Accordingly, due to geographical boundaries, CIBI has a distinct and separate customer base and market, and as a result, CIBI does not compete for the same customers as us;
- (ii) given that our operations in Malaysia are highly regulated and are subject to regulatory oversight by the CRA Registrar, there are high barriers to entry of the credit reporting industry in Malaysia by other foreign credit information bureaux, including CIBI;

11. CONFLICT OF INTEREST *(Cont'd)*

- (iii) the involvement of our substantial shareholders and Director in CIBI does not in any manner affect our future plan to pursue acquisitions and investments in any country in the Asia Pacific region given that the Philippines is not an area of focus of ours in the near term and on the other hand, CIBI's current plan is to focus on the customer base and market in the Philippines;
- (iv) our substantial shareholder, Inodes, had also on 23 April 2021 granted us with a right of first offer ("ROFO") where if Inodes wishes to sell, assign, pledge, charge, grant or agree to grant any option or right to purchase or otherwise transfer or dispose of (collectively, "Transfer") its ordinary shares in CIBI Holdings or any interest therein to a third party, Inodes must first make an offer to us and only upon us declining such offer, Inodes can Transfer their respective interest in the ordinary shares in CIBI Holdings to a third party with terms not more favourable to the relevant third party. In addition, so long as the ROFO remains in effect, Inodes shall ensure that CIBI Holdings shall not Transfer its 51.0% equity interest in CIBI to any other party and procure CIBI to focus on the customer base and market in the Philippines;
- (v) our substantial shareholders' interests in CIBI are only for investment purposes which do not result in any conflict with our business or operations; and
- (vi) our substantial shareholders and Director are not involved in the day-to-day management of CIBI as CIBI has its own independent and standalone management team to undertake its day-to-day management or operations. Further, Wong Pau Min's role in CIBI is limited to attending board meetings and monthly committee meetings, during which he serves and discharges his principal role and duty as a director of CIBI, including to advise on the formulation of corporate or business strategies for CIBI.

11.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.2.1 Declaration by Maybank IB

Maybank IB, being the Joint Principal Adviser, the Joint Global Coordinator, the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO, and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. The related companies of Maybank IB may also bid for our IPO Shares to be offered under the Institutional Offering. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

11. CONFLICT OF INTEREST (Cont'd)

As at the LPD, the Maybank Group has not extended any credit facility to our Group.

However, the Maybank Group is an existing customer of our Group as at the LPD, where it uses our Group's credit, trade reference and litigation information on companies, businesses and consumers as well as other digital solutions for the conduct of its banking operations.

Notwithstanding the above, Maybank IB is of the view that the aforesaid relationship would not give rise to a conflict of interest situation in its capacity as the Joint Principal Adviser, the Joint Global Coordinator, the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO as:

- (i) the services provided by our Group to the Maybank Group arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the amount transacted with our Group for the FYE 31 December 2020 is not material when compared to the audited consolidated profit after tax and non-controlling interests of Malayan Banking Berhad for the FYE 31 December 2020 of RM6.5 billion.

Maybank IB confirms that there is no conflict of interest situation in its capacity as the Joint Principal Adviser, the Joint Global Coordinator, the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO.

11.2.2 Declaration by RHB IB

RHB IB and its related and associated companies ("**RHB Banking Group**") engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, advisory on mergers and acquisitions, securities trading, assets and fund management as well as credit transaction services. The RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to the roles set out in this Prospectus.

In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our directors, our shareholders, our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the RHB Banking Group generally acting independently of each other and accordingly there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of RHB IB may also bid for our IPO Shares to be offered under the Institutional Offering.

In addition to the roles undertaken by RHB IB as the Joint Principal Adviser, the Joint Global Coordinator, the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO (collectively, "**IPO Appointment**"), RHB IB was also appointed as our financial adviser to advise on the acquisition of the 20.0% equity interest in BOL, further details of which are set out in Section 6.3.9 of this Prospectus.

11. CONFLICT OF INTEREST (Cont'd)

As at the LPD, the RHB Banking Group has extended credit facilities with a combined limit of approximately RM203.1 million to Inodes and our Group. The extension of the said credit facilities is in the ordinary course of business of the RHB Banking Group. Our Group will repay the borrowings owing to the RHB Banking Group using the proceeds from our Public Issue. The credit facilities were granted on the conditions, among others, we provide an undertaking to submit an application for our Listing within six months from the first drawdown and for us to use all reasonable efforts to carry out our Listing within 12 months from the first drawdown.

Further, the commercial banking arm of the RHB Banking Group, RHB Bank, is also one of our major customers, which uses our credit information and analytics solutions on companies, businesses and consumers to conduct its banking operations.

Notwithstanding the above, RHB IB is of the view that the abovementioned do not give rise to a conflict of interest situation in its IPO Appointment due to the following reasons:

- (i) RHB IB is a licensed investment bank and its IPO Appointment is in the ordinary course of its business. RHB IB does not receive or derive any financial interest or benefit save for the professional fees received in relation to its IPO Appointment;
- (ii) the corporate finance division and mergers and acquisition division of RHB IB are required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and BNM governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. Further, there is no involvement by the corporate finance division and mergers and acquisition division of RHB IB in respect of any credit facilities application process undertaken by other departments within the RHB Banking Group;
- (iii) the credit facilities were provided by the RHB Banking Group on an arms' length basis and in its ordinary course of business, and the said credit facilities are not material when compared to the audited NA of the RHB Banking Group as at 31 December 2020 of approximately RM27.0 billion (representing approximately 0.8% of the RHB Banking Group's audited NA); and
- (iv) the conduct of the RHB Banking Group including RHB Bank in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, CMSA and the RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB IB confirms that there is no conflict of interest situation in its capacity as the Joint Principal Adviser, the Joint Global Coordinator, the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO.

Our Board has also confirmed that it has been informed and is aware of the situation as described above and is agreeable to the IPO Appointment.

11. CONFLICT OF INTEREST *(Cont'd)*

11.2.3 Declaration by Credit Suisse

Credit Suisse, together with its affiliates, branches and subsidiaries (together, the "**Credit Suisse Group**"), comprise a full service financial services provider engaged in securities trading, brokerage activities as well as investment banking and financial advisory services. In the ordinary course of trading and brokerage activities, members of the Credit Suisse Group may hold positions for its own account or the accounts of its customers, in equity, debt or other securities of members of our Group.

The Credit Suisse Group may engage in transactions with, and perform services for our Group in the ordinary course of business and has engaged, and may in the future engage, in commercial banking and investment banking transactions, including providing loans or entering into other financing arrangements, with our Group, for which the Credit Suisse Group has received, or may in the future receive, customary compensation.

Having regard to the foregoing, Credit Suisse confirms that there is no conflict of interest in its capacity as the Joint Global Coordinator and Joint Bookrunner for our IPO as the Credit Suisse Group has not made any loan to our Company (to the knowledge of Credit Suisse) and Credit Suisse will not receive any proceeds from our IPO, except with respect to the fees payable to, and expenses incurred by Credit Suisse in connection with its roles as the Joint Global Coordinator and the Joint Bookrunner for our IPO.

11.2.4 Declaration by AmInvestment Bank

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("**AMMB**"). AMMB, its subsidiaries and associated companies ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of businesses relating to amongst others, retail banking, investment banking, commercial banking, brokerage, securities trading, asset and funds management and credit transaction services. AmBank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates.

In addition, in the ordinary course of business, any member of the AmBank Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Company and/or our affiliates, and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Group.

As at the LPD, our Group does not maintain any facilities with the AmBank Group. AmInvestment Bank confirms that its roles as the Joint Bookrunner, the Joint Managing Underwriter and the Joint Underwriter for our IPO do not give rise to a conflict of interest situation.

11.2.5 Declaration by PricewaterhouseCoopers PLT

PricewaterhouseCoopers PLT confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants to our Company in relation to our IPO.

11.2.6 Declaration by Adnan Sundra & Low

Adnan Sundra & Low confirms that there is no conflict of interest in its capacity as the Legal Adviser to our Company as to Malaysian law in relation to our IPO.

11. CONFLICT OF INTEREST (Cont'd)

11.2.7 Declaration by Latham & Watkins LLP

Latham & Watkins LLP confirms that there is no conflict of interest in its capacity as the Legal Adviser to our Company as to United States federal securities law and English law in relation to our IPO.

11.2.8 Declaration by Chooi & Company + Cheang & Ariff

Chooi & Company + Cheang & Ariff confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters and Joint Underwriters as to Malaysian law in relation to our IPO.

11.2.9 Declaration by Allen & Overy LLP

Allen & Overy LLP confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Joint Global Coordinators and Joint Bookrunners as to United States federal securities law and English law in relation to our IPO.

11.2.10 Declaration by IDC Research

IDC Research confirms that there is no conflict of interest in its capacity as the IMR in relation to our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 presented below have been extracted from the Accountants' Report in Section 13 of this Prospectus. Our historical consolidated financial statements have been prepared in accordance with MFRS and IFRS. Our subsidiaries' historical financial statements have been prepared in accordance with MFRS and/or IFRS, save for the following:

- (i) Audited financial statements of Enfo for the FYE 31 December 2018 have been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS"); and
- (ii) Audited financial statements of Basis for the FYEs 30 June 2018, 30 June 2019 and 30 June 2020 have been prepared in accordance with MPERS.

The following selected historical consolidated financial information should be read in conjunction with "*Management's discussion and analysis of financial condition and results of operations*" in Section 12.2 of this Prospectus together with the Accountants' Report in Section 13 of this Prospectus.

Selected financial information from the historical consolidated statements of comprehensive income

| | FYE 31 December | | |
|---|-----------------|----------------|----------------|
| | Audited | | |
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Revenue | 110,465 | 129,141 | 140,496 |
| Cost of sales | (17,526) | (21,599) | (19,056) |
| GP | 92,939 | 107,542 | 121,440 |
| Other income | 183 | 57 | 174 |
| Selling and marketing expenses | (25,522) | (27,780) | (33,902) |
| Administrative expenses | (35,687) | (38,123) | (44,931) |
| Finance costs | (122) | (1,211) | (4,234) |
| Share of profits of associates | - | 761 | 1,785 |
| PBT | 31,791 | 41,246 | 40,332 |
| Tax expense | (2,135) | (2,237) | (2,355) |
| Profit for the financial year | 29,656 | 39,009 | 37,977 |
| Profit/(loss) for the financial year attributable to: | | | |
| - Owners of our Company | 29,656 | 39,009 | 39,187 |
| - Non-controlling interests | - | - | (1,210) |
| Profit for the financial year | 29,656 | 39,009 | 37,977 |

12. FINANCIAL INFORMATION (Cont'd)

| | FYE 31 December | | |
|---|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Supplementary financial information | | | |
| EBITDA ⁽¹⁾ | 35,081 | 48,537 | 51,801 |
| Normalised PATAMI ⁽²⁾ | 30,472 | 42,053 | 45,488 |
| GP margin ⁽³⁾ (%) | 84.1 | 83.3 | 86.4 |
| EBITDA margin ⁽⁴⁾ (%) | 31.8 | 37.6 | 36.9 |
| PBT margin ⁽⁵⁾ (%) | 28.8 | 31.9 | 28.7 |
| Effective tax rate ⁽⁶⁾ (%) | 6.7 | 5.4 | 5.8 |
| PATAMI margin ⁽⁷⁾ (%) | 26.8 | 30.2 | 27.9 |
| Normalised PATAMI margin ⁽⁸⁾ (%) | 27.6 | 32.6 | 32.4 |
| Basic/Diluted EPS (sen) ⁽⁹⁾ | 1.35 | 1.77 | 1.78 |

Notes:

- (1) EBITDA is calculated as profit for the relevant financial year plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income. See note 2 below for information regarding the use of non-MFRS measures.

The following table reconciles our PATAMI to EBITDA for the financial years indicated:

| | FYE 31 December | | |
|---|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| PATAMI | 29,656 | 39,009 | 39,187 |
| Add/(Less): | | | |
| Loss for the financial year attributable to non-controlling interests | - | - | (1,210) |
| Tax expense | 2,135 | 2,237 | 2,355 |
| Finance costs | 122 | 1,211 | 4,234 |
| Interest income | (195) | (241) | (244) |
| Depreciation and amortisation | 3,363 | 6,321 | 7,479 |
| EBITDA | 35,081 | 48,537 | 51,801 |

- (2) Normalised PATAMI is calculated as profit for the financial year attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of Experian, CIBI, Basis and BOL; (iii) share-based payment expense; and (iv) interest expense on bank borrowings, less (v) unrealised foreign exchange gains on RHB Term Loan 1.

EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the MFRS or IFRS. EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are not measures of our financial performance or liquidity under the MFRS or IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with the MFRS or IFRS or as alternatives to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are not standardised terms, and hence, a direct comparison of similarly titled measures between companies may not be possible. Other companies may calculate EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin differently from us, limiting its usefulness as a comparative measure.

12. FINANCIAL INFORMATION (Cont'd)

The following table reconciles our PATAMI to Normalised PATAMI for the financial years indicated:

| | FYE 31 December | | |
|--|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| PATAMI | 29,656 | 39,009 | 39,187 |
| Add/(Less): | | | |
| Losses from CIBI and CIBI Holdings | - | - | 1,335 |
| Costs related to our acquisitions of Experian, CIBI, Basis and BOL | - | 461 | 913 |
| Share-based payment expense | 720 | 1,650 | 3,284 |
| Interest expense on bank borrowings | 96 | 933 | 4,024 |
| Unrealised foreign exchange gains on RHB Term Loan 1 | - | - | (3,255) |
| Normalised PATAMI | 30,472 | 42,053 | 45,488 |

- (3) Calculated as GP divided by revenue.
- (4) Calculated as EBITDA divided by revenue.
- (5) Calculated as PBT divided by revenue.
- (6) Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rate has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. For more information, see Section 12.2.2 of this Prospectus and Note 2.9 of the Accountants' Report in Section 13 of this Prospectus.
- (7) Calculated as profit for the financial year attributable to owners of our Company divided by revenue.
- (8) Calculated as Normalised PATAMI divided by revenue.
- (9) Calculated as profit for the financial year attributable to owners of our Company divided by our enlarged issued share capital of 2,200,000,000 Shares upon Listing.

12. FINANCIAL INFORMATION (Cont'd)**Selected financial information from the historical consolidated statements of financial position**

| | As at 31 December | | |
|--------------------------------------|--------------------------|----------------|----------------|
| | Audited | | |
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Total non-current assets | 55,492 | 114,624 | 221,374 |
| Total current assets | 33,123 | 27,565 | 54,610 |
| Total assets | 88,615 | 142,189 | 275,984 |
| Total current liabilities | 22,415 | 51,872 | 159,460 |
| Total non-current liabilities | 6,166 | 11,369 | 796 |
| Total liabilities | 28,581 | 63,241 | 160,256 |
| Net assets | 60,034 | 78,948 | 115,728 |
| Net current assets/(liabilities) | 10,708 | (24,307) | (104,850) |
| Share capital | 197,994 | 197,994 | 197,994 |
| Reverse acquisition reserve | (193,528) | (193,528) | (193,528) |
| Equity contribution from shareholder | 315 | 315 | 315 |
| Other reserves | 976 | 2,626 | (45) |
| Retained earnings | 54,277 | 71,541 | 106,025 |
| Equity attributable to: | | | |
| - Owners of our Company | 60,034 | 78,948 | 110,761 |
| - Non-controlling interests | - | - | 4,967 |
| Total equity | 60,034 | 78,948 | 115,728 |

| | As at 31 December | | |
|--|--------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Supplementary financial information | | | |
| Total borrowings | 11,535 | 27,628 | 132,320 |
| Gearing ratio ⁽¹⁾ (times) | 0.2 | 0.3 | 1.1 |

Note:

(1) Computed based on total borrowings divided by total equity as at the end of the financial year.

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and analysis of our Group's financial condition and results of operations is based on our historical consolidated financial information with respect to the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, which have been extracted from the Accountants' Report in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the significant accounting policies of our Group, see Note 2.2 of the Accountants' Report in Section 13 of this Prospectus.

12.2.1 Overview

We are a regional market leader for credit bureaux in the ASEAN region, with presence in Malaysia and Thailand. We are Malaysia's leading CRA, with an estimated market share in terms of revenue of 71.2% for the FYE 31 December 2020 through CTOS Data Systems and Basis, according to the IMR Report. Our associate, Experian, is the second largest CRA in Malaysia, with an estimated market share in terms of revenue of 17.5% for the FYE 31 December 2020, according to the IMR Report. Our associate, BOL, is the largest company information bureau in Thailand, with an estimated market share in terms of revenue of 59.0% for the FYE 31 December 2020, according to the IMR Report.

From the FYEs 31 December 2018 to 31 December 2020, our revenue grew at a CAGR of 12.8% from RM110.5 million to RM140.5 million, our PATAMI grew at a CAGR of 15.0% from RM29.7 million to RM39.2 million and our Normalised PATAMI increased at a CAGR of 22.2% from RM30.5 million to RM45.5 million.

For the FYEs 31 December 2018 and 31 December 2019, all of our revenue was generated in Malaysia. For the FYE 31 December 2020, 94.8% of our revenue was generated in Malaysia and 5.2% was generated in the Philippines through CIBI. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business. The exclusion of CIBI will allow CIBI to focus on building up its sales organisation, risk and compliance functions, internal audit processes, new product development capabilities and data acquisition strategies without distracting us from, and allowing us to focus on, our core business in Malaysia and other regional growth opportunities. Following the Distribution, CIBI Holdings and CIBI are no longer a part of our Group.

12.2.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be, affected by a number of factors, including those set out below.

General economic conditions

Our results of operations are impacted by general economic conditions, particularly in Malaysia where we derive substantially all of our revenue.

During periods of strong economic growth, we generally experience strong demand for our digital solutions and strong revenue growth as an active business environment typically results in increased commercial lending and demand for our digital solutions. For example, Malaysia's GDP per capita grew by a CAGR of 2.5% between 2016 and 2020, according to the IMR Report, while our revenue increased by RM18.7 million, or 16.9%, to RM129.1 million for the FYE 31 December 2019 from RM110.5 million for the FYE 31 December 2018.

12. FINANCIAL INFORMATION (Cont'd)

In addition, during periods of economic weakness or uncertainty, though our digital solutions mix may change, we are generally able to maintain consistent revenue performance because credit and market risks for our customers are heightened and their need for credit insights and analytics from our digital solutions is magnified. For example, Malaysia's total outstanding loans grew moderately by 3.4%, compared to 3.9% growth in 2019, despite nationwide contraction of economic activity, according to the IMR Report. Our operations in Malaysia achieved a 3.2% increase in revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019 due to increased sales of our digital solutions, including Comprehensive Portfolio Review, CTOS IDGuard and CTOS Data Systems Reports.

We believe that demand for our digital solutions remained strong as our customers have been able to adapt to the new business environment and are looking for upselling and cross-selling opportunities within their existing portfolios and to gain a better understanding of risks in their portfolios. For further details on our business update regarding the COVID-19 pandemic, see Sections 7.24 and 12.2.3 of this Prospectus.

Acquisitions of assets and companies

Part of our growth strategy is to undertake a disciplined acquisition strategy to invest in assets and companies that fit well within our overall growth strategy. See Section 7.2.2 of this Prospectus for further details on our strategies.

Acquisitions of assets and companies can have a material impact on our financial condition and results of operations. In the last three financial years, our significant acquisitions included (i) our acquisition of a 26.0% equity interest in Experian, a Malaysian CRA majority-owned by Experian plc, a multinational information services company, in July 2019; (ii) our acquisition of a 20.0% equity interest in BOL, a business information service provider and developer in Thailand, in October 2020; and (iii) our acquisition of the entire equity interest in Basis, a Malaysian CRA, in January 2021.

In addition, we acquired a 51.0% equity interest in CIBI, a credit bureau in the Philippines, in June 2020 for the purpose of expanding our offerings in the Philippines across the customer lifecycle. Our 51.0% equity interest in CIBI was held by CIBI Holdings, our previously wholly-owned subsidiary, which is principally an investment holding company. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business. The exclusion of CIBI will allow CIBI to focus on building up its sales organisation, risk and compliance functions, internal audit processes, new product development capabilities and data acquisition strategies without distracting us from, and allowing us to focus on, our core business in Malaysia and other regional growth opportunities. As CIBI's business in the Philippines matures, we may evaluate CIBI for future re-investment.

Due to our acquisition of CIBI in June 2020, our consolidated statements of comprehensive income for the FYE 31 December 2020 include CIBI's revenue of RM7.3 million and net loss of RM2.5 million for the period from the date of acquisition through 31 December 2020. As set out in Note 2.36 of the Accountants' Report in Section 13 of this Prospectus, if the acquisition had occurred on 1 January 2020, our consolidated revenue for the FYE 31 December 2020 would have increased to RM147.5 million and our profit for the FYE 31 December 2020 would have decreased to RM36.8 million. Our results of operations for the FYE 31 December 2020 and the FYE 31 December 2021 are not comparable to each other because our results for each of the financial years included the financial data of CIBI over different periods of time that CIBI was part of our Group, nor are our results of operations for these years comparable to our results of operations for preceding and future years.

12. FINANCIAL INFORMATION (Cont'd)

Our investments in Experian and BOL in the FYEs 31 December 2019 and 31 December 2020, respectively, were recorded as investments in associates in our consolidated statements of financial position, which resulted in a significant increase in our non-current assets as at 31 December 2019 and 31 December 2020 compared to 31 December 2018. We also recorded marginal increases for PBT in the FYEs 31 December 2019 and 31 December 2020 compared to the FYE 31 December 2018 due to share of profits of associates related to these investments. Our consolidated financial statements for the FYE 31 December 2021 will include the results of operations of Basis since we completed the acquisition on 4 January 2021. We expect revenue from Basis to be classified as revenue from our Commercial – International customers. In addition, we expect our acquisitions to result in an increase in our non-current assets as a result of the recording of goodwill.

Our financial statements for prior years may not be comparable with our financial statements following a significant acquisition. In addition, our historical financial statements may not be indicative of our future performance or financial condition. For more information on our material acquisitions and divestitures, see Section 12.2.8 of this Prospectus.

Regulatory requirements

The credit reporting industry is highly regulated. We derive substantially all of our revenue from our credit reporting business in Malaysia, which is governed by the CRA Act. Because CTOS Data Systems' and Basis' credit reporting operations are subject to the scrutiny of the CRA Registrar, CTOS Data Systems and Basis are required to obtain the endorsement of the CRA Registrar prior to launching any new digital solution to ensure the digital solution falls under the ambit of "credit reporting business" as defined under the CRA Act. The CRA Registrar's ongoing oversight of our industry and resulting changes in regulations can also affect our results of operations, including by impacting our business model or requiring our management and personnel to dedicate additional time towards compliance activities. In 2018, to comply with the CRA Registrar's interpretation of applicable guidelines, we revised our eTR pricing strategy to adopt our current model, whereby customers pay a monthly fee to access and upload trade reference records to our eTR database depending on the amount of uploads they require.

Our results of operations are also indirectly impacted by the regulatory environment in which our customers operate. In particular, our Key Accounts customers include banks, non-bank financial institutions and insurance companies that operate in highly regulated industries. In view of our customers' regulatory requirements, from time to time we; (i) enhance our digital solutions or processes; or (ii) implement additional or different technologies or protocols, based on regulatory requirements applicable to our customers, which increases our cost of sales and adversely impacts our profit margin.

In respect of our other digital solutions involving the processing of personal data not related to credit information, we are subject to the PDPA in Malaysia and our practice is to obtain the endorsement of the PDP Commissioner before releasing such digital solutions. Our associate, Experian, is also subject to the PDPA in Malaysia for the processing of personal data not related to credit information. Similarly, operations of our associate, BOL, are subject to the Thai PDPA in Thailand. These laws and regulations are complex, subject to change and could become more stringent over time. For more information, see Sections 5.1.1 and 7.19 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)***MSC Malaysia Status and pioneer status***

Our subsidiary, CTOS Data Systems, which accounted for 98.7%, 99.8% and 95.1% of our Group's PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, has been awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. CTOS Data Systems is entitled to a tax exemption, for the tax relief period granted, on its "value added income", which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income.

CTOS Data Systems' statutory income is income derived from MSC Malaysia Qualifying Activities. Inflation adjusted base income is calculated with reference to CTOS Data Systems' average statutory income for up to three years before it was awarded pioneer status incentives adjusted with the rate of inflation for the basis year. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has been significantly lower than the statutory tax rate of 24.0% in Malaysia.

The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period. CTOS Data Systems had submitted the application for MDEC's approval for the continuation of these tax incentives throughout the Transitional Period on 22 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026. See also Section 5.1.4 of this Prospectus for further details in relation to the risk if we are unable to maintain our pioneer status.

12.2.3 Business update regarding the COVID-19 pandemic

The COVID-19 pandemic has impacted economic activity and financial markets in countries across the world, including Malaysia and Thailand. In response to an increase in the COVID-19 infection rate, governments around the world have imposed various restrictions on the conduct of activities such as shutdowns and travel restrictions.

Malaysia

In response to an increase in the COVID-19 infection rate in Malaysia, beginning in March 2020, the Government implemented various measures and restrictions on the conduct of activities in Malaysia, including quarantine measures and restrictions on the movement of persons, interstate travel and private and public gatherings.

We were impacted in the short term in March 2020 to May 2020 by the effects of the MCO on our customers' in-office activities, though our business has rebounded since June 2020. Our operations in Malaysia achieved a 3.2% increase in our revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019 due to increased sales of our digital solutions, in particular from our Comprehensive Portfolio Review, CTOS IDGuard and CTOS Data Systems Reports. We believe that demand for our digital solutions remained strong as our customers have been able to adapt to the new business environment and are looking for upselling and cross-selling opportunities within their existing portfolios and to gain a better understanding of risks in their portfolios.

12. FINANCIAL INFORMATION (Cont'd)

The increase in our revenue for the FYE 31 December 2020 was partially offset by a temporary decrease in revenue in March 2020 to May 2020 during the MCO where many of our Key Accounts customers temporarily reduced their lending activities substantially and churn temporarily increased for our Commercial customers. For the FYE 31 December 2020, we granted customer requests to delay implementation schedules for some of our digital solutions due to movement restrictions and quarantine measures. These projects resumed in the third quarter of 2020 and revenue from these projects continues to gradually increase. In July 2020, we also introduced cost saving measures such as the postponement of advertising campaigns and marketing events for our Key Accounts customers which resumed in the second quarter of 2021, to the extent permitted under local law. We have not made any reductions to headcount, salary or benefits as a result of the COVID-19 pandemic.

Recognising the impact of the COVID-19 pandemic on consumers, the Government implemented various economic relief measures which impacted our business. The Government implemented a moratorium on loan and financing repayments from 1 April 2020 until 30 September 2020 which led to a significant increase in demand for our Comprehensive Portfolio Review and CTOS Portfolio Analytics and Insights solutions, particularly among our Key Accounts customers as many of them were reviewing their portfolios to identify potential risk areas and lending opportunities after the moratorium was lifted.

In June 2020, to help alleviate the impact of the COVID-19 pandemic on businesses, BNM began providing free access to its CCRIS database which will continue until the end of 2021. As a condition to us receiving the CCRIS fee waiver, BNM required CTOS Data Systems to reduce the fees charged to our customers for our CTOS Data Systems Reports. Our receipt of the CCRIS fee waiver and reduction of fees charged to our customers resulted in lower revenue and cost of sales related to sales of our CTOS Data System Reports but had no impact on our GP and had resulted in an improvement in our GP margin for the FYE 31 December 2020. We expect this trend to continue through the end of 2021.

The COVID-19 pandemic has most directly impacted a portion of our Commercial customers, in particular some of our SME customers, whose businesses have proven to be more susceptible to the major economic shock caused by the COVID-19 pandemic. Between April 2020 and June 2020, we granted short-term payment deferrals for subscriptions and instalment payment plans to certain of our CTOS Credit Manager customers whose businesses were significantly impacted by the COVID-19 pandemic and the MCO. Our customer churn rate among our Commercial customers was higher in absolute terms by 0.2 percentage points for the FYE 31 December 2020 as compared to the FYE 31 December 2019. Our customer churn rate among our Commercial customers has remained flat from January 2021 through the LPD despite re-introductions of the MCO in 2021. These re-introductions of the MCO including the MCO commencing on 12 May 2021 have not had any material impact on our business, financial condition or results of operations, nor is any material impact anticipated as at the LPD.

Thailand

As at the LPD, the COVID-19 pandemic has not resulted in any material disruptions to BOL's operations in Thailand.

For more information on the impact of the COVID-19 pandemic on our business, see Section 5.1.8 and Section 7.24 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.2.4 Critical accounting estimates and judgments

The preparation of our financial statements in accordance with MFRS and IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date. Actual results may differ from these estimates.

We review our estimates and underlying assumptions periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

We believe that there are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in our financial statements, other than those as set out below. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Intangible assets – Goodwill

We test goodwill for impairment annually in accordance with our accounting policy or more frequently if events or change in circumstances indicate that this is necessary within the financial year. The recoverable amount is measured at the higher of the fair value less costs to sell and value in use. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require us to make assumptions about revenue growth, an appropriate discount rate and terminal growth rate. No impairment charge was recognised because the recoverable amount exceeded its carrying amount. The assumptions used and sensitivities of the impairment assessment of goodwill are set out in Note 2.12 of the Accountants' Report in Section 13 of this Prospectus.

Allowance for impairment of receivables

We apply the MFRS 9 'Financial Instruments' simplified approach of measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on three years historical ageing profile and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Such allowance is adjusted periodically to reflect the actual and anticipated impairment.

Employee share option scheme

We implemented the ESOS on 1 January 2015. Under the ESOS, we received services from employees as consideration for equity instruments of our Company. We measured the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted and revise the estimated number of shares that are expected to vest at the end of the reporting period. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Black-Scholes simulation model). Significant judgment is required in determining the vesting period which is based on the trigger event. The estimate requires determining the most appropriate inputs to the valuation model including the vesting period of the ESOS, volatility and dividend yield and making assumptions about them which are set out in Note 2.32 of the Accountants' Report in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

During the FYE 31 December 2020, our Company cancelled all outstanding ESOS options that were granted in prior years, and our Group recognised RM3.3 million of share-based payment expense immediately in our statement of comprehensive income and terminated the ESOS. The ESOS options granted in the FYE 31 December 2020 were cancelled by forfeiture as the vesting conditions were not met and no share-based payment expense was recognised. As part of the cancellation, RM0.1 million was payable in total as at 31 December 2020 to all the eligible executives whose ESOS options were cancelled, which was accounted for as a repurchase of equity interest and deducted from the share-based payment reserve accordingly. The RM0.1 million was recognised within other payables as at 31 December 2020 and paid in January 2021 to these eligible executives.

Revenue from customer contracts

The accounting of our eKYC contracts and CAD contracts requires management to make judgments, estimates and assumptions, and therefore they are discussed below.

Identification of performance obligations

The various models of the eKYC contracts and certain types of CAD contracts are considered to be bundled digital solutions that consist of multiple products and services promised to the customers. We account for individual products and services separately as separate performance obligations if they are distinct promised products and services, that is, if a product or service is separately identifiable from other items in the bundled digital solution and if a customer can benefit from it separately. We exercise judgement in determining whether the products and services are considered distinct and are separate performance obligations for the eKYC and CAD revenue contracts. This determination will affect the allocation of consideration in the contract and revenue recognised for each performance obligation.

We recognise revenue at a point in time or over time depending on when the control over the provision of services are transferred to our customers. We also exercise judgement on the timing when the control is transferred to determine the timing of recognition.

Determining stand-alone selling price

We exercise judgement in estimating the stand-alone selling price of each performance obligation in the eKYC and CAD revenue contracts, given that stand-alone selling prices for products and services are not directly observable in the market. We use a cost plus margin approach, by incorporating the expected cost of satisfying a performance obligation and an appropriate margin for the particular product or service.

Determining transaction price

We have determined the volume of transactions that are highly probable for each revenue contract as the basis to estimate the variable volume and consideration in determining the variable consideration it will be entitled to from respective contracts. The estimates of variable consideration should be updated at the end of each reporting period and any changes are accounted for as a change in estimates (adjustments to revenue) in the period in which the transaction price changes.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5 Results of operations*****Principal components of our consolidated statements of comprehensive Income****Revenue*

We generate our revenue from the provision of credit information and analytical solutions to our customers. Our digital solutions currently serve three types of customers: Key Accounts, Commercial and Direct-to-Consumer. We also generated revenue from International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020 until the removal of our entire 51.0% equity interest in CIBI from CTOS Digital via the Distribution on 15 June 2021.

We generate revenue from our Key Accounts customers primarily through fees that we charge for providing digital solutions to our Key Accounts customers, including tailored solutions depending on their unique business requirements. These contracts are generally for a fixed term, typically one to three years, and renewed upon expiry. Over 99% of our Key Accounts revenue is generated by CTOS Data Systems. We have a 100.0% Key Accounts customer retention rate since 2017 in terms of CTOS Data Systems' customers. Some of our contracts include minimum commitments from customers. We also generate revenue from our Key Accounts customers from various licence, set-up and maintenance fees for our digital solutions.

We generate revenue from our Commercial customers primarily through subscription fees that customers pay for access to our digital platform, CTOS Credit Manager. We also generate revenue from fees that we charge for our digital solutions and services that our customers purchase, including access to our eTR database and trade reference profiles uploading to our eTR database, as well as purchases of our various CTOS Data Systems Reports, CTOS Basis Reports (following our acquisition of Basis in January 2021) and External Reports.

We generate revenue from our Direct-to-Consumer customers primarily from the sale of MyCTOS Score Reports through our website and through authorised reseller agents.

We generated revenue from our International B2B customers primarily through fees that customers paid to access CIBI's digital solutions.

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

| | FYE 31 December | | | | | |
|--------------------|-----------------|------------------|----------------|------------------|----------------|------------------|
| | 2018 | | 2019 | | 2020 | |
| | RM'000 | % ⁽¹⁾ | RM'000 | % ⁽¹⁾ | RM'000 | % ⁽¹⁾ |
| Malaysia | | | | | | |
| Key Accounts | 41,440 | 37.5 | 49,321 | 38.2 | 47,335 | 33.7 |
| Commercial | 64,391 | 58.3 | 74,449 | 57.6 | 79,600 | 56.7 |
| Direct-to-Consumer | 4,634 | 4.2 | 5,371 | 4.2 | 6,290 | 4.5 |
| Sub-total | 110,465 | 100.0 | 129,141 | 100.0 | 133,225 | 94.8 |
| International B2B | - | - | - | - | 7,271 | 5.2 |
| Total | 110,465 | 100.0 | 129,141 | 100.0 | 140,496 | 100.0 |

12. FINANCIAL INFORMATION (Cont'd)**Note:**

- (1) Percentage of revenue.

For the FYEs 31 December 2018 and 31 December 2019, all of our revenue was generated in Malaysia. For the FYE 31 December 2020, RM133.2 million or 94.8% of our revenue was generated in Malaysia while RM7.3 million or 5.2% was generated in the Philippines.

Cost of sales

Our cost of sales primarily comprises (i) data acquisition costs for information for our databases, (ii) fees paid to vendors and service providers for licences, royalties and services to support our digital solutions; and (iii) costs of reports purchased from third parties.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our cost of sales was RM17.5 million, RM21.6 million and RM19.1 million, respectively. Cost of sales of CIBI accounted for 8.1% of our total cost of sales for the FYE 31 December 2020.

Other income

Our other income primarily comprises interest income from financial assets, which mainly consists of cash and bank balances, foreign exchange gains and losses, and gains and losses on disposal of property, plant and equipment.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our other income was RM0.2 million, RM57,000 and RM0.2 million respectively.

Selling and marketing expenses

Our selling and marketing expenses comprise staff cost and advertising, promotion and sales commission expenses. Staff cost comprise salaries, bonuses, allowances and employers' contribution paid to EPF and SOCSO. Advertising, promotion and sales commission expenses comprise commission and incentives paid to our sales and marketing staff and expenses incurred for advertising, creative agency fees and expenses for other promotional events.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our selling and marketing expenses were RM25.5 million, RM27.8 million and RM33.9 million, respectively. Selling and marketing expenses of CIBI accounted for 10.7% of our total selling and marketing expenses for the FYE 31 December 2020.

Administrative expenses

Our administrative expenses primarily comprise the following: (i) staff cost for administrative employees, including share-based payment expense; (ii) depreciation and amortisation expenses; (iii) IT support expenses, which primarily comprise IT outsourcing fees, software tool license fees, expenses incurred for network and system security, and data centres and other infrastructure support costs; (iv) legal and professional fees; (v) rental of buildings for our data centres, corporate office and regional offices (prior to adoption of MFRS 16); (vi) staff insurance; (vii) travelling and entertainment; (viii) office expenses, which primarily comprise internet broadband, telephone, printing and stationeries, utilities and general insurance; (ix) allowance for impairment of receivables - net; (x) unrealised gain on foreign exchange on RHB Term Loan 1; and (xi) other expenses.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out a breakdown of our administrative expenses for the financial years indicated:

| | FYE 31 December | | |
|--|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Staff cost, including share-based payment expense | 18,638 | 20,034 | 24,063 |
| Depreciation and amortisation expenses | | | |
| - Depreciation of property, plant and equipment | 3,283 | 4,781 | 5,474 |
| - Depreciation of right-of-use assets | - | 1,519 | 1,739 |
| - Amortisation of intangible assets | 80 | 21 | 266 |
| IT support expenses | 3,085 | 4,281 | 5,517 |
| Legal and professional fees | 3,131 | 855 | 1,782 |
| Rental of buildings | 1,668 | 265 | 528 |
| Staff insurance | 459 | 451 | 719 |
| Travelling and entertainment | 1,640 | 1,360 | 1,022 |
| Office expenses | 1,630 | 1,648 | 2,974 |
| Allowance for impairment of receivables - net | 75 | 277 | 530 |
| Unrealised gain on foreign exchange on RHB Term Loan 1 | - | - | (3,255) |
| Other expenses | 1,998 | 2,631 | 3,572 |
| Total | 35,687 | 38,123 | 44,931 |

Administrative expenses of CIBI accounted for 10.0% of our total administrative expenses for the FYE 31 December 2020.

Finance costs

Our finance costs primarily comprise interest paid on our borrowings and lease liabilities.

The following table sets out a breakdown of our finance costs for the financial years indicated:

| | FYE 31 December | | |
|--|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Interest expense on: | | | |
| - Bank borrowings | 96 | 933 | 4,024 |
| - Lease liabilities | - | 220 | 162 |
| Accretion of provision for restoration costs | 19 | 18 | 19 |
| Others | 7 | 40 | 29 |
| Total | 122 | 1,211 | 4,234 |

12. FINANCIAL INFORMATION (Cont'd)

Tax expense

Our tax expense primarily comprises current and deferred taxes. Current tax expense is determined according to the tax laws of each jurisdiction where we and our subsidiaries operate and includes all taxes based on the taxable profits. We were subject to tax in Malaysia in the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. As a result of our acquisition of a 51.0% equity interest in CIBI through our previously wholly-owned subsidiary, CIBI Holdings in June 2020, we were also subject to tax in the Philippines for the FYE 31 December 2020 which accounted for 3.4% of our total tax expense for the FYE 31 December 2020.

Following our acquisition of 20.0% equity interest of BOL in October 2020, we expect to receive dividend income which is exempted from taxes in Malaysia. The dividend income will be subject to withholding tax at 10.0%. However, BOL has been granted promotional privileges under the Thailand Investment Promotion Act B.E. 2520 (1997), as amended, by the Board of Investment of Thailand, and we are therefore exempted from withholding tax on dividends paid from the income derived from the promoted business operations for which BOL's corporate income tax is exempted. Such tax relief is valid from 9 October 2013 until 15 December 2022. The interest expense from the bank borrowings used to finance the acquisition of the 20.0% equity interest in BOL is not tax deductible as the dividend income received is exempted from taxes in Malaysia.

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 taking into consideration of the expiry date of tax incentive, based on the tax rates and tax laws substantially enacted at the balance sheet date.

Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has therefore been significantly lower than the statutory tax rate of 24.0% in Malaysia. For more information, see Section 12.2.2 of this Prospectus and Note 2.9 of the Accountants' Report in Section 13 of this Prospectus.

We assume responsibility for the withholding of tax on payments to our service providers who are not resident in the relevant country where the services are rendered, as well as on licenses or royalties paid to our vendors and service providers. We also remit such withheld taxes to the relevant tax authorities.

In January 2021, we acquired the entire equity interest of Basis. As Basis does not hold a MSC Pioneer Certificate, it is subject to the statutory tax rate of 24.0% in Malaysia. We expect this to contribute to a marginal increase in our tax expense beginning with the FYE 31 December 2021.

12. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2020 compared to FYE 31 December 2019**

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

| | FYE 31 December | | | | |
|---|------------------------|------------------------|----------------|------------------------|-----------------|
| | 2019 | | 2020 | | % change |
| | RM'000 | %⁽¹⁾ | RM'000 | %⁽¹⁾ | |
| Revenue | 129,141 | 100.0 | 140,496 | 100.0 | 8.8 |
| Cost of sales | (21,599) | (16.7) | (19,056) | (13.6) | (11.8) |
| GP | 107,542 | 83.3 | 121,440 | 86.4 | 12.9 |
| Other income | 57 | * | 174 | 0.1 | 205.3 |
| Selling and marketing expenses | (27,780) | (21.5) | (33,902) | (24.1) | 22.0 |
| Administrative expenses | (38,123) | (29.5) | (44,931) | (32.0) | 17.9 |
| Finance costs | (1,211) | (0.9) | (4,234) | (3.0) | 249.6 |
| Share of profits of associates | 761 | 0.6 | 1,785 | 1.3 | 134.6 |
| PBT | 41,246 | 31.9 | 40,332 | 28.7 | (2.2) |
| Tax expense | (2,237) | (1.7) | (2,355) | (1.7) | 5.3 |
| Profit for the financial year | 39,009 | 30.2 | 37,977 | 27.0 | (2.6) |
| Profit/(loss) for the financial year attributable to: | | | | | |
| - Owners of the Company | 39,009 | 30.2 | 39,187 | 27.9 | 0.5 |
| - Non-controlling interests | - | - | (1,210) | (0.9) | - |
| Profit for the financial year | 39,009 | 30.2 | 37,977 | 27.0 | (2.6) |

Notes:

(1) Percentage of revenue.

* Negligible

Revenue

Our revenue increased by RM11.4 million, or 8.8%, to RM140.5 million for the FYE 31 December 2020 from RM129.1 million for the FYE 31 December 2019. This increase was primarily due to revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020 and an increase in revenue from our Commercial and Direct-to-Consumer customers, which were partially offset by a decrease in revenue from our Key Accounts customers.

Revenue generated by our operations in Malaysia increased by RM4.1 million, or 3.2% to RM133.2 million for the FYE 31 December 2020 from RM129.1 million for the FYE 31 December 2019. For the FYEs 31 December 2019 and 31 December 2020, 100.0% and 94.8% of our revenues respectively were generated by our customers in Malaysia.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

| | FYE 31 December | | | | % change |
|--------------------|------------------------|------------------------|----------------|------------------------|-----------------|
| | 2019 | | 2020 | | |
| | RM'000 | %⁽¹⁾ | RM'000 | %⁽¹⁾ | |
| Malaysia | | | | | |
| Key Accounts | 49,321 | 38.2 | 47,335 | 33.7 | (4.0) |
| Commercial | 74,449 | 57.6 | 79,600 | 56.7 | 6.9 |
| Direct-to-Consumer | 5,371 | 4.2 | 6,290 | 4.5 | 17.1 |
| Sub-total | 129,141 | 100.0 | 133,225 | 94.8 | 3.2 |
| International B2B | - | - | 7,271 | 5.2 | - |
| Total | 129,141 | 100.0 | 140,496 | 100.0 | 8.8 |

Note:

(1) Percentage of revenue

Revenue from our Key Accounts customers was RM47.3 million for the FYE 31 December 2020. We had increased sales volume during the year primarily due to increased sales of our digital solutions, including our Comprehensive Portfolio Review, CTOS IDGuard, and sales of bundled services (two or more digital solutions sold together), which we began offering in the fourth quarter of 2019. However, for the FYE 31 December 2020, we reduced our fees charged to our Key Accounts customers for our CTOS Data Systems Reports in an aggregate amount of RM7.3 million as BNM allowed free access to its CCRIS database which is expected to continue until the end of 2021. The increase in revenue generated from increased sales volume described above was fully offset by the aforementioned fee reduction resulting in the decrease in our Key Accounts revenue by RM2.0 million, or 4.0%, to RM47.3 million for the FYE 31 December 2020 from RM49.3 million for the FYE 31 December 2019.

Revenue from our Commercial customers increased by RM5.2 million, or 6.9%, to RM79.6 million for the FYE 31 December 2020 from RM74.4 million for the FYE 31 December 2019, primarily due to strong growth in new CTOS Credit Manager subscribers, which generated additional revenue from subscription fees, as well as higher CTOS Data Systems Reports' sales volume driven by strong demand. We reduced our fees charged to our Commercial customers for our CTOS Data Systems Reports in an aggregate amount of RM0.3 million as BNM allowed free access to its CCRIS database.

Revenue from our Direct-to-Consumer customers increased by RM0.9 million, or 17.1%, to RM6.3 million for the FYE 31 December 2020 from RM5.4 million for the FYE 31 December 2019, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and customers who have purchased MyCTOS Score Reports in the past, despite reducing our fees charged to our Direct-to-Consumer customers for our CTOS Data Systems Reports in an aggregate amount of RM0.3 million as BNM allowed free access to its CCRIS database.

Our revenue for the FYE 31 December 2020 also included RM7.3 million of revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020.

12. FINANCIAL INFORMATION (Cont'd)*Cost of sales*

Our cost of sales decreased by RM2.5 million, or 11.8%, to RM19.1 million for the FYE 31 December 2020 from RM21.6 million for the FYE 31 December 2019. This lower cost of sales was due to our reduction in fees charged for our CTOS Data Systems Reports which BNM required CTOS Data Systems to do because of the CCRIS fee waiver provided by BNM in June 2020. The decrease was partially offset by an increase in costs of reports purchased from third parties in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions, as well as new contribution to cost of sales to our International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020. Cost of sales of CIBI accounted for 8.1% of our total cost of sales for the FYE 31 December 2020. Our cost of sales as a percentage of total revenue decreased to 13.6% for the FYE 31 December 2020 from 16.7% for the FYE 31 December 2019 for the same reason.

GP and GP margin

Our GP increased by RM13.9 million, or 12.9%, to RM121.4 million for the FYE 31 December 2020 from RM107.5 million for the FYE 31 December 2019 primarily due to increases in sales volume from our Key Accounts, Commercial and Direct-to-Consumer customers, as well as GP from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020. Our GP margin increased from 83.3% for the FYE 31 December 2019 to 86.4% for the FYE 31 December 2020 primarily due to the decrease in cost of sales which in turn is primarily due to the aggregate RM7.8 million reduction in our fees charged to our Key Accounts, Commercial and Direct-to-Consumer customers for our CTOS Data Systems Reports as described above.

The following tables set out the breakdown of our GP by geography, and as a percentage of revenue for the financial years indicated.

| | FYE 31 December 2019 | | | | | | FYE 31 December 2020 | | | | | |
|---------------|----------------------|-------------|---------------|----------|----------------|-------------|----------------------|-------------|---------------|-------------|----------------|-------------|
| | Malaysia | | International | | Total | | Malaysia | | International | | Total | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Revenue | 129,141 | 100.0 | - | - | 129,141 | 100.0 | 133,225 | 100 | 7,271 | 100 | 140,496 | 100 |
| Cost of sales | (21,599) | (16.7) | - | - | (21,599) | (16.7) | (17,509) | (13.1) | (1,547) | (21.3) | (19,056) | (13.6) |
| GP | 107,542 | 83.3 | - | - | 107,542 | 83.3 | 115,716 | 86.9 | 5,724 | 78.7 | 121,440 | 86.4 |

Other income

Other income increased by RM0.1 million, to RM0.2 million for the FYE 31 December 2020 from RM0.1 million for the FYE 31 December 2019. Lower other income for the FYE 31 December 2019 was primarily due to the write-off of an asset of RM0.2 million related to an aborted new product development. Other income of CIBI accounted for 26.4% of our other income for the FYE 31 December 2020.

12. FINANCIAL INFORMATION (Cont'd)*Selling and marketing expenses*

Selling and marketing expenses increased by RM6.1 million, or 22.0%, to RM33.9 million for the FYE 31 December 2020 from RM27.8 million for the FYE 31 December 2019 primarily due to an increase in staff cost as a result of average monthly headcount in Malaysia for the FYE 31 December 2020 being higher than the average monthly headcount for the FYE 31 December 2019 and new contribution to staff cost from our International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020. Selling and marketing expenses of CIBI accounted for 10.7% of our total selling and marketing expenses for the FYE 31 December 2020. The increase was partially offset by lower advertising, promotion sales commission and incentives expenses. The impact of the COVID-19 pandemic resulted in fewer employees achieving their performance targets, resulting in lower commission and incentives being paid.

Administrative expenses

Administrative expenses increased by RM6.8 million, or 17.9%, to RM44.9 million for the FYE 31 December 2020 from RM38.1 million for the FYE 31 December 2019, primarily due to increases in staff cost, including share-based payment expense, IT support expenses, office expenses and legal and professional fees, partially offset by unrealised gain on foreign exchange on a foreign currency loan.

Staff cost, including share-based payment expense increased by RM4.0 million, or 20.1%, to RM24.1 million for the FYE 31 December 2020 from RM20.0 million for the FYE 31 December 2019 primarily due to the cancellation of the ESOS which resulted in an acceleration charge that increased our share-based payment expense as well as the increased headcount to support our digital solutions and operations. IT support expense increased by RM1.2 million, or 28.9% to RM5.5 million for the FYE 31 December 2020 from RM4.3 million in the FYE 31 December 2019 primarily due to an increase in the fees paid for outsourced IT support services. Office expenses increased by RM1.3 million, or 80.5%, to RM3.0 million for the FYE 31 December 2020 from RM1.6 million for the FYE 31 December 2019 primarily reflecting the consolidation of CIBI after our acquisition in June 2020. Legal and professional fees increased RM0.9 million, or 108.4%, to RM1.8 million for the FYE 31 December 2020 from RM0.9 million for the FYE 31 December 2019 related to regulatory compliance activities and the consolidation of CIBI after our acquisition in June 2020. Unrealised gain on foreign exchange on foreign currency loan for the FYE 31 December 2020 was RM3.3 million and was related to our USD-denominated borrowing.

Administrative expenses of CIBI accounted for 10.0% of our total administrative expenses for the FYE 31 December 2020.

Finance costs

Finance costs increased by RM3.0 million to RM4.2 million for the FYE 31 December 2020 from RM1.2 million for the FYE 31 December 2019, primarily due to an increase of interest expense on higher bank borrowings to finance our acquisitions including BOL for the FYE 31 December 2020 and the write off of unamortised borrowing costs of RM0.7 million upon refinancing of our term loan facilities. Finance costs of CIBI accounted for 0.9% of our total finance costs for the FYE 31 December 2020.

Share of profits of associates

Share of profits of associates increased by RM1.0 million to RM1.8 million for the FYE 31 December 2020 from RM0.8 million for the FYE 31 December 2019 due to the full year contribution of our investment in Experian and our investment in BOL in October 2020.

12. FINANCIAL INFORMATION (Cont'd)

PBT and PBT margin

PBT decreased by RM0.9 million, or 2.2%, to RM40.3 million for the FYE 31 December 2020 from RM41.2 million for the FYE 31 December 2019, despite an 8.8% increase in revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019, due to an increase in administrative expenses and selling and marketing expenses, as well as a loss before tax of RM2.0 million from our international business segment following our acquisition of a 51.0% equity interest in CIBI in June 2020. Our PBT margin decreased from 31.9% for the FYE 31 December 2019 to 28.7% for the FYE 31 December 2020 for the reasons described above.

Tax expense

Tax expense increased by RM0.1 million, or 5.3%, to RM2.4 million for the FYE 31 December 2020 from RM2.2 million for the FYE 31 December 2019, primarily due to higher over accrual of tax for the FYE 31 December 2019. Our effective tax rate increased to 5.8% for the FYE 31 December 2020 from 5.4% for the FYE 31 December 2019 primarily due to the loss before tax from our international business segment, resulting in lower PBT on which our effective tax rate is calculated. The majority of CTOS Data Systems' statutory income was tax exempt in both years due to its pioneer status incentives. For more information on pioneer status tax incentives, see Section 12.2.2 of this Prospectus. Tax expense of CIBI accounted for 3.4% of our total tax expense for the FYE 31 December 2020.

Profit for the financial year, PATAMI and PATAMI margin

Profit for the financial year decreased by RM1.0 million, or 2.6%, to RM38.0 million for the FYE 31 December 2020 from RM39.0 million for the FYE 31 December 2019 primarily due to higher selling and marketing expenses, administrative expenses and finance costs coupled with the loss before tax recorded from our international business segment, which offset the increase in revenue described above. Profit for the financial year for the FYE 31 December 2020 included CIBI's loss for the financial year of RM2.5 million.

PATAMI increased by RM0.2 million, or 0.5%, to RM39.2 million for the FYE 31 December 2020 from RM39.0 million for the FYE 31 December 2019. PATAMI for the FYE 31 December 2020 included CIBI's loss after tax and minority interests of RM1.3 million.

PATAMI margin decreased from 30.2% for the FYE 31 December 2019 to 27.9% for the FYE 31 December 2020 due to the loss before tax recorded from our international business segment despite PATAMI margin for our Malaysian business segment remaining stable.

12. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2019 compared to FYE 31 December 2018**

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

| | FYE 31 December | | | | |
|--|-----------------|------------------|----------------|------------------|-------------|
| | 2018 | | 2019 | | % change |
| | RM'000 | % ⁽¹⁾ | RM'000 | % ⁽¹⁾ | |
| Revenue | 110,465 | 100.0 | 129,141 | 100.0 | 16.9 |
| Cost of sales | (17,526) | (15.9) | (21,599) | (16.7) | 23.2 |
| GP | 92,939 | 84.1 | 107,542 | 83.3 | 15.7 |
| Other income | 183 | 0.2 | 57 | * | (68.9) |
| Selling and marketing expenses | (25,522) | (23.1) | (27,780) | (21.5) | 8.8 |
| Administrative expenses | (35,687) | (32.3) | (38,123) | (29.5) | 6.8 |
| Finance costs | (122) | (0.1) | (1,211) | (0.9) | 892.6 |
| Share of profits of associates | - | - | 761 | 0.6 | - |
| PBT | 31,791 | 28.8 | 41,246 | 31.9 | 29.7 |
| Tax expense | (2,135) | (1.9) | (2,237) | (1.7) | 4.8 |
| Profit for the financial year | 29,656 | 26.8 | 39,009 | 30.2 | 31.5 |
| Profit for the financial year attributable to: | | | | | |
| - Owners of the Company | 29,656 | 26.8 | 39,009 | 30.2 | 31.5 |
| - Non-controlling interests | - | - | - | - | - |
| Profit for the financial year | 29,656 | 26.8 | 39,009 | 30.2 | 31.5 |

Notes:

(1) Percentage of revenue.

* Negligible

Revenue

Our revenue increased by RM18.7 million, or 16.9%, to RM129.1 million for the FYE 31 December 2019 from RM110.5 million for the FYE 31 December 2018, primarily driven by an increase in our revenues from our Key Accounts and Commercial customers. All of our revenue was generated in Malaysia in both years.

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

| | FYE 31 December | | | | |
|--------------------|-----------------|------------------|----------------|------------------|-------------|
| | 2018 | | 2019 | | % change |
| | RM'000 | % ⁽¹⁾ | RM'000 | % ⁽¹⁾ | |
| Key Accounts | 41,440 | 37.5 | 49,321 | 38.2 | 19.0 |
| Commercial | 64,391 | 58.3 | 74,449 | 57.6 | 15.6 |
| Direct-to-Consumer | 4,634 | 4.2 | 5,371 | 4.2 | 15.9 |
| Total | 110,465 | 100.0 | 129,141 | 100.0 | 16.9 |

12. FINANCIAL INFORMATION (Cont'd)

Note:

- (1) Percentage of revenue.

Revenue from our Key Accounts customers increased by RM7.9 million, or 19.0%, to RM49.3 million for the FYE 31 December 2019 from RM41.4 million for the FYE 31 December 2018, primarily due to (i) an increase in sales volume of our CTOS Data Systems Reports, which in turn was largely driven by sales to existing customers and increased demand for credit information; (ii) revenue from our CTOS eKYC and CAD solutions, which were launched in the fourth quarter of 2019; and (iii) an increase in sales volume of our Comprehensive Portfolio Review solution. These trends reflect our strategy to expand our wallet share among our existing customers and to assist them with their digital transformations.

Revenue from our Commercial customers increased by RM10.1 million, or 15.6%, to RM74.4 million for the FYE 31 December 2019 from RM64.4 million for the FYE 31 December 2018, primarily due to growth in new CTOS Credit Manager subscribers, which generated additional revenue from subscription fees, which in turn was driven by our implementation of new sales performance standards for our sales teams, as well as higher sales volume of our CTOS Data Systems Reports.

Revenue from our Direct-to-Consumer customers increased by RM0.7 million, or 15.9%, to RM5.4 million for the FYE 31 December 2019 from RM4.6 million for the FYE 31 December 2018, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and customers who have purchased MyCTOS Score Reports in the past.

Cost of sales

Our cost of sales increased by RM4.1 million, or 23.2%, to RM21.6 million for the FYE 31 December 2019 from RM17.5 million for the FYE 31 December 2018, primarily due to an increase in costs of reports purchased from third parties in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions. Our cost of sales as a percentage of revenue increased to 16.7% for the FYE 31 December 2019 from 15.9% for the FYE 31 December 2018, in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions, as well as changes in the composition of our sales mix.

GP and GP margin

Our GP increased by RM14.6 million, or 15.7%, to RM107.5 million for the FYE 31 December 2019 from RM92.9 million for the FYE 31 December 2018 due to increases in sales volume from our Key Accounts, Commercial and Direct-to-Consumers customers. Our GP margin decreased from 84.1% for the FYE 31 December 2018 to 83.3% for the FYE 31 December 2019 primarily due to the increase in cost of sales, as well as changes in the composition of our sales mix.

Other income

Other income decreased by RM0.1 million, or 68.9%, to approximately RM57,000 for the FYE 31 December 2019 from RM0.2 million for the FYE 31 December 2018, primarily due to the write-off of an asset of RM0.2 million related to an aborted new product development.

12. FINANCIAL INFORMATION (Cont'd)

Selling and marketing expenses

Selling and marketing expenses increased by RM2.3 million, or 8.8%, to RM27.8 million for the FYE 31 December 2019 from RM25.5 million for the FYE 31 December 2018 primarily due to an increase in commissions and incentives paid to our sales and marketing staff who achieved their performance targets and advertising spending for our marketing efforts to launch CTOS SecureID and raise awareness among, and grow our revenue from, our Direct-to-Consumer customers.

Administrative expenses

Administrative expenses increased by RM2.4 million, or 6.8%, to RM38.1 million for the FYE 31 December 2019 from RM35.7 million for the FYE 31 December 2018, primarily due to increases in staff cost, including share-based payment expense, depreciation and amortisation expenses and IT support expenses, partially offset by lower legal and professional fees and lower rental of buildings.

Staff cost, including share-based payment expense increased by RM1.4 million, or 7.5%, to RM20.0 million for the FYE 31 December 2019 from RM18.6 million for the FYE 31 December 2018 as we hired more employees to support our digital solutions. Depreciation and amortisation expenses increased by RM3.0 million, or 88.0%, to RM6.3 million for the FYE 31 December 2019 from RM3.4 million for the FYE 31 December 2018 primarily due to higher capital expenditures during the year and the inclusion of expenses related to depreciation of right-of-use assets previously classified as rental expenses following our adoption of MFRS 16. IT support expenses increased by RM1.2 million, or 38.8% to RM4.3 million for the FYE 31 December 2019 from RM3.1 million for the FYE 31 December 2018 primarily due to costs incurred for data centre infrastructure and administrative software.

Legal and professional fees decreased by RM2.3 million, or 72.7%, to RM0.9 million for the FYE 31 December 2019 from RM3.1 million for the FYE 31 December 2018 as we paid fees to Creador, our related party, for certain support services in the FYE 31 December 2018 but not the FYE 31 December 2019. Rental of buildings decreased by RM1.4 million, or 84.1%, to RM0.3 million for the FYE 31 December 2019 from RM1.7 million for the FYE 31 December 2018 primarily due to reclassification as part of our adoption of MFRS 16 in the FYE 31 December 2019.

Finance costs

Finance costs increased to RM1.2 million for the FYE 31 December 2019 from RM0.1 million for the FYE 31 December 2018. The increase in finance cost was primarily due to the utilisation of our revolving credit facility for working capital requirements and term loan for payment of dividends.

Share of profits of associates

Share of profits of associates was RM0.8 million for the FYE 31 December 2019 as compared to nil for the FYE 31 December 2018. Share of profits of associates for the FYE 31 December 2019 related to our investment in Experian which was completed in July 2019.

12. FINANCIAL INFORMATION (Cont'd)

PBT and PBT margin

PBT increased by RM9.5 million, or 29.7%, to RM41.2 million for the FYE 31 December 2019 from RM31.8 million for the FYE 31 December 2018, primarily due to a 16.9% increase in revenue for the FYE 31 December 2019 compared to the FYE 31 December 2018, and a 83.3% GP margin which was partially offset by increases in selling and marketing expenses and administrative costs.

With that, our PBT margin increased from 28.8% for the FYE 31 December 2018 to 31.9% for the FYE 31 December 2019.

Tax expense

Tax expense increased by RM0.1 million, or 4.8%, to RM2.2 million for the FYE 31 December 2019 from RM2.1 million for the FYE 31 December 2018. Our effective tax rate decreased to 5.4% for the FYE 31 December 2019 from 6.7% for the FYE 31 December 2018 primarily because a higher portion of CTOS Data Systems' statutory income was tax exempt. For more information on pioneer status tax incentives, see Section 12.2.2 of this Prospectus.

Profit for the financial year, PATAMI and PATAMI margin

For the reasons described above, profit for the financial year increased by RM9.4 million, or 31.5%, to RM39.0 million for the FYE 31 December 2019 from RM29.7 million for the FYE 31 December 2018. PATAMI for the financial year increased by RM9.4 million, or 31.5%, to RM39.0 million for the FYE 31 December 2019 from RM29.7 million for the FYE 31 December 2018. PATAMI margin increased from 26.8% for the FYE 31 December 2018 to 30.2% for the FYE 31 December 2019, primarily due to strong revenue growth, which outpaced increases in selling and marketing expenses and administrative expenses, each as described above.

12.2.6 Liquidity and capital resources

Working capital

Our working capital is funded through cash generated from our operating activities and borrowings from financial institutions as well as our cash and bank balances.

As at 31 December 2020, we had cash and bank balances of RM26.4 million and total borrowings of RM132.3 million. As at 31 December 2020, we were in a net current liabilities position of RM104.9 million, calculated as the difference between our current assets of RM54.6 million and current liabilities of RM159.5 million. The net current liabilities position is attributable to the requirement to mandatorily prepay all amounts outstanding under the facilities pursuant to Facilities Agreement 1 upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM132.3 million outstanding under these facilities as current borrowings as at 31 December 2020. Upon repayment of the amounts outstanding under these facilities, we do not foresee that we will continue to be in a net current liabilities position.

Based on the above and taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, our existing level of cash and cash equivalents and credit facilities, dividend of RM22.3 million declared and paid in the FYE 31 December 2021 and impact of COVID-19 pandemic as set out in Section 7.24 of this Prospectus together with the gross proceeds of approximately RM220.0 million that we expect to raise from our Public Issue, of which RM155.2 million is intended to be utilised to repay all our bank borrowings, our Board believes that we have sufficient working capital for at least 12 months from the date of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**Cash flows**

The following table summarises our consolidated statements of cash flows for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020:

| | FYE 31 December | | |
|---|------------------------|----------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Net cash flows generated from operating activities | 37,495 | 48,768 | 49,606 |
| Net cash flows used in investing activities | (10,141) | (58,946) | (104,041) |
| Net cash flows (used in)/generated from financing activities | (23,570) | 5,451 | 74,088 |
| Net increase/(decrease) in cash and cash equivalents | 3,784 | (4,727) | 19,653 |
| Effects of exchange rate changes | - | - | (206) |
| Cash and cash equivalents at beginning of the financial year | 6,432 | 10,216 | 5,489 |
| Cash and cash equivalents at the end of the financial year | 10,216 | 5,489 | 24,936 |

Most of our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to any applicable withholding tax and the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

Net cash generated from operating activitiesFYE 31 December 2020 compared to FYE 31 December 2019

Our net cash generated from operating activities was RM49.6 million for the FYE 31 December 2020 compared to RM48.8 million for the FYE 31 December 2019. Our net cash from operating activities increased by RM0.8 million primarily due to the increase in operating cash flows before working capital changes from RM49.9 million for the FYE 31 December 2019 to RM50.8 million for the FYE 31 December 2020 that was attributed to higher non-cash item adjustments despite the lower PBT recorded for the year due to the impact from COVID-19.

We had a net increase in working capital primarily due to:

- (i) An increase in receivables, deposits and prepayment of RM1.1 million in the FYE 31 December 2020 compared to an increase of RM3.8 million in the FYE 31 December 2019. In the FYE 31 December 2020, receivables, deposits and prepayment from CTOS Data Systems' business was offset by a decrease in receivables in CIBI's business during the period after our acquisition in June 2020 through the end of the year primarily due to increased collections of receivables by CIBI during the second half of the year;
- (ii) A decrease in payables and accruals of RM0.9 million in the FYE 31 December 2020 compared to a decrease of RM1.5 million in the FYE 31 December 2019, with the smaller decrease in the FYE 31 December 2020 due to CIBI's deferral of payment to a data vendor until 2021; and

12. FINANCIAL INFORMATION (Cont'd)

- (iii) An increase in contract liabilities (which relate to sales of services that have not been rendered, delivered or completed) of RM2.2 million in the FYE 31 December 2020 related to advanced billing for our digital solutions, partially offset by lower deferred revenue from prepaid CTOS Credit Manager subscription fees, compared to an increase of RM1.5 million in the FYE 31 December 2019.

Income tax paid for the FYE 31 December 2020 was RM2.1 million, which was RM0.4 million lower than income tax paid for the FYE 31 December 2019 of RM2.5 million. The decrease was due to the Government's COVID-19 relief initiative that allowed companies including us to defer certain income tax instalment payments. As a result, we deferred a portion of our 2020 tax payment to January 2021.

Overall, net cash flows generated from operating activities in the FYE 31 December 2020 was higher than net cash flows generated from operating activities in the FYE 31 December 2019, despite there being a RM5.0 million tax refund received in 2019.

FYE 31 December 2019 compared to FYE 31 December 2018

Our net cash generated from operating activities was RM48.8 million for the FYE 31 December 2019 compared to RM37.5 million for the FYE 31 December 2018. Our net cash from operating activities increased primarily due to an increase in operating cash flows before working capital changes from RM35.8 million for the FYE 31 December 2018 to RM49.9 million for the FYE 31 December 2019 as a result of higher PBT. However, this increase in operating cash flows before working capital changes was partially offset by a decrease in net working capital of RM3.8 million in FYE 31 December 2019.

We had a net decrease in working capital primarily due to:

- (i) An increase in receivables, deposits and prepayment of RM3.8 million in the FYE 31 December 2019 as a result of increased revenue compared to an increase of RM1.5 million in the FYE 31 December 2018;
- (ii) A decrease in payables and accruals of RM1.5 million in the FYE 31 December 2019 as a result of shorter credit terms for one of our data vendors and the settlement of amounts outstanding to another vendor from 2018 compared to an increase of RM2.6 million in the FYE 31 December 2018; and
- (iii) An increase in contract liabilities of RM1.5 million in the FYE 31 December 2019 as a result of increased sales of prepaid CTOS Credit Manager subscription packages. However, this increase was lower as compared to an increase in the FYE 31 December 2018 of RM2.7 million, which was due to the high take-up rate of prepaid CTOS Credit Manager subscription packages, which resulted in a higher amount of contract liabilities

There was a decrease in income tax paid of RM2.5 million for the FYE 31 December 2019 from RM2.7 million for the FYE 31 December 2018, primarily reflecting the impact of one of our subsidiaries, Automated Mail Responder, becoming dormant in the FYE 31 December 2019. In addition, a RM5.0 million tax refund was received in the FYE 31 December 2019 due to overpayment relating to prior years compared to a tax refund received of RM0.5 million in the FYE 31 December 2018.

12. FINANCIAL INFORMATION (Cont'd)*Net cash used in investing activities*FYE 31 December 2020

Our net cash used in investing activities was RM104.0 million for the FYE 31 December 2020, primarily attributable to:

- (i) RM91.9 million spent on investment in associate related to our acquisition of a 20.0% equity interest in BOL;
- (ii) RM5.4 million spent on acquisition of subsidiary, net of cash acquired, related to our acquisition of a 51.0% equity interest in CIBI;
- (iii) RM4.7 million spent on purchase of property, plant and equipment related to IT infrastructure and security and office equipment; and
- (iv) RM2.2 million spent on the purchase of intangible assets related to the development and enhancement of our digital solutions.

FYE 31 December 2019

Our net cash used in investing activities was RM58.9 million for the FYE 31 December 2019, primarily attributable to our investment in Experian which was completed in July 2019.

FYE 31 December 2018

Our net cash used in investing activities was RM10.1 million for the FYE 31 December 2018, primarily attributable purchase of property, plant and equipment related to the establishment of a data recovery centre in Cyberjaya and other office renovations, development of digital solutions, investments made to develop the finance reporting and analytical tool and the installation of IT storage.

*Net cash used in / generated from financing activities*FYE 31 December 2020

Our net cash generated from financing activities was RM74.1 million for the FYE 31 December 2020, primarily attributable to RM193.6 million of drawdown of RHB Term Loan 1, a revolving credit facility granted by Standard Chartered Bank Malaysia Berhad ("**SCB**") and OCBC Bank (Malaysia) Berhad ("**OCBC**") ("**Revolving Credit Facility**") and a term loan facility granted by SCB and OCBC to CTOS Data Systems ("**Refinanced Facility**") which was subsequently refinanced with RHB Term Loan 2, partially offset by:

- (i) RM86.2 million primarily comprising repayment of the Revolving Credit Facility and the Refinanced Facility;
- (ii) RM10.5 million of dividends paid;
- (iii) RM3.0 million of transaction costs paid relating to legal fees, stamp duty, and upfront fees to lenders; and
- (iv) RM2.8 million of interest paid on the Revolving Credit Facility, the Refinanced Facility, RHB Term Loan 1 and RHB Term Loan 2.

12. FINANCIAL INFORMATION (Cont'd)FYE 31 December 2019

Our net cash generated from financing activities was RM5.5 million for the FYE 31 December 2019, primarily attributable to:

- (i) RM56.3 million in advances from our immediate holding company as interim financing for the acquisition of a 26.0% equity interest in Experian which was subsequently repaid with internally generated funds and refinanced with the Refinanced Facility that was drawn down mainly for this purpose as well as for payment of dividends; and
- (ii) RM32.0 million in drawdown of both the Revolving Credit Facility and the Refinanced Facility for working capital and payment of dividends respectively,

partially offset by:

- (i) RM42.0 million of repayment of advances from immediate holding company;
- (ii) RM21.7 million of dividends paid; and
- (iii) RM16.2 million of repayment of both the Revolving Credit Facility and the Refinanced Facility.

FYE 31 December 2018

Our net cash used in financing activities was RM23.6 million for the FYE 31 December 2018, primarily attributable to RM35.0 million of dividends paid, partially offset by RM11.7 million of drawdown of the Revolving Credit Facility and the Refinanced Facility for working capital and payment of dividends respectively.

12.2.7 Borrowings

As at 31 December 2020, our total borrowings amounted to RM132.3 million, all of which related to interest-bearing term loans recorded as a current liability.

CTOS Digital entered into Facilities Agreement 1 with RHB Bank for the RHB Term Loan 1, a USD22.1 million term loan facility and RHB Term Loan 2, a RM45.6 million term loan facility. There is also a RM5.0 million revolving facility granted under the same facilities agreement which had not been drawn by us as at 31 December 2020.

Further details of our total borrowings as at 31 December 2020 are set out below:

- (i) USD22.1 million of the RHB Term Loan 1 was drawn down on 28 October 2020, which had a carrying amount of RM87.6 million as at 31 December 2020, to finance the acquisition of a 20.0% equity interest in BOL. The loan is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025, subject to certain mandatory prepayment events. The loan bears interest at a variable rate of 2.6% as at 31 December 2020, based on rate of 2.0% above cost of funds.
- (ii) RM45.6 million of the RHB Term Loan 2 was drawn down on 28 October 2020, which had a carrying amount of RM44.8 million as at 31 December 2020, to refinance the Refinanced Facility which was drawn down mainly for the acquisition of a 26.0% equity interest in Experian and payment of dividends. The loan is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025, subject to certain mandatory prepayment events. The loan bears interest at a variable rate of 4.3% as at 31 December 2020, based on rate of 2.0% above cost of funds.

12. FINANCIAL INFORMATION (Cont'd)

- (iii) There were no amounts outstanding under the RM5.0 million revolving facility as at 31 December 2020.

The abovementioned facilities are guaranteed by our subsidiaries CTOS Data Systems, CTOS Business, Intellidata Solutions, Enfo and CTOS Insights, and secured by substantially all of the assets and property of CTOS Digital and our shares of Experian and BOL.

Under the terms of Facilities Agreement 1, we are required to mandatorily prepay all amounts outstanding under these facilities upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM132.3 million outstanding under these facilities as current borrowings as at 31 December 2020. We intend to repay all the outstanding amount under the RHB Term Loan 1 and RHB Term Loan 2 with the proceeds that we expect to receive from our Public Issue. For further details, see Section 4.6 of this Prospectus.

The following table sets out the maturity profile of our borrowings as at 31 December 2020, excluding term loans that have been paid during the year.

| | On demand or within one year | One to two years | Two to five years | Total |
|--------------|---|-----------------------------|------------------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Term loans | 132,320 | - | - | 132,320 |
| Total | 132,320 | - | - | 132,320 |

We have not been in default on payments of either interest or principal for any of our borrowings during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 and from 1 January 2021 up to the LPD. As at the LPD, we are not in breach of the terms and conditions or covenants under our credit arrangements or bank loans which would materially affect our financial position and results of operations or the investments in our Shares.

12.2.8 Capital expenditure and material acquisitions and divestitures**Capital expenditure**

The following table sets out a breakdown of our capital expenditure for the financial years indicated:

| | FYE 31 December | | |
|----------------------------------|------------------------|---------------|---------------------------|
| | 2018 | 2019 | 2020⁽¹⁾ |
| | RM'000 | RM'000 | RM'000 |
| Computers ⁽²⁾ | 2,032 | 1,737 | 4,677 |
| Office equipment | 15 | 23 | 24 |
| Renovation | 238 | 158 | 37 |
| Furniture and fittings | - | 8 | 11 |
| Work in progress ⁽³⁾ | 7,857 | 2,409 | 506 |
| Right-of-use assets | - | - | 801 |
| Intangible assets ⁽⁴⁾ | - | - | 2,182 |
| Total | 10,142 | 4,335 | 8,238 |

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Includes capital expenditures of CIBI comprising RM0.5 million for computers, RM0.8 million for right-of-use assets and RM0.1 million for intangible assets.
- (2) Expenditures for IT infrastructure and security and server storage and capacity.
- (3) Expenditures for product enhancement and development projects and IT projects that are in progress at the year end.
- (4) Expenditures for intangible assets used in product development and enhancements.

The majority of our capital expenditures were incurred in connection with IT infrastructure and security, server storage and capacity, office equipment and digital solutions development and enhancements. Our capital expenditure increased by 90.0% to RM8.2 million for the FYE 31 December 2020 from RM4.3 million for the FYE 31 December 2019 primarily due to higher spending on IT infrastructure and security and digital solutions development and enhancements.

For the FYE 31 December 2021, we have budgeted RM12.1 million for capital expenditure. In the next two years, we expect to invest in two main areas, our IT capabilities and data and analytics. We expect to allocate approximately 50.0% of our capital expenditure into upgrading our IT capabilities, approximately 25.0% into enhancement of our digital solutions and approximately 15.0% into data and analytics, with approximately 10.0% reserved for miscellaneous capital expenditures.

We expect to meet our capital expenditure requirements through our internally generated funds (which includes our cash and cash equivalents on hand and cash generated from future operations).

Material acquisitions and divestitures

We selectively evaluate acquisitions and partnerships as a means to expand our business and to enter new markets. Since 1 January 2018, we have completed the acquisitions below. As a result of these acquisitions, our results of operations between periods are not comparable.

- (i) In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, for cash considerations of RM29.3 million and RM26.9 million, respectively, which resulted in us owning 26.0% equity interest in Experian, which was funded through bank borrowings.
- (ii) In June 2020, we acquired 51.0% equity interest in CIBI through our previously wholly-owned subsidiary, CIBI Holdings, for a total cash consideration of PHP174.9 million (equivalent to approximately RM15.0 million computed based on SGD1:PHP35.92 and SGD1:RM3.0725, being the transacted rates quoted by the transacting bank on 19 June 2020), which was funded through bank borrowings. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business.
- (iii) In October 2020, we acquired 20.0% equity interest of BOL for a cash consideration of THB 689.2 million (which was paid in USD equivalent of USD22.1 million or equivalent to approximately RM91.9 million computed based on USD1:RM4.1645, being the middle rate prevailing as at 12.00 p.m. on 28 October 2020 as published by BNM), which was funded through bank borrowings.

12. FINANCIAL INFORMATION (Cont'd)

- (iv) In January 2021, we acquired the entire equity interest of Basis for an upfront purchase consideration of RM32.0 million, which was funded through bank borrowings and an earn-out payment that is computed based on a revenue target, which we expect to be funded using our internally-generated funds.

The earn-out payment is computed based on two times the total revenue of Basis for the FYE 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. Based on an estimated revenue target of RM14.0 million, the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on actual revenue achieved. The earn-out payment will be accounted for as a contingent consideration and is payable no later than 30 March 2023.

We have estimated a contingent consideration of RM9.4 million by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the FYEs 31 December 2021 and 31 December 2022. The undiscounted amount is RM10.3 million as at the LPD. The earn-out payment is not expected to have a material effect on our net assets and profit for the financial year in the financial year it is paid.

Save as disclosed above, we have not undertaken any material acquisitions or divestitures during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 and from 1 January 2021 up to the LPD.

12.2.9 Capital commitments and other contractual obligations***Capital commitments***

The following table sets out a summary of our capital commitments (being our contracted and estimated capital expenditures) as at the LPD:

| | RM'000 |
|-----------------------------------|---------------|
| Contracted, but not provided for | 3,786 |
| Estimated, but not contracted for | 10,608 |
| Total | 14,394 |

Our contracted, but not provided for capital commitments as at the LPD comprises capital expenditure in respect of digital solutions development and enhancements. Our estimated, but not contracted capital commitments is RM10.6 million for data analytics, upgrading our IT capabilities and other office equipment, IT infrastructure and security, additional server capacity, digital solutions development and enhancements and systems upgrades and automations.

We plan to meet our capital commitments through our cash on hand, as well as cash generated from future operations and funding from other financing activities (if required).

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material impact on our financial results.

Other contractual obligations

Our contractual cash obligations (excluding capital commitments) as at 31 December 2020 comprise primarily of repayment obligations under our leases and in respect of our borrowings.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the maturity profile of our contractual cash repayment obligations under our leases as at 31 December 2020:

| | <u>RM'000</u> |
|---|---------------------|
| Payments due by period | |
| Not later than one year ⁽¹⁾ | 1,891 |
| Later than one year and not later than two years ⁽¹⁾ | 356 |
| Later than two years and not later than five years ⁽¹⁾ | 38 |
| Total | <u><u>2,285</u></u> |

Note:

- (1) Payments due not later than one year include RM0.5 million due by CIBI. All payments due later than one year and not later than two years and later than two years and not later than five years are payments due by CIBI.

The following table sets out the maturity profile of our contractual cash repayment obligations in respect of our borrowings as at 31 December 2020. All of these obligations relate to our borrowings under our facilities agreement with RHB Bank, which we intend to repay fully with the proceeds that we expect to receive from our Public Issue. For further details, see Section 4.6 of this Prospectus.

| | <u>RM'000</u> |
|---|-----------------------|
| Payments due by period | |
| Not later than one year | 146,345 |
| Later than one year and not later than five years | - |
| Later than five years | - |
| Total | <u><u>146,345</u></u> |

We plan to meet our contractual cash obligations through our cash on hand, as well as cash generated from future operations and funding from other financing activities (if required).

12.2.10 Material litigation, claims and arbitration

As at the LPD, our Directors have confirmed that we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings that may have a material or significant effect on our financial position or profitability in the 12 months immediately following the date of this Prospectus.

12.2.11 Contingent liabilities

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

12. FINANCIAL INFORMATION (Cont'd)**12.2.12 Key financial ratios**

The following table sets out our key financial ratios for the financial years indicated:

| | FYE 31 December | | |
|--|------------------------|-------------|---------------------------|
| | 2018 | 2019 | 2020⁽⁵⁾ |
| Current ratio ⁽¹⁾ (times) | 1.5 | 0.5 | 0.3 |
| Gearing ratio ⁽²⁾ (times) | 0.2 | 0.3 | 1.1 |
| Trade payables turnover ⁽³⁾ (days) | 38 | 30 | 40 |
| Trade receivables turnover ⁽⁴⁾ (days) | 46 | 45 | 50 |

Notes:

- * Negligible.
- (1) Computed based on current assets divided by current liabilities as at the end of the financial year.
- (2) Computed based on total borrowings divided by total equity as at the end of the financial year.
- (3) Computed based on the average of trade payables and accruals and amount due to a related party that is trade in nature as at the beginning and end of the financial year divided by the cost of sales for such year, multiplied by the number of days in the financial year.
- (4) Computed based on the average trade receivables as at the beginning and end of the financial year divided by revenue for such year, multiplied by the number of days in the financial year.
- (5) Key financial ratios for the FYE 31 December 2020 without CIBI:
- (i) Current ratio: 0.3 times
 - (ii) Gearing ratio: 1.2 times
 - (iii) Trade payable turnover: 31 days
 - (iv) Trade receivable turnover: 47 days

Current ratio

Our current ratio decreased from 0.5 times as at 31 December 2019 to 0.3 times as at 31 December 2020, primarily due to an increase in our current borrowings, partially offset by an increase in our cash and bank balances. The increase in current borrowings was due to the reclassification of RM132.3 million outstanding under our facilities from RHB Bank as current borrowings as at 31 December 2020. See Section 12.2.7 of this Prospectus for more information. Our current ratio as at 31 December 2020 without CIBI remained at 0.3 times.

Our current ratio decreased from 1.5 times as at 31 December 2018 to 0.5 times as at 31 December 2019, primarily due to an increase in our borrowings, amount due to our immediate holding company and decrease in our cash and bank balances, partially offset by an increase in our receivables, deposits and prepayments.

12. FINANCIAL INFORMATION (Cont'd)**Gearing ratio**

Our gearing ratio increased from 0.3 times as at 31 December 2019 to 1.1 times (or 1.2 times excluding CIBI) as at 31 December 2020, primarily due to additional term loans drawdown of RM91.9 million to finance the acquisition of BOL.

Our gearing ratio increased from 0.2 times as at 31 December 2018 to 0.3 times as at 31 December 2019, primarily due to additional loan drawdowns (net of repayments) of RM18.0 million to fund working capital requirements.

Trade payables turnover

Our trade payables relate to transactions with third party suppliers. The credit period typically granted to our Group by our suppliers ranges from 0 to 60 days. Trade payables also include accruals and amount due to a related party that is trade in nature.

Our trade payables turnover period increased to 40 days (or 31 days excluding CIBI) for the FYE 31 December 2020 from 30 days for the FYE 31 December 2019 primarily due to longer trade payables turnover days at CIBI.

Our trade payables turnover period decreased to 30 days for the FYE 31 December 2019 from 38 days for the FYE 31 December 2018 due to higher outstanding amounts due to a few key vendors, which were subsequently paid at the beginning of the FYE 31 December 2019.

Ageing analysis

The following table sets out the ageing analysis for our total trade payables as at 31 December 2020 and the LPD:

| | Current | Past due | | | Total |
|--|---------|-------------|---------------|--------------------|--------|
| | | 1 – 30 days | 31 – 120 days | More than 120 days | |
| As at 31 December 2020: | | | | | |
| Trade payables (RM'000) ⁽¹⁾⁽²⁾ | 1,930 | 173 | 388 | 58 | 2,549 |
| % of total trade payables | 75.7% | 6.8% | 15.2% | 2.3% | 100.0% |
| As at the LPD: | | | | | |
| Trade payables settled (RM'000) ⁽³⁾ | 1,839 | 162 | 370 | 5 | 2,376 |
| Trade payables settled (% of total trade payables) | 72.1% | 6.4% | 14.5% | 0.2% | 93.2% |
| Trade payables outstanding (RM'000) | 91 | 11 | 18 | 53 | 173 |

Notes:

- (1) Comprises trade payables and accruals and amount due to a related party that is trade in nature.
- (2) Includes CIBI's trade payables of RM1.1 million, or 44.4% of our total trade payables.
- (3) Includes CIBI's trade payables of RM1.0 million, or 42.9% of our total trade payables settled.

12. FINANCIAL INFORMATION (Cont'd)

We endeavour to pay our suppliers within the credit periods granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes in respect of our trade payables and there have been no material legal proceedings initiated by our suppliers against us to demand payment.

Trade receivables turnover

Almost all of our revenue is generated from our digital solutions where our transactions with our subscribers are settled within 90 days. Our trade receivables are from subscribers who were provided with credit term for our digital solutions and services through our agreements.

Our trade receivables turnover period was 46 days, 45 days and 50 days for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. Our trade receivables turnover period increased to 50 days for the FYE 31 December 2020 from 45 days for the FYE 31 December 2019 due to higher turnover days at CIBI as its customers were impacted by the COVID-19 pandemic. Our trade receivables turnover period was 47 days for the FYE 31 December 2020, excluding CIBI.

As at 31 December 2020, we had RM21.2 million in trade receivables outstanding, which comprised primarily of amounts owed to us by our customers. We typically extend a credit term of up to 30 to 60 days. From time to time, we grant extensions of credit terms to up to 90 days.

Our impairment policy is based on assessment of expected credit losses of our portfolio of customers taking into consideration historical collection experience and forward-looking factors.

Ageing analysis

The following table sets out the ageing analysis for our trade receivables as at 31 December 2020:

| | Current | Past due | | | Total |
|---|---------|-------------|---------------|--------------------|--------|
| | | 1 – 30 days | 31 – 120 days | More than 120 days | |
| Trade receivables (RM'000) ⁽¹⁾ | 14,610 | 3,367 | 1,931 | 1,282 | 21,190 |
| % of total trade receivables | 68.9% | 15.9% | 9.1% | 6.1% | 100.0% |

As at the LPD:

| | | | | | |
|--|--------|-------|-------|------|--------|
| Trade receivables settled (RM'000) ⁽²⁾ | 14,326 | 3,281 | 1,739 | 448 | 19,794 |
| Trade receivables settled (% of total trade receivables) | 67.6% | 15.5% | 8.2% | 2.1% | 93.4% |
| Trade receivables outstanding (RM'000) | 284 | 86 | 192 | 834 | 1,396 |

Notes:

- (1) Includes CIBI's trade receivables of RM3.8 million, or 17.8% of our total trade receivables.
- (2) Includes CIBI's trade receivables settled of RM3.3 million, or 16.7% of our total trade receivables settled.

12. FINANCIAL INFORMATION (Cont'd)

We do not have any significant exposure to any customer which we believe is not recoverable.

12.2.13 Off-balance sheet arrangements

We did not have any off-balance sheet arrangements during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020.

12.2.14 Financial risk management

We are exposed to certain financial risks arising from our operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign exchange risk. As at the LPD, we do not have any derivative or hedging transactions to manage any of our market risks.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risks, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures, and reviews and agrees on the policies and procedures for the management of these risks.

Our key financial risks are as follows:

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Our exposure to credit risk arises primarily from deposits, cash and bank balances and receivables.

We control credit risks of trade and other receivables through credit approvals, review process and continuous monitoring procedures. We limit our exposure to credit risks by primarily engaging with creditworthy business partners and customers. We monitor our trade and other receivables on an ongoing basis through our internal management reporting procedures. We have no significant concentration of credit risk as our policies require us to limit financial concentration to a single counterparty.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. Our objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. As part of our overall liquidity management, we monitor rolling forecasts of our liquidity requirements to ensure we have sufficient cash or cash convertible investments to meet our operational needs. In addition, we strive to maintain available banking facilities at a reasonable level to our overall debt position.

12. FINANCIAL INFORMATION (Cont'd)

The following table summarises the maturity profile of our liabilities as at 31 December 2020 based on contractual repayment obligations:

| | Carrying amount | Total undiscounted contractual cash flow | Within one year | One to two years | Two to five years |
|--------------------------------------|----------------------------|---|----------------------------|-----------------------------|------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Payables and accruals ⁽¹⁾ | 11,692 | 11,692 | 11,692 | - | - |
| Amount due to a related party | 371 | 371 | 371 | - | - |
| Lease liabilities ⁽²⁾ | 2,251 | 2,285 | 1,891 | 356 | 38 |
| Term loans | 132,320 | 146,345 | 146,345 | - | - |
| Total | 146,634 | 160,693 | 160,299 | 356 | 38 |

Notes:

- (1) Includes CIBI payables and accruals with a carrying amount of RM 3.2 million.
- (2) Includes CIBI lease liabilities of RM0.9 million (carrying amount), RM0.5 million (within one year), RM0.4 million (one to two years) and RM 38,000 (two to five years).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from our term loans that carry variable floating interest rates.

The information on maturities and effective interest rates of financial assets and liabilities are further disclosed in Notes 2.27 to the Accountants' Report included in Section 13 of this Prospectus.

The net exposure of our financial assets and financial liabilities to interest rate risks and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

| As at 31 December 2020 | Weighted average effective interest rate | Total carrying amount | Floating interest rate | | |
|-----------------------------------|---|--------------------------------------|-------------------------------|----------------------|----------------------|
| | | | <1 year | 1-2 years | 2-5 years |
| | % | RM'000 | RM'000 | RM'000 | RM'000 |
| Term loans | 2.58 | 87,558 | 87,558 | - | - |
| | 4.33 | 44,762 | 44,762 | - | - |
| | | 132,320 | 132,320 | - | - |

Our exposure to interest rate risk is primarily due to the variable rates of interest of our borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. As at 31 December 2020, we had no significant exposure to interest rate risk.

12. FINANCIAL INFORMATION (Cont'd)

Foreign exchange risk

Our currency risk management policies enable us to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. We monitor the movement in foreign currency exchange rates closely to ensure our exposure to foreign currency risks is minimised. As at 31 December 2020, the total currency exposure of financial assets and financial liabilities that are not denominated in RM includes RM84.5 million in USD.

The sensitivity of our profit for the financial year and equity to a reasonably possible fluctuation in USD against RM and PHP are set out in Note 2.27 of the Accountants' Report in Section 13 of this Prospectus.

12.2.15 Treasury policy and objectives

Our treasury responsibilities are to ensure that we have sufficient liquidity and cash to meet financial obligations when it falls due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions.

We maintain a prudent borrowing policy which is aimed towards maintaining sufficient cash for all cash flow requirements, managing debt and investment portfolio within the relevant time buckets to maturity, obtaining a diverse range of funding source and keeping an adequate amount of credit facilities. With a series of appropriate governance and policies in place, it is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, credit, legal and regulatory) associated with these activities.

We prepare monthly forecasts taking into account all major transactions to ensure we have sufficient liquidity and cash to meet our obligation. Any excess funds, which are temporary in nature, will be invested in highly liquid investment instruments such as interest bearing current accounts, time deposits and money market deposits. On a quarterly basis, we perform rolling twelve-month cash flow projections to ensure that requirements are identified as early as possible and we have sufficient cash to meet operational needs. Such projections take into consideration our financing plans and are also used for monitoring of external loans' covenant compliance.

12.2.16 Inflation

Inflation has not had a material impact on our business, financial condition or results of operations for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. However, inflation may affect our financial performance by increasing certain of our expenses, such as expenses relating to employee benefits. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenue.

12.2.17 Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 5.1 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**12.2.18 Order book**

Due to the nature of our business, we do not maintain an order book.

12.2.19 Trends information

Save as disclosed in this Section and in Sections 5, 7 and 8 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our financial condition and results of operations.

12.2.20 Significant changes

Save as disclosed elsewhere in the Prospectus, no significant changes have occurred since 31 December 2020 which may have a material effect on our financial position and results of operations.

12.2.21 Accounting standards issued that are not yet effective

For a description of accounting standards that are issued but not yet effective and not adopted, see Note 2.1(b) of the Accountants' Report in Section 13 of this Prospectus.

12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our consolidated capitalisation and indebtedness as at 30 April 2021 and on the assumption that our IPO, Listing and the use of proceeds from our Public Issue as set out in Section 4.6 of this Prospectus had occurred on 30 April 2021. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 30 April 2021 and is provided for illustrative purposes only.

| | As at 30 April 2021 | After our IPO, Listing and use of proceeds |
|--|--------------------------------|---|
| | RM'000 | RM'000 |
| Borrowings | | |
| Current | | |
| <u>Secured</u> | | |
| Term loans | 156,990 | - |
| Revolving credit facility | - | - |
| | 156,990 | - |
| Equity attributable to owners of the Company | 100,737 | 314,417 |
| Non-controlling interests | 4,475 | 4,475 |
| Total equity | 105,212 | 318,892 |
| Total capitalisation and indebtedness | 262,202 | 318,892 |

12. FINANCIAL INFORMATION (Cont'd)

12.4 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



The Board of Directors
 CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
 Unit 01-12, Level 8
 Tower A, Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

15 June 2021

PwC/PH/KSF/MW/sw/0362C

Dear Sirs,

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of CTOS Digital Berhad ("the Company") and its subsidiaries ("the Group") that comprises the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020, Pro Forma Consolidated Statement of Comprehensive Income and Pro Forma Consolidated Statement of Cash Flows for the financial year ended 31 December 2020 together with the notes thereon (collectively known as the "Pro Forma Consolidated Financial Information"). The Pro Forma Consolidated Financial Information (which we have stamped for the purpose of identification), has been compiled by the Directors of the Company ("the Directors") for purposes of inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are described in the Notes thereon to the Pro Forma Consolidated Financial Information and are specified in paragraphs 9.18, 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Pro Forma Consolidated Financial Information has been compiled by the Directors, for illustrative purposes only, to show the effects of the transactions as set out in the Notes thereon to the Pro Forma Consolidated Financial Information on the Company's Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows (together, the "Consolidated Financial Information") presented had these transactions been effected at the commencement of the year reported on or at the date stated. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the audited consolidated financial statements of the Company for the financial year ended 31 December 2020 on which an audit opinion has been issued.

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
 T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

12. FINANCIAL INFORMATION (Cont'd)



The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
PwC/PH/KSF/MW/sw/0362C
15 June 2021

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information (continued)

Directors' Responsibility for the Pro Forma Consolidated Financial Information (continued)

The Directors are responsible for compiling the Pro Forma Consolidated Financial Information on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with approved standard on assurance engagements in Malaysia, International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Financial Information on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

12. FINANCIAL INFORMATION (Cont'd)



**The Board of Directors
 CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
 PwC/PH/KSF/MW/sw/0362C
 15 June 2021**

**CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
 Report on the Compilation of Pro Forma Consolidated Financial Information (continued)**

Reporting Accountants' Responsibilities (continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12. FINANCIAL INFORMATION (Cont'd)



The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
PwC/PH/KSF/MW/sw/0362C
15 June 2021

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information (continued)

Our Opinion

In our opinion, the Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Other matter

This report is issued for the sole purpose of inclusion in the Prospectus of the Company in connection with the IPO and Listing and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
 LLP0014401-LCA & AF 1146
 Chartered Accountants

PAULINE HO
 02684/11/2021 J
 Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)

Page 1

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. INTRODUCTION

The Pro Forma Consolidated Financial Information of CTOS Digital Berhad ("the Company") and its subsidiaries (collectively, "the Group") together with the notes thereon, of which the Directors are solely responsible, have been prepared for illustrative purposes for inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") comprising an offer for sale of existing ordinary shares in the Company ("Shares") ("Offer for Sale") and a public issue of new Shares ("Public Issue"), in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The Pro Forma Consolidated Financial Information comprises the following:

- Section 2 : Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (the "Pro Forma SOFP") which have been prepared based on the assumption that the transactions set out in Notes 1.1.2, 1.1.3, 1.1.4, 1.1.5 and 1.2 were effected on 31 December 2020.
- Section 3 : Pro Forma Consolidated Statement of Comprehensive Income (the "Pro Forma SOCI") for the financial year ended 31 December 2020 which has been prepared based on the assumption that the investments in Business Online Public Company Limited ("BOL") and CTOS Basis Sdn Bhd (formerly known as Basis Corporation Sdn Bhd) ("Basis") as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020. The transactions set out in Notes 1.1.3, 1.1.5 and 1.2 are not illustrated in the Pro Forma SOCI.
- Section 4 : Pro Forma Consolidated Statement of Cash Flows (the "Pro Forma SOCF") for the financial year ended 31 December 2020 which has been prepared based on the assumption that the investments in BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020. The transactions set out in Notes 1.1.3, 1.1.4, 1.1.5 and 1.2 are not illustrated in the Pro Forma SOCF.

The Pro Forma SOFP is to be read separately from the Pro Forma SOCI and Pro Forma SOCF as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

1.1 Completed Material Transactions

Paragraphs 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the SC, require the effects of the following material transactions to be illustrated in the Pro Forma Consolidated Financial Information. Other acquisitions and disposals completed since 1 January 2020 were not illustrated in the Pro Forma Consolidated Financial Information as these were deemed not to be material pursuant to paragraph 9.21 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

1.1.1 Acquisition of BOL

On 12 October 2020, the Company entered into a Sale and Purchase Agreement to acquire a 20.0% equity interest in BOL, a company listed on the Thailand Stock Exchange for a total cash consideration of USD22.1 million (approximately RM91.9 million). The acquisition was completed on 28 October 2020 and was financed by a term loan facility amounting to USD22.1 million (approximately RM91.9 million) ("RHB Term Loan 1").



12. FINANCIAL INFORMATION (Cont'd)

Page 2

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)**1.1 Completed Material Transactions (continued)****1.1.1 Acquisition of BOL (continued)**

The acquisition of BOL, which is an investment in an associate is illustrated in the Pro Forma SOCI and Pro Forma SOCF assuming that the acquisition and the drawdown of RHB Term Loan 1 were completed on 1 January 2020. The acquisition of BOL is not illustrated as part of the adjustments to the Pro Forma SOFP as it has been included in the Company's audited consolidated statement of financial position ("SOFP") as at 31 December 2020.

1.1.2 Acquisition of Basis

On 8 December 2020, the Company had also entered into a Sale and Purchase Agreement ("SPA") to acquire a 100.0% equity interest in Basis for an upfront cash consideration of RM32.0 million and an earn-out payment that is computed based on the revenue target of Basis. The earn-out payment is computed based on two times the total revenue of Basis for the financial year ended 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. As stated in the SPA, for an estimated revenue target of RM14.0 million ("Revenue Target"), the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on the actual Revenue Target achieved and is not capped. The earn-out payment is accounted for as a contingent consideration and is payable no later than 30 March 2023. For purposes of illustration in the Pro Forma SOFP, the fair value of the contingent consideration payable by the Company is assumed to be RM9.4 million as at 31 December 2020 as set out in Note 2.2.1.1.

The acquisition of Basis was completed on 4 January 2021 and the upfront consideration of RM32.0 million was paid accordingly. The acquisition was financed by a term loan facility amounting to RM32.0 million ("RHB Term Loan 3").

The acquisition of Basis, which became a subsidiary of the Company on 4 January 2021, is illustrated in the Pro Forma SOFP assuming that the acquisition and the drawdown of RHB Term Loan 3 were completed on 31 December 2020. The aforesaid acquisition is illustrated in the Pro Forma SOCI and Pro Forma SOCF assuming that the acquisition and the drawdown of RHB Term Loan 3 were completed on 1 January 2020.

1.1.3 Pre-IPO Dividend

On 20 January 2021, the Board of Directors approved an interim dividend of RM5,250,000 for the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Board of Directors approved an interim dividend of RM17,000,000 for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9,000,000 was paid on 5 April 2021 and RM8,000,000 will be paid in June 2021 via internally generated funds.

Collectively, the aforesaid interim dividends are called the Pre-IPO Dividend.

The Pre-IPO Dividend is illustrated in the Pro Forma SOFP as paid in cash of RM14,250,000 and dividend payable of RM8,000,000 respectively.

The Pre-IPO Dividend is only illustrated in the Pro Forma SOFP in accordance with paragraph 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)**1.1 Completed Material Transactions (continued)****1.1.4 Subdivision of Shares**

The Company undertook a subdivision of every one Share of the Company into 20 Shares in preparation for the IPO ("Subdivision") on 10 June 2021. Following the Subdivision, the number of Shares in the Company increased from 100,000,000 Shares to 2,000,000,000 Shares.

There is no financial impact to the Pro Forma Consolidated Financial Information arising from the Subdivision other than the computation of earnings per share as set out in the Pro Forma SOCI and illustration of net assets per share attributable to owners of the Company in the supplementary information to the Pro Forma SOFP.

1.1.5 Distribution

The Company completed a distribution by way of dividend-in-specie 4,900,001 ordinary shares in CIBI Holdings Pte Ltd (formerly known as CTOS SG Pte Ltd) ("CIBI Holdings") held by the Company, representing the entire equity interest in CIBI Holdings ("Distribution") to the existing shareholders of the Company on 15 June 2021. The approval and consent from the Company's lender had been obtained for the Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings whose principal activity is an investment holding company, is a wholly owned subsidiary of the Company that was incorporated on 9 March 2020. CIBI Holdings had acquired a 51% equity interest in CIBI Information, Inc ("CIBI"), a credit bureau incorporated in the Philippines on 19 June 2020 for approximately RM15.0 million which was accounted for as a subsidiary of CIBI Holdings.

Following the Distribution, CIBI Holdings and CIBI ceased to be subsidiaries of the Company. The Distribution is illustrated in the Pro Forma SOFP assuming that the Distribution was completed on 31 December 2020.

1.2 The Proposal (as defined herein)

The IPO will be undertaken in conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities, with the assumption that these transactions were completed on 31 December 2020.

(a) Public issue

The Public Issue comprises an issuance of 200,000,000 new Shares ("Issue Shares"), representing approximately 9.09% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Issue Share. The total gross proceeds from the Public Issue is RM220.0 million.

Upon completion of the Public Issue, the issued share capital of the Company will increase from RM197,994,000 comprising 2,000,000,000 shares to RM411,896,000 comprising 2,200,000,000 shares net of fees and expenses directly attributable to the Public Issue as set out in Note 1.2(c) below.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)

1.2 The Proposal (as defined herein) (continued)

(b) Offer for Sale

The Offer for Sale comprises an offer for sale of up to 900,000,000 Shares ("Offer Shares") by the existing shareholders of the Company ("Selling Shareholders"), representing approximately 40.9% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM990.0 million will accrue entirely to the Selling Shareholders and will be utilised by the Selling Shareholders.

(c) Utilisation of proceeds

The gross proceeds from the Public Issue of RM220.0 million is expected to be utilised as follows:

| No. | Details of utilisation | Estimated timeframe for utilisation from the date of the Listing | Amounts RM'mil | Percentage of gross proceeds % |
|-----|---|--|----------------|--------------------------------|
| (a) | Repayment of bank borrowings | Within three months | 155.2 | 70.5 |
| (b) | Defray fees and expenses for the IPO and Listing ⁽¹⁾ | Within six months | 6.1 | 2.8 |
| (c) | Acquisitions to be identified ⁽²⁾ | Within 36 months | 58.7 | 26.7 |
| | Total | | 220.0 | 100.0 |

Notes:

(1) *Comprises placement fee, brokerage fees and underwriting commission in respect of the issuance of new shares under the Public Issue. These estimated expenses which are directly attributable to the issuance of new shares will be debited against the share capital of the Company upon completion of the IPO. The other fees and expenses in respect of the Proposal which are estimated to be RM10.9 million will be borne by Inodes Limited ("Inodes"), the immediate holding company of the Company. The Selling Shareholders will bear the placement, brokerage and incentive fees in relation to the Offer for Sale which are estimated at approximately RM21.0 million.*

(2) *Acquisition targets are companies with products and solutions that complement the Group and have significant potential growth within Malaysia and Asia-Pacific region. The Company has identified a target business in the Asia-Pacific region and such acquisition plan is still in an early discussion phase. As such, the proceeds that are earmarked for acquisitions are included in cash and bank balances in the Pro Forma SOFP.*

(Collectively, items (a), (b) and (c) are referred to as the "Proposal")

The Proposal is only illustrated in the Pro Forma SOFP in accordance with paragraph 9.18 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma SOFP as at 31 December 2020 have been prepared for illustrative purposes only to show the effects on the audited consolidated SOFP of the Company as at 31 December 2020 based on the assumption that the transactions set out in Note 1 (other than Note 1.1.1) had been effected on that date, and should be read in conjunction with the notes in this section.

| | <u>Audited</u> | <u>Pro Forma I</u> | <u>Pro Forma II</u> |
|---|---|--|---|
| | <u>Consolidated SOFP as at 31.12.2020</u> | <u>After the Completed Material Transactions</u> | <u>After Pro Forma I and the Proposal</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 16,911 | 16,295 | 16,295 |
| Right-of-use assets | 2,071 | 1,303 | 1,303 |
| Intangible assets | 49,572 | 79,061 | 79,061 |
| Investment in associates | 150,835 | 150,835 | 150,835 |
| Receivables, deposits and prepayments | 905 | - | - |
| Deferred tax assets | 1,080 | 222 | 222 |
| TOTAL NON-CURRENT ASSETS | 221,374 | 247,716 | 247,716 |
| CURRENT ASSETS | | | |
| Receivables, deposits and prepayments | 28,223 | 23,813 | 23,813 |
| Amount due from related parties | 3 | 3 | 3 |
| Tax recoverable | 13 | 13 | 13 |
| Cash and bank balances | 26,371 | 8,687 | 58,000 |
| TOTAL CURRENT ASSETS | 54,610 | 32,516 | 81,829 |
| CURRENT LIABILITIES | | | |
| Payables and accruals | 17,120 | 21,870 | 21,870 |
| Contract liabilities | 6,681 | 6,929 | 6,929 |
| Lease liabilities | 1,876 | 1,401 | 1,401 |
| Provision for restoration costs | 603 | 603 | 603 |
| Amount due to a related party | 371 | 371 | 371 |
| Borrowings | 132,320 | 163,693 | - |
| Taxation | 489 | 727 | 727 |
| TOTAL CURRENT LIABILITIES | 159,460 | 195,594 | 31,901 |
| NET CURRENT (LIABILITIES)/ASSETS | (104,850) | (163,078) | 49,928 |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

| | <u>Audited</u> | <u>Pro Forma I</u> | <u>Pro Forma II</u> |
|--|---|--|---|
| | <u>Consolidated SOFP as at 31.12.2020</u> | <u>After the Completed Material Transactions</u> | <u>After Pro Forma I and the Proposal</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| NON-CURRENT LIABILITIES | | | |
| Other payables | - | 9,444 | 9,444 |
| Deferred tax liabilities | - | 124 | 124 |
| Lease liabilities | 375 | - | - |
| Provision for defined benefit plan | 421 | - | - |
| TOTAL NON-CURRENT LIABILITIES | 796 | 9,568 | 9,568 |
| NET ASSETS | 115,728 | 75,070 | 288,076 |
| EQUITY | | | |
| Share capital | 197,994 | 197,994 | 411,896 |
| Reverse acquisition reserve | (193,528) | (193,528) | (193,528) |
| Equity contribution from shareholder | 315 | 315 | 315 |
| Other reserves | (45) | 329 | 329 |
| Retained earnings | 106,025 | 69,960 | 69,064 |
| Equity attributable to the owners of the Company | 110,761 | 75,070 | 288,076 |
| Non-controlling interests | 4,967 | - | - |
| TOTAL EQUITY | 115,728 | 75,070 | 288,076 |
| Supplementary information: | | | |
| Number of shares in issue ('000) | | | |
| - Before Subdivision and Public Issue | 100,000 | 100,000 | 100,000 |
| - After Subdivision | 2,000,000 | 2,000,000 | 2,000,000 |
| - After Subdivision and Public Issue | 2,200,000 | 2,200,000 | 2,200,000 |
| Net Assets per share attributable to owners of the Company (RM) | | | |
| - Before Subdivision and Public Issue | 1.11 | 0.75 | 2.88 |
| - After Subdivision | 0.06 | 0.04 | 0.14 |
| - After Subdivision and Public Issue | 0.05 | 0.03 | 0.13 |



12. FINANCIAL INFORMATION (Cont'd)

Page 7

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**2.1 Basis of preparation**

The Pro Forma SOFP as at 31 December 2020 have been prepared based on the audited consolidated SOFP of the Company as at 31 December 2020 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group except for the adoption of the following:

The Company has adopted a new accounting policy in accounting for the Distribution. The distribution of a non-cash asset that is ultimately controlled by the same party or parties (that is, common control) before and after the distribution is based on the book value of the non-cash asset that is being distributed. At the Group level, the Distribution has been reflected as a distribution of the net assets of CIBI Holdings and CIBI at their carrying amounts to the equity owners of the Company with a corresponding charge to retained earnings.

Basis' assets and liabilities have been consolidated in the Pro Forma SOFP based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group. For purposes of the Pro Forma SOFP, Basis' financial position as at 30 June 2020 has been used even though it is not coterminous with the Company's financial year end, as the financial period covers a complete year and Basis' business is not seasonal. The statutory auditors of Basis for the financial year ended 30 June 2020 is S.M. Tuang & Co.

The Pro Forma SOFP as at 31 December 2020 have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 1 (other than Note 1.1.1) on the audited consolidated SOFP of the Company as at 31 December 2020 had the transactions been effected on 31 December 2020, and should be read in conjunction with the notes to the Pro Forma SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or events on the financial information presented had the transaction or event occurred on 31 December 2020. Further, such information does not purport to predict the Group's future financial position.

2.2 Adjustments in arriving at the Pro Forma SOFP**2.2.1 Pro Forma I**

Pro Forma I incorporate the effects after the Completion of the Material Transactions comprising the Acquisition of Basis as set out in Note 2.2.1.1, the Pre-IPO Dividend as set out in Note 1.1.3 and the Distribution as set out in Note 2.2.1.2.

There is no financial impact to the Pro Forma Consolidated Financial Information arising from the Subdivision as set out in Note 1.1.4.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at the Pro Forma SOFP (continued)

2.2.1 Pro Forma I (continued)

2.2.1.1 Acquisition of Basis

For purposes of illustration in the Pro Forma SOFP, it is assumed that the Company completed the acquisition of 100.0% equity interest in Basis for a total consideration of RM41.4 million comprising an upfront cash consideration of RM32.0 million and contingent consideration at a fair value of RM9.4 million. The fair value of Basis' assets and liabilities as at the assumed date of acquisition are as follows:

| Items | Fair value RM'000 |
|---------------------------------------|----------------------|
| Property, plant and equipment | 11 |
| Intangible assets | 873 |
| Right-of-use assets | 38 |
| Receivables, deposits and prepayments | 1,142 |
| Cash and bank balances | 3,164 |
| Payables and accruals | (1,350) |
| Contract liabilities | (363) |
| Deferred tax liabilities | (124) |
| Lease liabilities | (39) |
| Tax payable | (238) |
| Net identifiable assets acquired | 3,114 |
| Purchase consideration: | |
| Cash consideration | 32,000 |
| Contingent consideration | 9,444 |
| Goodwill | 38,330 |

The difference between the fair value of the purchase consideration and fair value of the identifiable assets and liabilities is recognised as goodwill.

For purposes of illustration in the Pro Forma SOFP, the Company has estimated the fair value of the earn out payment which is accounted for as a contingent consideration to be RM9.4 million, by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the next two years. The contingent consideration has been included within non-current other payables as no amount is due within the next 12 months.

Total acquisition costs were RM0.3 million of which RM0.1 million which was incurred subsequent to the financial year ended 31 December 2020 have been illustrated as an adjustment in the retained earnings of the Pro Forma SOFP. The acquisition costs of RM0.2 million which were incurred in the financial year ended 2020 have been accrued as at 31 December 2020.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at the Pro Forma SOFP (continued)

2.2.1 Pro Forma I (continued)

2.2.1.1 Acquisition of Basis (continued)

It has also been illustrated in the Pro Forma SOFP that the Company had drawn down RM32.0 million of RHB Term Loan 3 to pay the upfront cash consideration of RM32.0 million for the acquisition of Basis. Transaction cost of RM0.6 million was estimated to be incurred and was net off against the borrowings in the Pro Forma SOFP. The borrowings are repayable in quarterly instalments over a five-year period with certain mandatory prepayment terms. The borrowings bear interest at a variable rate of 2.0% above cost of funds.

2.2.1.2 Distribution

In accordance with the accounting policy of the Company, all the assets and liabilities of CIBI Holdings and CIBI have been illustrated as a distribution to the owners of the Company at their carrying values resulting in a charge to the retained earnings of RM13.7 million as at 31 December 2020 as follows:

| Assets and liabilities distributed | Net book value |
|---|-----------------------|
| | RM'000 |
| Property, plant and equipment | 627 |
| Right-of-use assets | 806 |
| Goodwill | 8,156 |
| Intangible assets other than goodwill | 1,558 |
| Deferred tax assets | 858 |
| Receivables, deposits and prepayments | 6,457 |
| Cash and bank balances | 5,677 |
| Payables and accruals | (4,402) |
| Contract liabilities | (115) |
| Lease liabilities | (889) |
| Provision for defined benefit plan | (421) |
| Total net assets | 18,312 |
| Less: non-controlling interests | (4,967) |
| Other reserves transferred to retained earnings | 374 |
| Total charge to retained earnings | 13,719 |

2.2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I as set out in Note 2.2.1 and the effects of the Proposal (including utilisation of proceeds) as set out in Note 1.2.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The movement in selected assets and liabilities of the Group are as follows:

2.3.1 Cash and bank balances

The movements in cash and bank balances are as follows:

| | RM'000 | RM'000 |
|---|-----------|---------------|
| Audited as at 31 December 2020 | | 26,371 |
| Add: Drawdown of borrowings | | 32,000 |
| Less: Payment of transaction cost incurred in respect of the borrowings | | (627) |
| Less: Acquisition of Basis net of cash acquired | | (28,836) |
| Less: Acquisition cost incurred for acquisition of Basis | | (294) |
| Less: Pre-IPO dividend paid (Note 1.1.3) | | (14,250) |
| Less: Distribution (Note 2.2.1.2) | | (5,677) |
| Per Pro Forma SOFP I | | 8,687 |
| Add: Proceeds from the Public Issue (Note 1.2(c)) | | 220,000 |
| Less: Repayment of bank borrowings | | |
| - IPO proceeds | (155,181) | |
| - Internally generated funds | (9,408) | (164,589) |
| Less: Estimated listing expenses | | (6,098) |
| Per Pro Forma SOFP II | | 58,000 |

2.3.2 Share capital

The movements in share capital are as follows:

| | Number of shares '000 | RM'000 |
|--|-----------------------|----------------|
| Audited as at 31 December 2020 | 100,000 | 197,994 |
| Add: Effect of Subdivision of Shares (Note 1.1.4) | 1,900,000 | - |
| Per Pro Forma SOFP I | 2,000,000 | 197,994 |
| Add: Effect of Public Issue (Note 1.2(a)) | 200,000 | 220,000 |
| Less: Estimated expenses directly attributable to the Public Issue (Note 1.2(c)) | - | (6,098) |
| Per Pro Forma SOFP II | 2,200,000 | 411,896 |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3.3 Retained earnings

The movements in retained earnings within equity are as follows:

| | RM'000 |
|--|---------------|
| Audited as at 31 December 2020 | 106,025 |
| Less: Pre-IPO dividend (Note 1.1.3) | (22,250) |
| Less: Acquisition cost arising from the acquisition of Basis | (96) |
| Less: Distribution (Note 2.2.1.2) | (13,719) |
| Per Pro Forma SOFP I | 69,960 |
| Less: Unamortised borrowing costs | (896) |
| Per Pro Forma SOFP II | 69,064 |

RM8.0 million of interim dividend that was declared on 31 March 2021 have been included within payables and accruals under current liabilities in the Pro Forma SOFP.

2.3.4 Borrowings

The movements in bank borrowings are as follows:

| | RM'000 |
|--|----------------|
| Audited as at 31 December 2020 | 132,320 |
| Add: Drawdown of borrowings net of transaction cost (Note 2.2.1.1) | 31,373 |
| Per Pro Forma SOFP I | 163,693 |
| Less: Repayment of borrowings | |
| - IPO proceeds | (155,181) |
| - Internally generated funds | (9,408) |
| Add: Unamortised borrowing costs charged to retained earnings | 896 |
| Per Pro Forma SOFP II | - |

The RHB Term Loan 3 drawn down for the acquisition of Basis has been classified as current liabilities due to the mandatory prepayment term in the loan agreement which stipulates that the loan must be fully repaid upon the receipt of the proceeds from the IPO.

The repayment of RM155.2 million of bank borrowings is assumed to be funded from the IPO proceeds and RM9.4 million from the Group's internally generated funds. The repayment of the entire borrowings comprising RHB Term Loan 1, another term loan facility drawn down on 28 October 2020 to repay its existing borrowings ("RHB Term Loan 2") and RHB Term Loan 3 is mandatory without penalty in the event of an IPO based on the loan agreements. The unamortised borrowing cost is charged to retained earnings upon repayment of the borrowings comprising RM0.6 million relating to RHB Term Loan 3 and RM0.3 million in relation to RHB Term Loan 1 and RHB Term Loan 2.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Pro Forma SOCI for the financial year ended 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited consolidated statement of comprehensive income ("SOCI") of the Company for the financial year ended 31 December 2020 based on the assumption that BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020, and should be read in conjunction with the notes in this section.

3.1 Basis of preparation

The Pro Forma SOCI for the financial year ended 31 December 2020 has been prepared based on the audited consolidated SOCI of the Company for the financial year ended 31 December 2020 which was prepared in accordance with MFRS and IFRS, and in a manner consistent with the format of financial statements and accounting policies of the Group.

For illustrative purposes, the Pro Forma SOCI has been prepared based on the following assumptions:

- (1) The acquisition of BOL and Basis as disclosed in Note 1.1 have been completed on 1 January 2020.
- (2) BOL has been equity accounted for in accordance with MFRS 128 'Investment in Associates and Joint Ventures' ("MFRS 128") based on the results as disclosed in its published financial statements for the financial year ended 31 December 2020, after adjustments to align to the accounting policies of the Group. The statutory auditors of BOL for the financial year ended 31 December 2020 is EY Office Limited.
- (3) Basis' results have been consolidated based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group. For purposes of the Pro Forma SOCI, Basis' financial performance for the financial year ended 30 June 2020 has been used even though it is not coterminous with the Company's financial year end, as the financial period covers a complete year and Basis' business is not seasonal.
- (4) The purchase price allocations ("PPA") were performed for the acquisitions of BOL and Basis in accordance with MFRS 3 'Business Combinations' ("MFRS 3") and the amortisation of the intangible assets identified from the PPA and the corresponding deferred tax impacts have been included in the Pro Forma SOCI.
- (5) The finance costs arising from borrowings assumed to have been drawn down on 1 January 2020 to finance the acquisitions of BOL and Basis have been included in the Pro Forma SOCI.

The Pro Forma SOCI has been prepared for illustrative purposes only. Such information, because of its hypothetical nature, does not give a true picture of the actual results of the Group. Further, such information does not purport to predict the Group's future financial results.

The Pro Forma SOCI and Pro Forma SOCF are to be read separately from the Pro Forma SOFP as the assumptions applied to each of the pro forma statements are different as set out in the notes below.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020

| | <u>Audited</u> Financial year ended 31.12.2020 RM'000 | <u>Adjustments</u> (Note 3.2.1(a)) | <u>Adjustments</u> (Note 3.2.1(b)) RM'000 | <u>Pro Forma</u> Financial year ended 31.12.2020 RM'000 |
|--|---|---------------------------------------|---|---|
| Revenue | 140,496 | 7,070 | - | 147,566 |
| Cost of sales | (19,056) | (2,723) | - | (21,779) |
| Gross profit | 121,440 | 4,347 | - | 125,787 |
| Selling and marketing expenses | (33,902) | (56) | - | (33,958) |
| Administrative expenses | (44,931) | (1,873) | (96) | (46,900) |
| Other income/(expenses) | 174 | (557) | - | (383) |
| Finance costs | (4,234) | (4) | (3,692) | (7,930) |
| Share of profits of associates | 1,785 | 3,753 | - | 5,538 |
| Profit before tax | 40,332 | 5,610 | (3,788) | 42,154 |
| Tax expense | (2,355) | (554) | - | (2,909) |
| Profit for the financial year | <u>37,977</u> | <u>5,056</u> | <u>(3,788)</u> | <u>39,245</u> |
| Other comprehensive (loss)/ income Items that will be subsequently reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign operations | (231) | (2,041) | - | (2,272) |
| Share of other comprehensive income of associates accounted for using equity method | 86 | - | - | 86 |
| Items that will not be subsequently reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign operations | (120) | - | - | (120) |
| Share of other comprehensive income of associates accounted for using equity method | 243 | (1) | - | 242 |
| Remeasurement of provision for defined benefit plan, net of tax | (280) | - | - | (280) |
| Other comprehensive loss for the financial year | <u>(302)</u> | <u>(2,042)</u> | <u>-</u> | <u>(2,344)</u> |
| Total comprehensive income/(loss) for the financial year | <u>37,675</u> | <u>3,014</u> | <u>(3,788)</u> | <u>36,901</u> |
| Profit/(loss) for the financial year attributable to: | | | | |
| Owners of the Company | 39,187 | 5,056 | (3,788) | 40,455 |
| Non-controlling interests | (1,210) | - | - | (1,210) |
| | <u>37,977</u> | <u>5,056</u> | <u>(3,788)</u> | <u>39,245</u> |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

| | Audited Financial year ended 31.12.2020 RM'000 | Adjustments (Note 3.2.1(a)) | Adjustments (Note 3.2.1(b)) RM'000 | Pro Forma Financial year ended 31.12.2020 RM'000 |
|--|--|--------------------------------|--|--|
| Total comprehensive income/(loss) for the financial year attributable to: | | | | |
| Owners of the Company | 39,142 | 3,014 | (3,788) | 38,368 |
| Non-controlling interests | (1,467) | - | - | (1,467) |
| | <u>37,675</u> | <u>3,014</u> | <u>(3,788)</u> | <u>36,901</u> |
| Earnings per Share (sen) for profit attributable to equity holders of the Company (Note 3.2.1(c)) | | | | |
| After the Subdivision: | | | | |
| - Basic | <u>2.0</u> | | | <u>2.0</u> |
| - Diluted | <u>2.0</u> | | | <u>2.0</u> |

3.2.1 Adjustments in arriving at the Pro Forma SOCI

The adjustments to the Pro Forma SOCI relates to the accounting for the Group's share of results in BOL and consolidation of the financial results of Basis for the financial year ended 31 December 2020.

(a) Acquisition of Basis and BOL

Basis

The adjustments in relation to the consolidation of the financial results of Basis for the financial year ended 31 December 2020 assuming that the acquisition was completed on 1 January 2020 are as follows:

| | RM'000 |
|--------------------------------|---------|
| Revenue | 7,070 |
| Cost of sales | (2,723) |
| Selling and marketing expenses | (56) |
| Administrative expenses | (1,873) |
| Other income | 50 |
| Finance costs | (4) |
| Tax expense | (554) |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

3.2.1 Adjustments in arriving at the Pro Forma SOCI (continued)

(a) Acquisition of Basis and BOL (continued)

Fair value changes of RM0.6 million arising from the contingent consideration payable was also illustrated in the Pro Forma SOCI following the fair value remeasurement as at 31 December 2020 assuming that the fair value of the contingent consideration was initially recognised on 1 January 2020 upon the completion of acquisition of Basis.

Amortisation expenses of RM175,000 and deferred tax income of RM42,000 have been illustrated to reflect the amortisation of acquired intangible assets (arising from the PPA performed) with an assumed useful life of five years.

BOL

The pro forma adjustments reflect the incremental results for the period from 1 January 2020 to 27 October 2020 that have not been reflected in the audited consolidated SOCI for the financial year ended 31 December 2020 assuming that the acquisition of BOL was completed on 1 January 2020 instead of the acquisition date of 28 October 2020.

| | RM'000 |
|--------------------------------|---------------|
| Share of profits of associates | 3,753 |
| Other comprehensive loss | (2,042) |

Included within the adjustment of share of profits of associates are amortisation expenses net of deferred tax of RM0.5 million arising from intangible assets identified from the notional PPA performed assuming the acquisition was completed on 1 January 2020. The intangible assets identified are assumed to have useful lives ranging from five to 20 years.

(b) Financing and acquisition-related costs

Basis

Finance cost of RM1.5 million has been illustrated in the Pro Forma SOCI assuming that the borrowings for the acquisition of Basis was drawn down on 1 January 2020. The borrowings are assumed to be repayable in quarterly instalments over a five-year period and bear interest at a variable rate of 2.0% above cost of funds.

Total acquisition cost of RM0.3 million has been incurred for the acquisition of Basis, of which RM0.2 million has been included in the audited consolidated SOCI for the financial year ended 31 December 2020 and the remaining RM0.1 million in the Pro Forma adjustments within administrative expenses.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

3.2.1 Adjustments in arriving at the Pro Forma SOCI (continued)

(b) Financing and acquisition-related costs (continued)

BOL

Assuming RHB Term Loan 1 for the acquisition of BOL had been drawn down on 1 January 2020, RM2.7 million of finance cost would have been incurred in the financial year ended 31 December 2020 of which RM0.5 million have been reflected in the audited consolidated SOCI for the financial year ended 31 December 2020 and RM2.2 million as part of the pro forma adjustments. The borrowings are assumed to be repayable in quarterly instalments over a five year period and bear interest at a variable rate of 2.0% above cost of funds.

Acquisition costs of RM0.6 million incurred in relation to the acquisition of BOL have been included in the audited consolidated SOCI for the financial year ended 31 December 2020.

(c) Earnings per Share

The proforma basic and diluted earnings per Share have been illustrated by dividing the pro forma profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2020 adjusted for the subdivision of the Company's existing 100,000,000 shares in issue to 2,000,000,000 shares which was completed on 10 June 2021 as disclosed in Note 1.1.4.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The Pro Forma SOCF for the financial year ended 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited consolidated statement of cash flows ("SOCF") of the Company for the financial year ended 31 December 2020 based on the assumption that the investments in BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020, and should be read in conjunction with the notes in this section.

4.1 Basis of preparation

The Pro Forma SOCF for the financial year ended 31 December 2020 has been prepared in accordance with MFRS and IFRS, and in a manner consistent with the format of financial statements and accounting policies of the Group.

For illustrative purposes, the Pro Forma SOCF has been prepared based on the following assumptions:

- (1) The acquisition of BOL and Basis as disclosed in Note 1.1 have been completed on 1 January 2020.
- (2) BOL has been equity accounted for in accordance with MFRS 128 based on the results as disclosed in its published financial statements for the financial year ended 31 December 2020, after adjustments to align to the accounting policies of the Group.
- (3) Basis' results have been consolidated based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group.
- (4) The PPA were performed for the acquisitions of BOL and Basis in accordance with MFRS 3 and the amortisation of the intangible assets identified from the PPA and corresponding deferred tax impact have been included in the Pro Forma SOCF.
- (5) The finance costs arising from borrowings assumed to have been drawn down on 1 January 2020 to finance the acquisitions of BOL and Basis have been included in the Pro Forma SOCF.

The Pro Forma SOCF has been prepared for illustrative purposes only. Such information, because of its hypothetical nature, does not give a true picture of the actual results of the Group. Further, such information does not purport to predict the Group's future cash flows.

The Pro Forma SOCI and Pro Forma SOCF are to be read separately from the Pro Forma SOFP as the assumptions applied to each of the pro forma statements are different as set out in the notes below.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020

| | Audited | | Pro Forma |
|--|------------|------------------------|------------|
| | Financial | Adjustments | Financial |
| | year ended | (Note 4.2.1) | year ended |
| | 31.12.2020 | (RM'000) | 31.12.2020 |
| | RM'000 | | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | 40,332 | 1,822 ^(a) | 42,154 |
| Adjustments for: | | | |
| Allowance for impairment of receivables and deposits-net | 530 | - | 530 |
| Depreciation of property, plant and equipment | 5,474 | 5 ^(a) | 5,479 |
| Depreciation of right-of-use assets | 1,739 | 64 ^(a) | 1,803 |
| Amortisation of intangible assets | 266 | 175 ^(a) | 441 |
| Interest income | (244) | (26) ^(a) | (270) |
| Bad debts written off | 4 | - | 4 |
| Bad debts recovered | (1) | - | (1) |
| Other receivables written off | - | 14 ^(a) | 14 |
| Loss on disposal of property, plant and equipment | 82 | - | 82 |
| Accretion of provision for restoration costs | 19 | - | 19 |
| Interest expense | 4,053 | 3,692 ^(b) | 7,745 |
| Lease interest | 162 | 4 ^(a) | 166 |
| Fair value changes | - | 607 ^(a) | 607 |
| Share-based payment expense | 3,284 | - | 3,284 |
| Share of profits of associates | (1,785) | (3,753) ^(a) | (5,538) |
| Defined benefit plan expense | 71 | - | 71 |
| Unrealised (gain)/loss on foreign exchange | (3,191) | 4 ^(a) | (3,187) |
| Operating cash flows before working capital changes | 50,795 | 2,608 | 53,403 |
| Changes in working capital: | | | |
| Receivables, deposits and prepayments | (1,063) | (103) ^(a) | (1,166) |
| Payables and accruals | (855) | (255) ^(a) | (1,110) |
| Contract liabilities | 2,240 | 5 ^(a) | 2,245 |
| Related parties balances | 369 | - | 369 |
| Cash flows generated from operations | 51,486 | 2,255 | 53,741 |
| Interest received | 244 | 26 ^(a) | 270 |
| Defined benefit plan contribution | (47) | - | (47) |
| Tax paid | (2,077) | (371) ^(a) | (2,448) |
| Net cash flows generated from operating activities | 49,606 | 1,910 | 51,516 |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020 (continued)

| | Audited Financial year ended 31.12.2020 RM'000 | Adjustments (Note 4.2.1) RM'000 | Pro Forma Financial year ended 31.12.2020 RM'000 |
|--|--|---------------------------------------|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividend received | 130 | - | 130 |
| Purchase of property, plant and equipment | (4,713) | - | (4,713) |
| Purchase of intangible assets | (2,182) | - | (2,182) |
| Proceeds from disposal of property, plant and equipment | 7 | - | 7 |
| Acquisition of subsidiaries, net of cash acquired | (5,372) | (29,775) ^(b) | (35,147) |
| Investment in associate | (91,911) | - | (91,911) |
| Net cash flows used in investing activities | <u>(104,041)</u> | <u>(29,775)</u> | <u>(133,816)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Restricted cash for term loan facility | (816) | - | (816) |
| Dividends paid | (10,500) | - | (10,500) |
| Drawdown of borrowings | 193,553 | 32,000 ^(b) | 225,553 |
| Repayment of borrowings | (86,193) | (17,109) ^(b) | (103,302) |
| Payment of lease liabilities | (1,847) | (67) ^(a) | (1,914) |
| Transaction cost paid | (2,999) | (627) ^(b) | (3,626) |
| Interest paid | (2,813) | (3,257) ^(b) | (6,070) |
| Repayment of advances from immediate holding company | (14,297) | - | (14,297) |
| Net cash flows generated from financing activities | <u>74,088</u> | <u>10,940</u> | <u>85,028</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 19,653 | (16,925) | 2,728 |
| EFFECTS OF EXCHANGE RATE CHANGES | (206) | - | (206) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | 5,489 | - | 5,489 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | <u>24,936</u> | <u>(16,925)</u> | <u>8,011</u> |



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020 (continued)

4.2.1 Adjustments in arriving at the Pro Forma SOCF

- (a) The adjustments to the Pro Forma SOCF relate to the accounting for the Group's share of results in BOL and consolidation of the cash flows of Basis for the financial year ended 31 December 2020.
- (b) The drawdown of borrowings in the Company's audited consolidated SOCF for the financial year ended 31 December 2020 of RM193.6 million includes the RHB Term Loan 1 of RM91.9 million that was drawn down for the acquisition of BOL. The net cash outflow on acquisition of Basis of RM29.8 million has been illustrated assuming the drawdown of RHB Term Loan 3 of RM32.0 million for the acquisition of Basis net of cash acquired as at 1 January 2020. The repayment of principal of RM17.1 million and finance costs of RM3.3 million have been illustrated in the Pro Forma SOCF assuming that RHB Term Loan 1 of RM91.9 million and RHB Term Loan 3 of RM32 million for the acquisitions of BOL and Basis respectively were drawn down on 1 January 2020. The borrowings are assumed to be repayable in quarterly instalments over a five-year period and bear interest at a variable rate of 2.0% above cost of funds.



12. FINANCIAL INFORMATION (Cont'd)

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

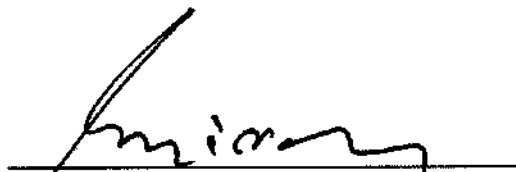
5 APPROVAL BY BOARD OF DIRECTORS

The Pro Forma Consolidated Financial Information have been approved for issue in accordance with a resolution of the Board of Directors of CTOS Digital Berhad, formerly known as CTOS Holdings Sdn Bhd on **15 JUN 2021**

Signed on behalf of the Board of Directors.



TAN SRI IZZUDDIN BIN DALI
DIRECTOR


DATUK AZIZAN BIN HAJI ABDUL RAHMAN
DIRECTOR

12. FINANCIAL INFORMATION (Cont'd)**12.5 DIVIDEND POLICY**

For information purposes, the following table sets out our Company's dividends declared for the financial years indicated and paid as of the date of this Prospectus and the corresponding dividend pay-out ratio:

| | FYE 31 December | | |
|---|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | RM'000 | RM'000 | RM'000 |
| Dividends declared and paid | 42,313 | 22,378 | 24,750 |
| PATAMI | 29,656 | 39,009 | 39,187 |
| Dividend pay-out ratio ⁽¹⁾ (%) | 142.7 | 57.4 | 63.2 |

Note:

(1) Computed based on dividends paid divided by PATAMI.

On 20 January 2021, we declared a single-tier tax-exempt interim dividend of 5.25 sen per Share amounting to RM5.25 million in respect of the FYE 31 December 2020 which was paid on 21 January 2021. On 31 March 2021, we declared a single-tier tax-exempt interim dividend of 17.0 sen per Share amounting to RM17.0 million for the FYE 31 December 2020 for payment in two tranches, of which RM9.0 million was paid on 5 April 2021 and RM8.0 million was paid on 22 June 2021.

The foregoing dividends declared between 1 January 2021 up to the LPD do not exceed our retained profits for the FYE 31 December 2020 and have been or will be paid out of our Group's accumulated cash and bank balances (which includes dividends received from our subsidiaries and associates).

On 15 June 2021, we declared a dividend-in-specie pursuant to the Distribution to our shareholders, amounting to RM15.1 million for the FYE 31 December 2021 which was completed on even date. The dividend declared will be accounted for in equity as an appropriation of retained earnings during the FYE 31 December 2021.

These dividends are not expected to have any impact on the execution and implementation of our Group's future plans or strategies. Except as described above, up to the LPD, we have not declared any other dividend to our shareholders.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries and associates. Distributions by our subsidiaries and associates will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors such as exchange controls.

We target a pay-out ratio of 60% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations, certain banking restrictive covenants which our Company is subject to as set out in Section 5.1.18 of this Prospectus and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. As at the LPD, there are no dividend restrictions imposed on our subsidiaries.

12. FINANCIAL INFORMATION (Cont'd)

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend pay-outs. See Section 5.3.3 of this Prospectus for the risk factors which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

13. ACCOUNTANTS' REPORT



The Board of Directors
 CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
 Unit 01-12, Level 8
 Tower A, Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

15 June 2021

PwC/PH/KSF/MW/zu/0203B1

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)

Our Opinion

We have audited the accompanying consolidated financial statements of CTOS Digital Berhad (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and a summary of significant accounting policies and other explanatory notes (together, the "Consolidated Financial Statements"), as set out on pages 1 to 114. The Consolidated Financial Statements has been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of its financial performance and cash flows for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Basis for Opinion

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

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
 T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

13. ACCOUNTANTS' REPORT (Cont'd)

**The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021**

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

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 Consolidated Financial Statements

The Directors of the Company (the "Directors") are responsible for the preparation of the consolidated financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements of the Company, 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 Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Consolidated Financial Statements.

13. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our opinion. 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 Consolidated Financial Statements of the Company, including the disclosures, and whether the Consolidated Financial Statements 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 Consolidated Financial Statements of the Company. 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.

13. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the Prospectus of the Company in connection with the IPO and Listing and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Pauline Ho', with a stylized flourish at the end.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Pauline Ho', with a stylized flourish at the end.

PAULINE HO
02684/11/2021 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)**CTOS DIGITAL BERHAD**

(Formerly known as CTOS Holdings Sdn. Bhd.)

(Incorporated in Malaysia)

Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS**1.1 GENERAL INFORMATION**

CTOS Digital Berhad, formerly known as CTOS Holdings Sdn. Bhd. ("Company") was incorporated as a private company limited by shares in Malaysia on 17 July 2014. The Company changed its name to CTOS Digital Sdn. Bhd. on 6 October 2020. On 26 March 2021, the Company was converted to a public limited company and assumed the name of CTOS Digital Berhad.

This Accountants' Report comprises the consolidated financial statements of CTOS Digital Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and a summary of significant accounting policies and other explanatory notes.

The principal activities of the Group are credit reporting agency, digital software related services including software development, outsourcing and provision of training services. There have been no significant changes in the nature of these activities during the financial years reported in the Accountants' Report.

The Directors regard Inodes Limited ("Inodes"), incorporated in British Virgin Islands as the immediate holding company and Creador II, LLC, incorporated in Mauritius as the ultimate holding company.

The address of the registered office and principal place of business of the Group are as follows:

Registered office

Unit 30-1, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

Principal place of business

Unit 1-12, Level 8, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Financial years ended | | |
|--|------|-----------------------|----------------------|----------------------|
| | | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2020 RM'000 |
| Revenue | 2.4 | 110,465 | 129,141 | 140,496 |
| Cost of sales | | (17,526) | (21,599) | (19,056) |
| Gross profit | | 92,939 | 107,542 | 121,440 |
| Other income | | 183 | 57 | 174 |
| Selling and marketing expenses | | (25,522) | (27,780) | (33,902) |
| Administrative expenses | | (35,687) | (38,123) | (44,931) |
| Finance costs | 2.5 | (122) | (1,211) | (4,234) |
| Share of profits of associates | 2.14 | - | 761 | 1,785 |
| Profit before tax | 2.6 | 31,791 | 41,246 | 40,332 |
| Tax expense | 2.9 | (2,135) | (2,237) | (2,355) |
| Profit for the financial year | | 29,656 | 39,009 | 37,977 |
| Other comprehensive (loss)/income: | | | | |
| Items that will be subsequently reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign operations | | - | - | (231) |
| Share of other comprehensive income of associate accounted for using equity method | | - | - | 86 |
| Items that will not be subsequently reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign operations | | - | - | (120) |
| Share of other comprehensive income of associate accounted for using equity method | | - | - | 243 |
| Remeasurement of provision for defined benefit plan, net of tax | | - | - | (280) |
| Other comprehensive loss for the financial year | | - | - | (302) |
| Total comprehensive income for the financial year | | 29,656 | 39,009 | 37,675 |

13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
 (Formerly known as CTOS Holdings Sdn. Bhd.)
 (Incorporated in Malaysia)
 Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

| | Note | Financial years ended | | |
|---|---------|-----------------------|----------------------|----------------------|
| | | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2020 RM'000 |
| Profit/(loss) for the financial year attributable to: | | | | |
| Owners of the Company | | 29,656 | 39,009 | 39,187 |
| Non-controlling interests | | - | - | (1,210) |
| | | <u>29,656</u> | <u>39,009</u> | <u>37,977</u> |
| Total comprehensive income/(loss) for the financial year attributable to: | | | | |
| Owners of the Company | | 29,656 | 39,009 | 39,142 |
| Non-controlling interests | | - | - | (1,467) |
| | | <u>29,656</u> | <u>39,009</u> | <u>37,675</u> |
| Earnings per share for profit attributable to ordinary equity holders of the Company: | | | | |
| - Basic (sen) | 2.33(a) | <u>1.5</u> | <u>2.0</u> | <u>2.0</u> |
| - Diluted (sen) | 2.33(b) | <u>1.5</u> | <u>1.9</u> | <u>2.0</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | 31.12.2018 RM'000 | 31.12.2019 RM'000 | As at 31.12.2020 RM'000 |
|---|------|----------------------|----------------------|-------------------------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 2.10 | 17,518 | 16,870 | 16,911 |
| Right-of-use assets | 2.11 | - | 2,784 | 2,071 |
| Intangible assets | 2.12 | 37,927 | 37,906 | 49,572 |
| Investment in associates | 2.14 | - | 56,941 | 150,835 |
| Receivables, deposits and prepayments | 2.16 | - | - | 905 |
| Deferred tax assets | 2.15 | 47 | 123 | 1,080 |
| TOTAL NON-CURRENT ASSETS | | 55,492 | 114,624 | 221,374 |
| CURRENT ASSETS | | | | |
| Receivables, deposits and prepayments | 2.16 | 17,918 | 21,449 | 28,223 |
| Contract assets | 2.4 | 12 | - | - |
| Amount due from related parties | 2.17 | 2 | 1 | 3 |
| Tax recoverable | | 4,975 | 7 | 13 |
| Cash and bank balances | 2.18 | 10,216 | 6,108 | 26,371 |
| TOTAL CURRENT ASSETS | | 33,123 | 27,565 | 54,610 |
| CURRENT LIABILITIES | | | | |
| Payables and accruals | 2.19 | 13,683 | 13,628 | 17,120 |
| Contract liabilities | 2.4 | 2,684 | 4,195 | 6,681 |
| Lease liabilities | 2.11 | - | 1,532 | 1,876 |
| Provision for restoration costs | 2.22 | - | - | 603 |
| Amount due to immediate holding company | 2.20 | - | 14,297 | - |
| Amount due to a related party | 2.17 | - | - | 371 |
| Borrowings | 2.21 | 5,857 | 18,192 | 132,320 |
| Taxation | | 191 | 28 | 489 |
| TOTAL CURRENT LIABILITIES | | 22,415 | 51,872 | 159,460 |
| NET CURRENT ASSETS/(LIABILITIES) | | 10,708 | (24,307) | (104,850) |

13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

| | Note | 31.12.2018 RM'000 | 31.12.2019 RM'000 | As at 31.12.2020 RM'000 |
|---|------|----------------------|----------------------|-------------------------------|
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities | 2.11 | - | 1,349 | 375 |
| Provision for defined benefit plan | 2.25 | - | - | 421 |
| Provision for restoration costs | 2.22 | 465 | 584 | - |
| Deferred tax liabilities | 2.15 | 23 | - | - |
| Borrowings | 2.21 | 5,678 | 9,436 | - |
| TOTAL NON-CURRENT LIABILITIES | | 6,166 | 11,369 | 796 |
| NET ASSETS | | 60,034 | 78,948 | 115,728 |
| EQUITY | | | | |
| Share capital | 2.23 | 197,994 | 197,994 | 197,994 |
| Reverse acquisition reserve | | (193,528) | (193,528) | (193,528) |
| Equity contribution from shareholder | | 315 | 315 | 315 |
| Other reserves | 2.24 | 976 | 2,626 | (45) |
| Retained earnings | | 54,277 | 71,541 | 106,025 |
| Equity attributable to the owners of the Company | | 60,034 | 78,948 | 110,761 |
| Non-controlling interests | | - | - | 4,967 |
| TOTAL EQUITY | | 60,034 | 78,948 | 115,728 |

13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

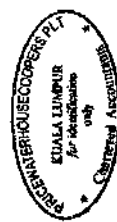
1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Group | Ordinary shares | | | | | | | |
|--|-----------------|-----------------------|----------------------|--|---|-----------------------|--------------------------|---------------------|
| | Note | Number of shares '000 | Share capital RM'000 | Equity contribution from shareholders RM'000 | Reverse acquisition reserve ⁽¹⁾ RM'000 | Other reserves RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| As at 1 January 2018 | | 100,000 | 197,994 | 315 | (193,528) | 256 | 60,365 | 65,402 |
| Effects of adoption of MFRS 9 'Financial Instruments' | 2.35 | - | - | - | - | - | (777) | (777) |
| As at 1 January 2018 (restated) | | 100,000 | 197,994 | 315 | (193,528) | 256 | 59,588 | 64,625 |
| Profit and total comprehensive income for the financial year | | - | - | - | - | - | 29,656 | 29,656 |
| Transaction with owners: Dividends paid | 2.29 | - | - | - | - | - | (34,967) | (34,967) |
| Share-based payment expense for the financial year | | - | - | - | - | 720 | - | 720 |
| As at 31 December 2018 | | 100,000 | 197,994 | 315 | (193,528) | 976 | 54,277 | 60,034 |

Notes:

(1) The reverse acquisition reserve was created during the acquisition of CTOS Business Systems Sdn. Bhd. ("CBS"), CTOS Data Systems Sdn. Bhd. ("CDS") and Automated Mail Responder Sdn. Bhd. ("AMR") by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

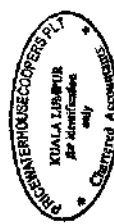
1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| Group | Ordinary shares | | | Equity contribution from shareholders RM'000 | Reverse acquisition reserve ⁽¹⁾ RM'000 | Other reserves RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|--|-----------------|-----------------------|----------------------|--|---|-----------------------|--------------------------|---------------------|
| | Note | Number of shares '000 | Share capital RM'000 | | | | | |
| As at 1 January 2019 | | 100,000 | 197,994 | 315 | (193,528) | 976 | 54,277 | 60,034 |
| Effects of adoption of MFRS 16 'Leases' | 2.35 | - | - | - | - | - | (21) | (21) |
| As at 1 January 2019 (restated) | | 100,000 | 197,994 | 315 | (193,528) | 976 | 54,256 | 60,013 |
| Profit and total comprehensive income for the financial year | | - | - | - | - | - | 39,009 | 39,009 |
| Transaction with owners: Dividends paid | 2.29 | - | - | - | - | - | (21,724) | (21,724) |
| Share-based payment expense for the financial year | | - | - | - | - | 1,650 | - | 1,650 |
| As at 31 December 2019 | | 100,000 | 197,994 | 315 | (193,528) | 2,626 | 71,541 | 78,948 |

Notes:

(1) The reverse acquisition reserve was created during the acquisition of CBS, CDS and AMIR by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| | Ordinary shares | | | | | | | | | | |
|--|-----------------------|----------------------|--|---|---|--|------------------------------------|--------------------------|--|---------------------------------|---------------------|
| | Number of shares '000 | Share capital RM'000 | Equity contribution from shareholders RM'000 | Reverse acquisition reserve ⁽¹⁾ RM'000 | Foreign currency translation reserve RM'000 | Retirement benefit reserve & fair value reserve RM'000 | Share-based payment reserve RM'000 | Retained earnings RM'000 | Total attributable to owners of the Company RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
| Group | | | | | | | | | | | |
| As at 1 January 2020 | 100,000 | 197,994 | 315 | (193,528) | - | - | 2,626 | 71,541 | 78,948 | - | 78,948 |
| Profit (loss) for the financial year | - | - | - | - | - | - | - | 39,187 | 39,187 | (1,210) | 37,977 |
| Other comprehensive (loss) income | - | - | - | - | (145) | 100 | - | - | (45) | (257) | (302) |
| Transaction with owners: | | | | | | | | | | | |
| Dividends paid (Note 2.29) | - | - | - | - | - | - | - | (10,500) | (10,500) | - | (10,500) |
| Non-controlling interests on acquisition of subsidiary | - | - | - | - | - | - | - | - | - | 6,434 | 6,434 |
| Share-based payment expense for the financial year | - | - | - | - | - | - | 3,284 | - | 3,284 | - | 3,284 |
| Settlement of ESOS with option holders | - | - | - | - | - | - | (113) | - | (113) | - | (113) |
| Reclassification of ESOS reserve to retained earnings | - | - | - | - | - | - | (5,797) | 5,797 | - | - | - |
| As at 31 December 2020 | 100,000 | 197,994 | 315 | (193,528) | (145) | 100 | - | 106,025 | 110,761 | 4,967 | 115,728 |

Notes:

(1) The reverse acquisition reserve was created during the acquisition of CBS, CDS and AMR by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Financial years ended | | |
|--|---------|-----------------------|----------------------|----------------------|
| | | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2020 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | | 31,791 | 41,246 | 40,332 |
| Adjustments for: | | | | |
| Allowance for impairment of receivables and deposits-net | 2.27(c) | 75 | 277 | 530 |
| Depreciation of property, plant and equipment | 2.10 | 3,283 | 4,781 | 5,474 |
| Depreciation of right-of-use assets | 2.11 | - | 1,519 | 1,739 |
| Amortisation of intangible assets | 2.12 | 80 | 21 | 266 |
| Interest income | | (195) | (241) | (244) |
| Bad debts written off | | - | 2 | 4 |
| Bad debts recovered | | (6) | - | (1) |
| Loss on disposal of property, plant and equipment | | 1 | 189 | 82 |
| Accretion of provision for restoration costs | 2.5 | 19 | 18 | 19 |
| Interest expense | 2.5 | 103 | 973 | 4,053 |
| Lease interest | 2.5 | - | 220 | 162 |
| Reversal of provision for restoration costs | | (109) | - | - |
| Share-based payment expense | | 720 | 1,650 | 3,284 |
| Share of profits of associates | | - | (761) | (1,785) |
| Defined benefit plan expense | | - | - | 71 |
| Unrealised loss/(gain) on foreign exchange | | 7 | - | (3,191) |
| Operating cash flows before working capital changes | | 35,769 | 49,894 | 50,795 |



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
 (Formerly known as CTOS Holdings Sdn. Bhd.)
 (Incorporated in Malaysia)
 Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

| | Note | Financial years ended | | |
|---|------|-----------------------|-----------------|------------------|
| | | 31.12.2018 | 31.12.2019 | 31.12.2020 |
| | | RM'000 | RM'000 | RM'000 |
| Changes in working capital: | | | | |
| Receivables, deposits and prepayments | | (1,491) | (3,848) | (1,063) |
| Contract assets | | (12) | 12 | - |
| Payables and accruals | | 2,577 | (1,510) | (855) |
| Contract liabilities | | 2,684 | 1,511 | 2,240 |
| Related parties balances | | - | (1) | 369 |
| Cash flows generated from operations | | 39,527 | 46,058 | 51,486 |
| Interest received | | 195 | 241 | 244 |
| Tax paid | | (2,683) | (2,505) | (2,077) |
| Tax refunded | | 456 | 4,974 | - |
| Defined benefit plan contribution | 2.25 | - | - | (47) |
| Net cash flows generated from operating activities | | 37,495 | 48,768 | 49,606 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | | (10,142) | (2,779) | (4,713) |
| Purchase of intangible assets | | - | - | (2,182) |
| Proceeds from disposal of property, plant and equipment | | 1 | 13 | 7 |
| Dividend received | | - | - | 130 |
| Acquisition of subsidiary, net of cash acquired | 2.36 | - | - | (5,372) |
| Investment in associate | 2.14 | - | (56,180) | (91,911) |
| Net cash flows used in investing activities | | (10,141) | (58,946) | (104,041) |



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

| | Note | Financial years ended | | |
|--|------|-----------------------|----------------------|----------------------|
| | | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2020 RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Restricted cash for term loan facility | 2.18 | - | (819) | (816) |
| Dividends paid | 2.29 | (34,967) | (21,724) | (10,500) |
| Drawdown of borrowings | 2.21 | 11,700 | 32,000 | 193,553 |
| Repayment of borrowings | 2.21 | - | (16,182) | (86,193) |
| Payment of lease liabilities | 2.11 | - | (1,663) | (1,847) |
| Transaction cost paid | 2.21 | (266) | - | (2,999) |
| Interest paid | 2.21 | (37) | (658) | (2,813) |
| Advances from immediate holding company | | - | 56,297 | - |
| Repayment of advances from immediate holding company | | - | (42,000) | (14,297) |
| Net cash flows (used in)/generated from financing activities | | (23,570) | 5,451 | 74,088 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 3,784 | (4,727) | 19,653 |
| EFFECT OF EXCHANGE RATE CHANGES | | - | - | (206) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | | 6,432 | 10,216 | 5,489 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 2.18 | 10,216 | 5,489 | 24,936 |



13. ACCOUNTANTS' REPORT (Cont'd)

CTOS DIGITAL BERHAD
 (Formerly known as CTOS Holdings Sdn. Bhd.)
 (Incorporated in Malaysia)
 Registration No. 201401025733 (1101823-A)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The financial statements of the Group for the financial year ended 31 December 2018, 31 December 2019 and 31 December 2020 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia for purpose of inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group

The standards, amendments and improvements to published standards and IC interpretations that are effective for the Group are as follows:

Financial year beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Financial year beginning on or after 1 January 2019

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group has adopted MFRS 16 'Leases' ("MFRS 16") for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of the changes in the accounting policies are set out in Note 2.35.

The details of the accounting policies on leases are disclosed separately in Note 2.2(n).

The adoption of the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group (continued):Financial year beginning on or after 1 January 2018

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The Group has adopted MFRS 9 'Financial Instruments' ("MFRS 9") and MFRS 15 'Revenue from Contracts with Customers' ("MFRS 15") for the first time in the 2018 financial statements, which resulted in changes in accounting policies. The detailed impact of the changes in the accounting policies are set out in Note 2.35.

The details of the accounting policies on financial instruments and revenue from contracts with customers are disclosed separately in Note 2.2(e) and Note 2.2(o).

The adoption of the IC Interpretation did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2021. None of these is expected to have a significant effect on the financial statements of the Group except the following:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the financial year(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.



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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective (continued)

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 137 'Onerous contracts — cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date. In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.



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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective (continued)

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 April 2021) ("2021 amendment") extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022.

The 2021 amendment requires lessees that had applied the practical expedient (pursuant to the 2020 amendment) to account for COVID-19-related rent concessions continue to apply the new 2021 amendment when it is effective. Similarly, lessees that had not applied the 2020 optional practical expedient are not allowed to apply the 2021 amendment. The 2021 practical expedient is also available for lessees that have not established an accounting policy on applying (or not applying) the practical expedient to eligible rent concessions.

The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Disclosure of accounting policies' (effective 1 January 2023) require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

- Amendments to MFRS 108 'Definition of accounting estimates' (effective 1 January 2023) clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include:
 - a loss allowance for expected credit losses, applying MFRS 9 'Financial Instruments';
 - the net realisable value of an item of inventory, applying MFRS 102 'Inventories';
 - the fair value of an asset or liability, applying MFRS 13 'Fair Value Measurement';
 - the depreciation expense for an item of property, plant and equipment, applying MFRS 116 'Property, Plant and Equipment'; and
 - a provision for warranty obligations, applying MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets'.

The amendments shall be applied prospectively.

The amendments above are not expected to have a material impact to the Group other than the amendments to MFRS 101 where the impact is not known and is still being assessed by the Group.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. See accounting policy Note 2.2(d)(i) on goodwill.

Acquisition-related costs are expensed as incurred.



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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.



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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.