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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within administrative expenses. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in other income in profit or loss.

Depreciation of property, plant and equipment is calculated so as to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following annual rates:

Computers	20% - 33%
Office equipment	20% - 33%
Renovation	15% - 20%
Furniture and fittings	15% - 33%
Motor vehicles	20% - 25%

Work-in-progress will be reclassified to the respective categories of property, plant and equipment and depreciated when they are ready for their intended use.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the property, plant and equipment is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

The Group acquires intangible assets either as part of a business combination or through separate acquisition. Intangible assets acquired in a business combination are recorded at their fair values at the date of acquisition and recognised separately from goodwill. On initial acquisition, management judgement is applied to determine the appropriate allocation of purchase consideration to the assets being acquired, including goodwill and identifiable intangible assets.

Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the period of expected benefit. Intangible assets that are considered to have an indefinite economic useful life are not amortised but tested for impairment in accordance with Note 2.2(f) on an annual basis, or where an indication of impairment exists.

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Database and customer relationship

Database and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The acquired database and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship, not exceeding 5 years.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(iii) Brand names and trademarks

Separately acquired brand names and trademarks are shown at historical cost. Brand names and trademarks acquired in a business combination are recognised at fair value at the acquisition date. Brand names and trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand names and trademarks over their estimated useful lives of 20 years.

(iv) License fee

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 3 years.

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method from the point at which the asset is ready for use over their estimated useful lives, which does not exceed 5 years.

Some computer software is part of a system that cannot operate without being integrated with the related hardware. The Group treats this computer software as property, plant and equipment as it is an integral part of the property, plant and equipment. The Group uses judgement to assess which element is more significant. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial assets

(i) Classification

The Group classifies their financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

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2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented within administrative expenses in the statement of comprehensive income.

(iv) Subsequent measurement - Impairment

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group assesses the following assets for impairment based on the ECL model:

- Trade receivables
- Other receivables
- Deposits
- Amount due from related parties

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

(a) General 3-stage approach for other receivables, deposits and amount due from related parties

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

(b) Simplified approach for trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

(b) Simplified approach for trade receivables and contract assets (continued)

Definition of default and credit-impaired financial assets

The Group define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of contractual terms;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

Write-off

(i) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables and contract assets are presented in administrative expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables and amount due from related parties

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. These are presented in administrative expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off will result in impairment gains.

Financial liabilities

(i) Classification and measurement

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss, other financial liabilities and financial guarantee contracts. Management determines the classification of financial liabilities at initial recognition.

The Group does not hold any financial liabilities carried at fair value through profit or loss and financial guarantee contracts.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in profit or loss.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial liabilities (continued)

(i) Classification and measurement (continued)

The Group's other financial liabilities comprise payables (including amount due to fellow subsidiaries) and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities, except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

(ii) Recognition of financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

(iv) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. The Group also assesses goodwill, intangible assets with indefinite useful life and other assets that are subject to amortisation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value estimation

The fair value of financial assets, financial liabilities and derivative financial instruments are estimated for recognition and measurement or for disclosure purposes.

In assessing the fair value of financial instruments, the Group makes certain assumptions and applies the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current interest rate available to the respective companies.

The face values for financial assets and financial liabilities with a maturity of less than one year are assumed to be approximately equal to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 2.2(e)(iv) for the impairment policy of financial assets. When the debt becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Payables

Payables, including accruals, represent liabilities for goods received and services rendered to the Group prior to the end of the financial year and which remain unpaid. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and its associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, investment tax allowance or unused tax losses can be utilised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries except for deferred tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provision for restoration costs

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provision for restoration costs is the estimated costs of dismantling and removing the fixtures and effects of the Group to restore the rental premises back to its original state and condition.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as payables and accruals in the statement of financial position. The Group recognises provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined contribution plans

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Post-employment pension benefits (continued)

Defined benefit plans

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statements of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the Company and its subsidiaries receive services from employees as consideration for equity instruments (option) of the Company, pursuant to the Employee Share Option Scheme ("ESOS"). The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense over the vesting period with a corresponding increase to share option reserves within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(iii) Share-based payments (continued)

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

Any payment made to employees on the cancellation or settlement of the grant is accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess is recognised as an expense. However, if the share-based payment arrangement included liability components, the Group remeasures the fair value of the liability at the date of cancellation or settlement. Any payment made to settle the liability component is accounted for as an extinguishment of the liability.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(n) Leases

Group as lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (periods after termination options) are only included in the term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities (refer to (iv) below).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less any accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group are reasonably certain to exercise a purchase option, ROU asset is depreciated over asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

After the commencement date, a lessee shall remeasure the lease liability to reflect changes to the lease payments by using a revised discount rate if either:

i) a change in lease term due to the lessee exercises an option (purchase/termination/extension) in a different way than the Group has previously determined was reasonably certain; or
ii) a change in lease term due to an event occurs that contractually obliged/prohibits the lessee from exercise the option.

In contrast, a lessee shall use an unchanged discount rate to remeasure lease liability to reflect changes to lease payments if either:

i) a change in the amounts expected to be payable under a residual value guarantee; or
ii) a change in future lease payments resulting from a change in an index or rate used to determine those payments.

A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU. However, if the carrying amount of the ROU is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

(v) Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

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2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied until 31 December 2018

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

(o) Revenue recognition

Revenue from contracts with customers

(i) Provision of services

The Group's revenue arises from a range of products including subscription fees for access to the Group's online credit risk management platform, sale of reports, trade referencing and monitoring services, eKYC services, credit application and decisioning ("CAD") services, fraud bureau services and portfolio reviews.

The Group recognises revenue when it satisfies a performance obligation by transferring control of a promised product or service to a customer. The Group determines whether goods or services are distinct, and therefore separate performance obligations, when there are multiple promises in a contract. At the inception of the contract, the Group determines the consideration or transaction price that it expects to be entitled in exchange for transferring promised goods or services to the customer, which may include fixed consideration and variable consideration. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The total consideration is allocated to the performance obligations identified based on their standalone selling price, and is recognised when those performance obligations are satisfied and the control of goods or services is transferred to the customer, either over time or at a point in time.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Provision of services (continued)

Credit reporting services

Revenue from the subscription of the Group's online credit risk management platform are from fixed subscription fees. The Group recognises revenue from the fixed subscription fees on a straight-line basis over the subscription period. The subscription can be renewed monthly or annually.

Revenue from the sales of reports (CTOS Digital reports and external reports) are recognised when control of the reports are transferred to the customers.

Revenue from trade referencing and monitoring services are from fixed monthly subscription fees, which are recognised over the period in which the services are performed.

Revenue from fraud bureau services are from fixed subscription fees, which are recognised at a point in time when the results are transferred to the customers.

Revenue from the comprehensive portfolio reviews are recognised when control of the review results or deliverables are transferred to the customers.

The eKYC services that are provided in a bundled contract comprise multiple promises which may include the sale of software licenses, setup and installation services at the customer's premises, document verification, facial recognition, bureau file verification, knowledge-based authentication services (collectively "verification services") and maintenance and technical services. The Group accounts for each service in the bundled contract as separate performance obligations as the services are not inputs to a combined item that the customer has contracted to receive. The Group can fulfil its promise to transfer each of the goods or services separately and does not provide any significant integration, modification, or customisation services. For each of the verification services, revenue is recognised at the point in time when the verification services are completed and the results are shared with the customer. Bundled contracts usually comprise fixed and variable considerations. The transaction fees for the verification services are variable depending on the volume of transactions. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin.

For eKYC contracts which only comprise sales of verification services, revenue is recognised when the verification services are completed and the results are shared with the customers.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Provision of services (continued)

Credit reporting services (continued)

For CAD contracts that consist of multiple promises such as credit decisioning results and access to the Group's hosted loan management systems, the Group determines that each promise is distinct and are therefore separate performance obligations. These contracts usually comprise fixed and variable considerations. The transaction fees for the credit decisioning results are variable depending on the volume of transaction. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin. The Group recognises revenue from access to the hosted loan management system over the service period, while revenue from credit decisioning results are recognised at the point in time when the results are shared with the customers.

For CAD contracts which only comprise credit decisioning results, revenue is recognised when the credit decisioning results are completed and shared with the customers.

Sale of software licenses

The Group recognises revenue from the sale of software license at the point in time when control of the software license has been transferred to the customer.

When another party is involved in providing the software licenses to the customer, the Group is a principal as it controls the software licenses before they are transferred to the customers. As the principal, the Group recognises as revenue on the gross consideration allocated to the software licenses with the corresponding direct costs of satisfying the contract.

Installation and maintenance services

The Group recognises revenue from installation services over time as and when the installation progresses. Revenue in respect of maintenance and technical services are recognised over the period the maintenance and technical services are performed.

(ii) Contract assets

Contract assets are the right to consideration in exchange for goods or services that the Group has transferred to a customer when the right is conditioned on something other than the passage of time. A contract asset is different from trade receivable.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(iii) Contract liabilities

Contract liability is the unsatisfied obligation by the Group to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer.

Revenue from other sources

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

(ii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(p) Incremental costs incurred to obtain or fulfil a contract

The Group has elected the practical expedient by recognising the costs incurred to obtain a contract as an expense where the costs incurred to obtain a contract are in respect of contracts with amortisation period of less than one year.

(q) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holder of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividends to shareholders of the Group

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. These borrowings are subsequently carried at amortised costs. Any difference between the initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the statement of profit or loss when incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss within finance costs.

Interest expense, redeemable preference shares dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Group's Chief Executive Officer, Chief Executive Officer of the respective countries, Chief Operating Officer and Chief Financial Officer of the Company.

(u) Administrative expenses

The nature of expenses classified within administrative expenses are those which are not directly attributable to revenue generating activities of the Group but are part of the Group's overall operating activities. The expenses classified within administrative expenses includes staff cost other than staff cost for sales and marketing employees, depreciation expenses of property, plant and equipment and ROU assets, IT support expenses, professional fees and foreign exchange gain or loss amongst others.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Intangible assets - Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or more frequently if events or change in circumstances indicate that this is necessary within the financial year. 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 the Group to make assumptions about revenue growth, an appropriate discount rate and terminal growth rate.

No impairment charge was recognised as the recoverable amount exceeded its carrying amount. The assumptions used and sensitivities of the impairment assessment of goodwill are disclosed in Note 2.12.

(b) Allowance for impairment of receivables

The Group applies the MFRS 9 simplified approach to 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 3-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.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) ESOS

For the financial year ended 31 December 2018 and 2019

The Group introduced an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group. The Group measures 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 share scheme, volatility and dividend yield and making assumptions about them, as disclosed in Note 2.32.

(d) Revenue from customer contracts

Identification of performance obligations ("PO")

For the various models of the eKYC contracts and certain types of CAD contracts, they are considered to be bundled solutions that consist of multiple products and services promised to the customers. The Group accounts for individual products and services separately as separate performance obligations if they are distinct promised products and services, i.e. if a product or service is separately identifiable from other items in the bundled solution and if a customer can benefit from it separately. The Group exercises judgements 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.

The Group recognises the revenue at a point in time or over time depending on when the control over the provision of services are transferred to the customers. The Group also exercises judgement on the timing when the control is transferred to determine the timing of recognition.

Determining stand-alone selling price ("SSP")

The Group has exercised judgement in estimating the SSP of each PO in the eKYC and CAD revenue contracts, given that SSPs for products and services are not directly observable in the market. The Group has used a cost plus margin approach, by incorporating the expected cost of satisfying a PO and an appropriate margin for the particular product or service.

Determining transaction price

The Group has 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.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE

	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
		Financial years ended		
Provision of services	(a)			
- sale of reports		43,451	51,009	49,813
- monitoring and trade referencing services		60,338	69,373	74,696
- other services		6,676	7,499	14,724
- sale of software licenses		-	880	927
- installation and maintenance services		-	380	336
		110,465	129,141	140,496

(a) Revenue from contracts with customers:

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
	Financial years ended		
Timing of revenue recognition:			
- at a point in time	46,595	56,431	62,268
- over time	63,870	72,710	78,228
Revenue from contracts with customers	110,465	129,141	140,496

The Group serves four distinct types of customers, namely Key Accounts, Commercial, Direct-to-Consumer and International Business-to-Business ("B2B"). Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise the Group's Malaysian segment commercial customers other than Key Accounts customers. Direct-to-Consumer comprise the Group's retail consumers. International B2B comprise the Group's International segment customers.

The disaggregation of revenue by types of customers are as follows:

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
	Financial years ended		
Type of customers			
Key Accounts	41,440	49,321	47,335
Commercial	64,391	74,449	79,600
Direct-to-Consumer	4,634	5,371	6,290
International B2B	-	-	7,271
Total	110,465	129,141	140,496

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE (CONTINUED)

(b) Contract assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

	Note	As at 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Contract assets	(i)	12	-	-
Contract liabilities	(i), (iii)	2,684	4,195	6,681

(i) Significant changes in contract assets and liabilities

	Note	As at 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Contract assets				
Balance at the beginning of the year		12	12	-
Transfer to receivables		(12)	(12)	-
Additions due to revenue recognised during the year		12	-	-
Balance at the end of the year		12	-	-
Contract liabilities				
Balance at the beginning of the year		276	2,684	4,195
Acquisition of a subsidiary	2.36	-	-	249
Revenue recognised that was included in the contract liability balance at the beginning of the year		(276)	(2,684)	(4,359)
Increases due to cash received, excluding amounts recognised as revenue during the year		2,684	4,195	6,597
Foreign currency translation difference		-	-	(1)
Balance at the end of the year		2,684	4,195	6,681

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE (CONTINUED)

(b) Contract assets and liabilities related to contracts with customers (continued)

(ii) Asset recognised from costs to obtain or fulfil a contract

The Group has elected the practical expedient to recognise contract cost incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

(iii) Unsatisfied performance obligations

In the previous financial years, the Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

As of 31 December 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations for eKYC and CAD contracts amounts to RM7.1 million and the Group will recognise this revenue as and when the services are performed, which is expected to occur over the next 12 - 36 months.

The Group expects that the transaction price of RM2.5 million allocated to unsatisfied performance obligations as of 31 December 2020 will be recognised as revenue within the next 12 months. The remaining allocated transaction price of RM4.6 million will be recognised over the next 24 - 36 months.

The Group applied the practical expedient in MFRS 15 for all other contracts with periods of one year or less and the unsatisfied performance obligations for these contracts are not disclosed.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 FINANCE COSTS

		Financial years ended		
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Interest expense on:				
- bank borrowings	2.21	96	933	4,024
- lease liabilities	2.11	-	220	162
Accretion of provision for restoration costs	2.22	19	18	19
Others		7	40	29
		122	1,211	4,234

2.6 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

		Financial years ended		
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Allowance for impairment of receivables - net	2.27(c)	75	277	530
Auditors' remuneration				
- fees for statutory audit to PricewaterhouseCoopers PLT		156	141	286
- fees for statutory audit to other auditors		-	-	78
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
Search charges and data fees		17,314	19,989	16,682
Advertising, promotion and sales commission expenses		8,880	10,335	10,473
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
Unrealised loss/(gain) on foreign exchange		7	-	(3,191)
Bad debts written off		-	2	4
Bad debts recovered		(6)	-	(1)
Staff cost (including Directors' remuneration)	2.8	35,278	37,478	47,493
Loss on disposal of property, plant and equipment		1	189	82
Amortisation of intangible assets	2.12	80	21	266
Interest income		(195)	(241)	(244)
Reversal of provision for restoration costs	2.22	(109)	-	-

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2.7 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial years are as follows:

Loh Kok Leong
Wong Pau Min (resigned on 15 February 2021. Appointed as alternate director to Loh Kok Leong on 15 February 2021)
Tan Sri Izzuddin bin Dali
Datuk Azizan bin Haji Abdul Rahman
Dato' Noorazman bin Abd Aziz (appointed on 24 February 2020)
Lynette Yeow Su-Yin (appointed on 1 October 2020)
Dennis Colin Martin (appointed on 1 November 2020)
Dato Badri bin Haji Masri (resigned on 30 September 2020)
Chung Tze Keong (resigned on 1 November 2020)
Chung Tze Wen (resigned on 1 November 2020)

The aggregate amount of emoluments received/receivable by the Directors of the Company during the financial year are as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Fees	366	376	444
Wages, salaries and bonuses	-	-	197
	366	376	641

There was no benefit-in-kind provided to Directors of the Company during the financial year.

2.8 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Fees	366	376	689
Wages, salaries and bonuses	30,100	30,964	38,478
Defined contribution plan	4,092	4,488	4,971
Defined benefit plan	-	-	71
Share-based payment expense	720	1,650	3,284
	35,278	37,478	47,493

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 TAX EXPENSE

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Current tax:				
- current year		2,489	2,444	2,495
- over accrual in prior years		(64)	(108)	(27)
		2,425	2,336	2,468
Deferred tax:				
- origination and reversal of temporary differences		(291)	(99)	(113)
- reversal and recognition of prior years temporary differences		1	-	-
	2.15	(290)	(99)	(113)
Tax expense		2,135	2,237	2,355

The Company's subsidiary, CTOS Data Systems Sdn. Bhd. is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CTOS Data Systems Sdn. Bhd. profits are exempted from tax for a period of 10 years, beginning on 9 November 2016. However, based on the provisions of the PIA 1986, the incentive's effective period is only for the first 5 years. CTOS Data Systems Sdn. Bhd. can enjoy an extension of a second 5-year incentive period by applying to the Malaysia Digital Economy Corporation ("MDEC").

The tax relief period under CTOS Data Systems Sdn. Bhd.'s MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines Issued by MDEC which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CTOS Data Systems Sdn. Bhd. requires approval from the MDEC or the relevant authorities to continue enjoying these tax incentives from 1 July 2021 until 8 November 2021 (the "Transitional Period").

CTOS Data Systems Sdn. Bhd. will seek for approval to continue enjoying these tax incentives during the Transitional Period and to renew the pioneer status incentive for a further period of 5 years.

Tax expense for the taxation authorities in the Philippines is calculated at the rate prevailing in that jurisdiction.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 TAX EXPENSE (CONTINUED)

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	%	%	%
Numerical reconciliation between the Malaysian tax rate and effective tax rate			
Malaysian tax rate:	24	24	24
Tax effects of:			
- pioneer status tax exemption	(20)	(22)	(25)
- income not subject to tax	-	-	(2)
- expenses not deductible for tax purposes	3	3	7
- share of profits of associates	-	-	(1)
- deferred tax not recognised at statutory rates	-	-	1
- temporary differences not recognised	-	-	2
Effective tax rate	7	5	6

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT

	As at 1.1.2018	Additions	Disposals	Reclassification	As at 31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Cost					
Computers	12,078	2,032	(4)	5,456	19,562
Office equipment	832	15	-	-	847
Renovation	4,664	238	-	37	4,939
Furniture and fittings	94	-	-	-	94
Motor vehicles	61	-	-	-	61
Work in progress	947	7,857	-	(5,493)	3,311
	18,676	10,142	(4)	-	28,814
Accumulated depreciation					
Computers	6,332	2,226	(2)	-	8,556
Office equipment	424	160	-	-	584
Renovation	1,168	870	-	-	2,038
Furniture and fittings	51	12	-	-	63
Motor vehicles	40	15	-	-	55
	8,015	3,283	(2)	-	11,296

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.1.2019	Additions	Disposals	Reclassification	As at 31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Cost					
Computers	19,562	1,737	(8)	3,070	24,361
Office equipment	847	23	-	-	870
Renovation	4,939	158	(6)	-	5,091
Furniture and fittings	94	8	-	-	102
Motor vehicles	61	-	-	-	61
Work in progress	3,311	2,409	(197)	(3,070)	2,453
	28,814	4,335	(211)	-	32,938
Accumulated depreciation					
Computers	8,556	3,804	(5)	-	12,355
Office equipment	584	140	-	-	724
Renovation	2,038	819	(4)	-	2,853
Furniture and fittings	63	12	-	-	75
Motor vehicles	55	6	-	-	61
	11,296	4,781	(9)	-	16,068

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2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.1.2020	Acquisition of subsidiary	Additions	Disposals	Reclassification	Foreign currency translation	As at 31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cost							
Computers	24,361	192	4,677	(119)	952	(17)	30,046
Office equipment	870	9	24	-	-	(1)	902
Renovation	5,091	63	37	(6)	-	(1)	5,184
Furniture and fittings	102	36	11	(64)	-	-	85
Motor vehicles	61	65	-	-	-	(2)	124
Work in progress	2,453	-	506	(45)	(952)	-	1,962
	32,938	365	5,255	(234)	-	(21)	38,303
Accumulated depreciation							
Computers	12,355	-	4,420	(109)	-	(3)	16,663
Office equipment	724	-	119	-	-	-	843
Renovation	2,853	-	886	(4)	-	(1)	3,734
Furniture and fittings	75	-	15	(32)	-	-	58
Motor vehicles	61	-	34	-	-	(1)	94
	16,068	-	5,474	(145)	-	(5)	21,392

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Net book value			
Computers	11,006	12,006	13,383
Office equipment	263	146	59
Renovation	2,901	2,238	1,450
Furniture and fittings	31	27	27
Motor vehicles	6	-	30
Work in progress	3,311	2,453	1,962
	17,518	16,870	16,911

2.11 LEASES

(i) The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

Buildings	Note	Cost	Accumulated depreciation	Net book value
		RM'000	RM'000	RM'000
At 1 January 2019		-	-	-
Effect of adoption of MFRS 16	2.35	4,556	(253)	4,303
At 1 January 2019 (restated)		4,556	(253)	4,303
Charged to statement of comprehensive income	2.6	-	(1,519)	(1,519)
At 31 December 2019		4,556	(1,772)	2,784
At 1 January 2020		4,556	(1,772)	2,784
Acquisition of subsidiary	2.38	243	-	243
Additions		801	-	801
Charged to statement of comprehensive income	2.6	-	(1,739)	(1,739)
Currency translation differences		(23)	5	(18)
At 31 December 2020		5,577	(3,506)	2,071

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.11 LEASES (CONTINUED)

(i) The statement of financial position shows the following amounts relating to leases (continued):

Lease liabilities

	As at	
	31.12.2019	31.12.2020
	RM'000	RM'000
Current	1,532	1,876
Non-current	1,349	375
As at 31 December	2,881	2,251

(ii) Nature of the lessee's leasing activities and restrictions or covenants imposed by leases

The Group leases various office spaces. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings.

(iii) Variable payments terms

The Group does not have any variable payment terms on its lease agreements.

(iv) Extension options and termination options

Extension and termination options are included in lease contracts across the Group. Extension and termination options are included, when possible, to provide greater flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

In cases in which the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. In the current financial year, the Group did not exercise any extension option, therefore no financial effect recognised in lease liabilities.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.11 LEASES (CONTINUED)

(iv) Extension options and termination options (continued)

Potential future rental payments to periods following the exercise date of extension options are summarised below.

	Potential future lease payments not included in lease liabilities (undiscounted)				
	2021	2022	2023	2024	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Office space	277	1,663	1,663	1,386	4,989

(v) Movement in lease liabilities arising from financing activities is as below:

	Financial year ended 31.12.2019	Financial year ended 31.12.2020
	RM'000	RM'000
At 1 January/effects of transitioning to MFRS 16	4,324	2,881
Acquisition of subsidiary	-	276
Additions	-	801
Repayment of lease liabilities	(1,663)	(1,847)
Non-cash changes:		
Interest expense (Note 2.5)	220	162
Currency translation differences	-	(22)
At 31 December	2,881	2,251

2.12 INTANGIBLE ASSETS

	Note	Goodwill	Database and customer relationship	License fee	Total
		RM'000	RM'000	RM'000	RM'000
31.12.2018					
As at 1 January		37,906	-	101	38,007
Amortisation charge for the financial year	2.6	-	-	(80)	(80)
As at 31 December		37,906	-	21	37,927
Cost		37,906	3,046	1,443	42,395
Accumulated amortisation		-	(3,046)	(1,422)	(4,468)
As at 31 December		37,906	-	21	37,927

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill	Database and customer relationship	Brand name and trademark	License fee	Computer software	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2019							
As at 1 January		37,906	-	-	21	-	37,927
Amortisation charge for the financial year	2.6	-	-	-	(21)	-	(21)
As at 31 December		37,906	-	-	-	-	37,906
Cost		37,906	3,046	-	1,443	-	42,395
Accumulated amortisation		-	(3,046)	-	(1,443)	-	(4,489)
As at 31 December		37,906	-	-	-	-	37,906
31.12.2020							
As at 1 January		37,906	-	-	-	-	37,906
Acquisition of subsidiary	2.36	8,260	291	710	-	628	9,889
Additions		-	-	-	-	2,182	2,182
Amortisation charge for the financial year	2.6	-	(29)	(18)	-	(219)	(266)
Currency translation difference		(104)	(6)	(16)	-	(13)	(139)
As at 31 December		46,062	256	676	-	2,578	49,572

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Database and customer relationship RM'000	Brand name and trademark RM'000	License fee RM'000	Computer software RM'000	Total RM'000
31.12.2020						
Cost	46,166	3,337	710	1,443	2,810	54,466
Accumulated amortisation	-	(3,075)	(18)	(1,443)	(219)	(4,755)
Currency translation difference	(104)	(6)	(16)	-	(13)	(139)
As at 31 December	46,062	256	676	-	2,578	49,572

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, the carrying amount of goodwill is allocated to CGUs identified at the operating segments, which are the Malaysian and International operations as disclosed in Note 2.34.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial forecasts covering five years period which reflect management's expectations of revenue and earnings before interest, taxes, depreciation and amortisation ("EBITDA") based on past experience and future expectations of business performance.

A segment-level summary of the Group's net book value of goodwill allocation is as follows:

Group	2018	2019	2020
	RM'000	RM'000	RM'000
Malaysia	37,906	37,906	37,906
International	-	-	8,156

The key assumptions used in the value-in-use calculation are as follows:

Malaysia

For the financial year ended 31 December 2018

(a) revenue growth ranging from 6% to 30% for the next five years financial forecast period;
(b) EBITDA margin ranging from 35% to 40% for the next five years financial forecast period;
(c) pre-tax discount rate of 17.10%; and
(d) terminal growth rate of 1.00%.

For the financial year ended 31 December 2019

(a) revenue growth ranging from 5% to 36% for the next five years financial forecast period;
(b) EBITDA margin ranging from 36% to 39% for the next five years financial forecast period;
(c) pre-tax discount rate of 11.88%; and
(d) terminal growth rate of 1.00%.

For the financial year ended 31 December 2020

(a) revenue growth ranging from 5% to 21% for the next five years financial forecast period;
(b) EBITDA margin ranging from 38% to 40% for the next five years financial forecast period;
(c) pre-tax discount rate of 9.55%; and
(d) terminal growth rate of 2.42%.

The key assumptions in the forecast that is most likely to be sensitive is changes in discount rate during the forecast period for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

Malaysia (continued)

A downward variation to the highest range of the revenue growth assumption by 15%, based on the actual historical revenue growth rate compared to the revenue growth rate assumption used in the value-in-use calculation, would not cause the carrying amount of the CGU to exceed its recoverable amount for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

International

The key assumptions used in the value-in-use calculation are as follows:

For the financial year ended 31 December 2020

(a) average revenue growth of approximately 11% for the next five years financial forecast period;
(b) average EBITDA margin of approximately 12% for the next five years financial forecast period;
(c) pre-tax discount rate of 11.6%; and
(d) terminal growth rate of 2.4%.

The key assumption in the forecast that is most likely to be sensitive is changes in discount rate during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% in the base case assumption would not cause the carrying amount of the CGU to exceed its recoverable amount.

2.13 INVESTMENTS IN SUBSIDIARIES

The information on the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 31.12.2018		As at 31.12.2020
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia				
CTOS Data Systems Sdn. Bhd. ("CDS") [1]	Credit reporting agency and other digital software related services	100%	100%	100%
CTOS Business Systems Sdn. Bhd. ("CBS") [1]	Software developer and other related services	100%	100%	100%
Automated Mail Responder Sdn. Bhd. ("AMR") [1]	Dormant	100%	100%	100%
Intellidata Solutions Sdn. Bhd. ("IDS") [1]	Outsourcing and training services	100%	100%	100%

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The information on the subsidiaries are as follows (continued):

Name	Principal activities	Group's effective interest		
				As at
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia (continued)				
Enfo Sdn. Bhd. ("Enfo") [2]	Investment holding	-	100%	100%
CTOS Insights Sdn. Bhd. ("CTOS Insights", formerly known as Formis E-Solutions Sdn. Bhd.) [2]	Investment holding	-	100%	100%
Incorporated in Singapore				
CIBI Holdings Pte. Ltd. ("CIBI Holdings", formerly known as CTOS SG Pte. Ltd.) [3]	Investment holding	-	-	100%
Incorporated in the Philippines				
Subsidiary of CIBI Holdings				
CIBI Information, Inc. ("CIBI") [2]	Credit information bureau, business information reporting and data analytics services such as pre-employment check	-	-	51%

[1] Audited by PricewaterhouseCoopers PLT, Malaysia auditors of the Company
[2] The financial statements of these companies are audited by firms other than the auditors of the Company
[3] The financial statements of these companies are audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

2.14 INVESTMENT IN ASSOCIATES

The details of the associates are as below:

Name	Principal activities	Group's effective interest		
				As at
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia				
Associate held through Enfo and CTOS Insights				
Experian Information Services (Malaysia) Sdn. Bhd. ("Experian") (formerly known as "RAM Credit Information Sdn. Bhd.")	Provision of credit reporting business, credit bureau and information services	-	26%	26%

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as below (continued):

Name	Principal activities	Group's effective interest As at 31.12.2018	31.12.2019	31.12.2020
Incorporated in Thailand				
Associate held by the Company				
Business Online Public Company Limited ("BOL")	Service provider and developer of local and global financial Information system and as an online and offline business information service provider as well as consulting service and database management	-	-	20%
Incorporated in the Philippines				
Associate held by CIBI				
Consumer CreditScore Philippines, Inc. ("CCSP")	Credit sourcing company	-	-	20%

(a) Acquisition of equity interest in associates

On 25 July 2019, the Company completed the acquisition of the entire issued and paid-up share capital of Enfo and CTOS Insights for a cash consideration of RM29.3 million and RM26.9 million respectively. Enfo and CTOS Insights respectively holds 10% and 16% equity interest in Experian. The purchase consideration reflects the cost of investment in Experian, an associate.

On 12 October 2020, the Company entered into a sale and purchase agreement to acquire 164,101,100 shares in the share capital of Business Online Public Company Limited ("BOL"), representing 20% of equity interest in BOL for a total cash consideration of USD22.1 million (equivalent to RM91.9 million). BOL is a business information service provider in Thailand listed on the Stock Exchange of Thailand. The acquisition was completed on 28 October 2020.

CCSP is an associate of CIBI, which was acquired by CIBI in 2016. In 2019, CIBI assessed that the investment in CCSP was impaired. The carrying amount of investment in CCSP as of 31 December 2020 is nil.

(b) Contingent liabilities

There are no contingent liabilities relating to the Group's interest in the associates.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Summarised financial information

The tables below provide summarised financial information for the associates of the Group which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments.

	Experian	
	As at 31.12.2019 RM'000	As at 31.12.2020 RM'000
Summarised statement of financial position		
Current assets	24,554	30,165
Non-current assets	3,628	2,926
Current liabilities	(8,280)	(8,561)
Non-current liabilities	(112)	(68)
Net assets	19,790	24,462
Group's share in %	26%	26%
Group's share of net assets	5,145	6,360
Goodwill	51,796	51,796
Carrying amount at end of financial year	56,941	58,156

	Experian	
	25.7.2019 to 31.12.2019 RM'000	31.12.2020 RM'000
Summarised statement of comprehensive income		
Revenue	17,331	34,384
Profit/total comprehensive income for the financial year	2,927	5,172
Share of total comprehensive income of associate	761	1,345

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Summarised financial information (continued)

The tables below provide summarised financial information for the associates of the Group which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments (continued).

	BOL As at 31.12.2020 RM'000
Summarised statement of financial position	
Current assets	66,101
Non-current assets	94,679
Current liabilities	(28,502)
Non-current liabilities	(15,066)
Net assets	117,212
Group's share in %	20%
Group's share of net assets	23,442
Goodwill	69,237
Carrying amount at end of financial year	92,679
Quoted fair value	145,120

	BOL 28.10.2020 to 31.12.2020 RM'000
Summarised statement of comprehensive income	
Revenue	12,814
Profit for the financial period	2,200
Other comprehensive income	1,644
Share of total comprehensive income of associate	769

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets	47	123	1,080
Deferred tax liabilities	(23)	-	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets:			
- to be recovered after more than 12 months	25	62	1,100
- to be recovered within 12 months	549	309	410
	574	371	1,510
Deferred tax liabilities:			
- to be settled after more than 12 months	(307)	(134)	(320)
- to be settled within 12 months	(243)	(114)	(110)
	(550)	(248)	(430)
Deferred tax assets (net)	24	123	1,080

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities is as follows (continued):

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
At 1 January	(266)	24	123
Acquisition of subsidiary	-	-	865
- contract liabilities	-	-	61
- unutilised business losses	-	-	512
- defined benefit plan	-	-	82
- receivables	-	-	507
- intangible assets	-	-	(300)
- others	-	-	3
Credited/(Charged) to profit or loss:	290	99	113
- provisions and accruals	(19)	(9)	(1)
- property, plant and equipment	(84)	381	16
- right-of-use assets	-	(127)	77
- contract liabilities	407	(280)	45
- lease liabilities	-	132	(47)
- unutilised business losses	-	-	26
- unabsorbed capital allowances	(14)	(11)	-
- defined benefit plan	-	-	(8)
- receivables	-	13	(24)
- intangible assets	-	-	14
- others	-	-	15
Charged to other comprehensive income:	-	-	(21)
- foreign currency translation	-	-	(21)
At 31 December	24	123	1,080

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets (before offsetting):			
- provisions and accruals	24	15	14
- property, plant and equipment	66	9	20
- unutilised business losses	-	-	525
- unabsorbed capital allowances	11	-	-
- defined benefit plan	-	-	72
- contract liabilities	473	193	298
- lease liabilities	-	132	84
- receivables	-	13	485
- others	-	-	19
	574	362	1,517
Offsetting	(527)	(239)	(437)
Deferred tax assets (after offsetting)	47	123	1,080

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	(550)	(112)	(107)
- right-of-use assets	-	(127)	(50)
- intangible assets	-	-	(280)
	(550)	(239)	(437)
Offsetting	527	239	437
Deferred tax liabilities (after offsetting)	(23)	-	-

The Group has concluded that the deferred tax assets for CIBI will be recoverable using the estimated future taxable income based on the approved business plans and forecast for the subsidiary. The deductible temporary differences arising from unutilised tax losses, tax credits and provisions for which no deferred tax assets were recognised amounted to RM3.7 million. The unutilised tax losses will expire in 2025.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

				As at
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Non-current				
Prepayments		-	-	905
Current				
Trade receivables	(a)	14,292	17,224	21,190
Allowance for impairment				
- trade receivables	2.27 (c)	(1,264)	(1,178)	(1,338)
Trade receivables - net		13,028	16,046	19,852
Other receivables		1,131	983	1,346
Deposits		1,024	754	763
Prepayments		2,735	3,666	6,262
		17,918	21,449	28,223

(a) Trade receivables

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 2.27 (c).

2.17 AMOUNT DUE FROM RELATED PARTIES/ AMOUNT DUE TO A RELATED PARTY

As at 31 December 2018, the amount due from related parties is non-trade in nature, unsecured, interest free and is repayable on demand. The amount is denominated in RM.

As at 31 December 2019 and 31 December 2020, the amount due from related parties and amount due to a related party are trade in nature, unsecured, interest free and with credit periods of up to 30 days. The amount is denominated in RM.

2.18 CASH AND BANK BALANCES

Cash and cash equivalents at the end of the financial year comprise the following:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Cash and bank balances	10,216	6,108	26,371
Less: restricted cash	-	(619)	(1,435)
Cash and cash equivalents	10,216	5,489	24,936

Restricted cash comprise amounts held in a debt service reserve account associated with the term loan facilities.

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2.19 PAYABLES AND ACCRUALS

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Current			
Trade payables and accruals	1,906	1,586	2,178
Other payables and accruals	5,952	5,241	7,108
Deposits payable to customers	1,582	1,631	2,395
Duties and tax payable	1,209	1,451	1,998
Payroll liabilities	1,481	1,633	1,529
Payroll accruals	1,553	2,086	1,912
	13,683	13,628	17,120

Trade and other payables of the Group carry credit periods ranging from 0 to 60 days (2019: 0 to 30 days; 2018: 0 to 30 days).

2.20 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest free and is repayable on demand. The amount is denominated in USD.

Reconciliation of amount due to immediate holding company from financing activities:

	Financial year ended	
	31.12.2019	31.12.2020
	RM'000	RM'000
At 1 January	-	14,297
Advances from immediate holding company	56,297	-
Repayment of advances from immediate holding company	(42,000)	(14,297)
At 31 December	14,297	-

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2.21 BORROWINGS

		As at		
	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Current				
Term loan	(a)	857	3,192	132,320
Revolving credit	(b)	5,000	15,000	-
		5,857	18,192	132,320
Non-current				
Term loan	(a)	5,678	9,436	-
Total borrowings		11,535	27,628	132,320

(a) Term loan

(i) Term loan facility RM15 million

RM7.0 million of the term loan facility was drawn down on 2 November 2018, which was net-off against the arrangement fee of RM0.3 million. The term loan facility was fully utilised with RM8.0 million being drawn down on 19 December 2019. The term loan facility is repayable in 55 monthly instalments commencing on 2 May 2019 with final maturity on 2 November 2023. The term loan bears interest at a variable rate of 6.00% in 2019 (2018: 6.19%), based on a rate of 2.5% above cost of funds.

RM2.2 million of the term loan was repaid in the financial year ended 31 December 2019. This term loan was early settled on 28 October 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable.

(ii) Accordion RM38 million

The Accordion was fully drawn down on 14 February 2020 and is repayable in 45 monthly instalments commencing on 16 February 2020 and the balance repayable in one bullet repayment on 2 November 2023.

This term loan bears interest at a variable rate of 4.525% as at the reporting date, based on a rate of 2.5% above Cost of Funds.

This Accordion was early settled on 28 October 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

(a) Term loan (continued)

(iii) Term loan facility USD22.1 million

USD22.1 million of the USD term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 2.58% as at the reporting date, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an initial public offering ("IPO") , the lender has the right to cancel the term loan facility and the total outstanding loan balance will become due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 December 2020.

(iv) Term loan facility RM45.6million

RM45.6 million of the term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 4.33% as at the reporting date, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 December 2020.

(b) Revolving credit

The revolving credit facility provides for borrowings of up to a maximum aggregate principal amount of RM15 million with a variable rate of 5.50% in 2019 (2018: 5.69%), based on a rate of 2.0% above Cost of Funds. The revolving credit facility is repayable 12 months from the date of utilisation or date of renewal.

In the financial year ended 31 December 2018, RM5.0 million of the revolving credit facility was drawn down. RM24.0 million was drawn down from the revolving credit facility and RM14.0 million was repaid during the financial year ended 31 December 2019. A total of RM18 million was drawn down from the revolving credit facility and RM33 million was repaid during the financial year ended 31 December 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the revolving credit facility and the total outstanding revolving credit balance will become immediately due and payable.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

Reconciliation of borrowings from financing activities:

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
As at 1 January		-	11,535	27,628
Acquisition of subsidiary	2.36	-	-	2,376
Drawdown during the financial year		11,700	32,000	193,553
Repayment		-	(16,182)	(86,193)
Transaction costs		(266)	-	(2,999)
Interest on borrowings	2.5	96	933	4,024
Interest paid		(37)	(658)	(2,813)
Unrealised gain on foreign exchange		-	-	(3,255)
Currency translation differences		-	-	(1)
Others		42	-	-
Total borrowings		11,535	27,628	132,320

Term loan facility of RM15 million, Accordion of RM38 million and Revolving credit

In accordance with the facilities agreement, the Company and its subsidiaries are restricted from, amongst others:

(a) disposing or acquiring any assets unless the prior consent of the lenders have been obtained other than those permitted in the facilities agreement.

(b) incurring or to remain outstanding any financial indebtedness other than existing borrowings or to provide any loans and guarantees other than those permitted in the facilities agreement.

(c) making any payment and/or cash distribution including dividends, save for the dividend payments made for Inodes to repay its principal and interest under Inodes' financing facility.

The borrowings are secured against:

(a) Debentures

- by way of fixed and floating charges over all the assets, properties, and undertakings (both movable and immovable, present, and future) of the Company; and
- by way of assignment of the benefit to the security agent of all rights and claims entitled by the Company in relation to the Company's assets and contracts or agreements both present and future;

(b) Charge over Revenue Collection Account

- by way of first ranking legal charge:

  (i) the revenue collection account[(1)];
  (ii) the credit balances[(2)]; and
  (iii) all rights of the Company to payment or repayment of the credit balances and all other rights from time to time accruing in respect of the revenue collection account.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

Term loan facility of RM15 million, Accordion of RM38 million and Revolving credit (continued)

(c) Charge over subsidiaries shares

- by way of first ranking legal charge over all shares of the subsidiaries held by the Company.

Note:

(1) Revenue collection account opened or to be opened by the Company pursuant to the terms of the charge over revenue collection account.

(2) All amounts whether principal or interest deposited in or credited to, and for the time being standing to the credit of the revenue collection account.

Term loan facility of USD22.1 million and RM45.6 million

In accordance with the facilities agreement, the Company and its subsidiaries are restricted from, amongst others:

(a) disposing or acquiring any assets unless the prior consent of the lenders have been obtained other than those permitted in the facilities agreement.

(b) incurring or to remain outstanding any financial indebtedness other than existing borrowings or to provide any loans and guarantees other than those permitted in the facilities agreement.

(c) making any payment and/or cash distribution including dividends, save for the dividend payments made for Inodes to repay its principal and interest under Inodes' financing facility.

The borrowings are secured against:

(a) Debentures

- by way of fixed and floating charges over all the assets, properties and undertakings (both movable and immovable, present and future) of the Company. The amount of the Company's assets charged as of 31 December 2020 is RM317.9 million.

(b) Charge over designated accounts

- by way of first party first legal charge over all designated accounts of the Borrower, inclusive of Proceeds Account and Debt Service Reserve Account ("DSRA").

(c) Charge over Associates' shares

- by way of first party pledge over 20% the BOL Shares acquired and held by the Company; and
- by way of third party first legal charge by way of Deed of Share Pledge over 26% of Experian Shares.

(d) Cross Corporate Guarantee

- Cross Corporate Guarantee of up to USD22.1 million and RM45.6 million by the following companies:

  (i) CTOS Data Systems Sdn. Bhd.
  (ii) CTOS Business Systems Sdn. Bhd.
  (iii) Intellidata Solutions Sdn. Bhd.
  (iv) Enfo Sdn. Bhd.
  (v) CTOS Insights Sdn. Bhd.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2019	2020	2021-2023
				Maturity profile		
				≤1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
At 31 December 2018						
Term loan	2.5% + COF[1]	RM	6,535	857	1,397	4,281
Revolving credit	2.0% + COF[1]	RM	5,000	5,000	-	-
			11,535	5,857	1,397	4,281

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2020	2021	2022-2023
				Maturity profile		
At 31 December 2019				≤1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
Term loan	2.5% + COF[1]	RM	12,628	3,192	3,214	6,222
Revolving credit	2.0% + COF[1]	RM	15,000	15,000	-	-
			27,628	18,192	3,214	6,222

Note:
[1] COF denotes cost of funds

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2021	2022	2023-2025
				Maturity profile		
				<1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
At 31 December 2020						
Term loans	2.0% + COF[1]	USD	87,558	87,558	-	-
	2.0% + COF[1]	RM	44,762	44,762	-	-
			132,320	132,320	-	-

Note:
[1] COF denotes cost of funds

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 PROVISION FOR RESTORATION COSTS

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
At 1 January	555	465	584
Capitalised in property, plant and equipment	-	101	-
Reversal of provision for restoration costs	(109)	-	-
Accretion expense included in finance costs	19	18	19
As at 31 December	465	584	603

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Current	-	-	603
Non-current	465	584	-
As at 31 December	465	584	603

2.23 SHARE CAPITAL

	Number of shares	31.12.2018	Number of shares	31.12.2019	Number of shares	31.12.2020
	'000	RM'000	'000	RM'000	'000	RM'000
Issued and fully paid:						
Ordinary shares:						
At 31 December	100,000	197,994	100,000	197,994	100,000	197,994

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.24 OTHER RESERVES

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Share-based payments reserve			
At 1 January	256	976	2,626
Share-based payment expense during the financial year	720	1,650	3,284
Settlement of ESOS with option holders	-	-	(113)
Reclassification of share-based payment reserve to retained earnings	-	-	(5,797)
At 31 December	976	2,626	-
Foreign currency translation reserve			
At 1 January	-	-	-
Currency translation differences arising from translation of:			
- subsidiary	-	-	(231)
- associate	-	-	86
At 31 December	-	-	(145)
Retirement benefit reserve			
At 1 January	-	-	-
Other comprehensive loss:			
Remeasurement on retirement liability	-	-	(143)
At 31 December	-	-	(143)
Fair value reserve			
At 1 January	-	-	-
Other comprehensive income:			
Gain on changes in value of equity investments designated at fair value through other comprehensive income - net of income tax	-	-	243
At 31 December	-	-	243
Total other reserves	976	2,626	(45)

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2.24 OTHER RESERVES (CONTINUED)

Share-based payment reserve

The share-based payment reserve arose from share options granted to eligible executives of the subsidiary in the Group pursuant to the ESOS. Terms of the scheme are disclosed in Note 2.32.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

2.25 PROVISION FOR DEFINED BENEFIT PLAN

The Group's post-employment benefits obligation solely arises from its subsidiary, CIBI in the Philippines. CIBI provides defined post-employment benefits to their employees in accordance with Republic Act ("RA") No.7641, The Philippines Retirement Law, which provides for its qualified employees a defined benefit ("DB") minimum guarantee.

The DB obligation is valued annually by E.M. Zalamea Actuarial Services, Inc., a qualified independent actuary in the Philippines. The method used in the actuarial valuation is the projected unit credit method with the following principal assumptions:

	As at 31.12.2020
Discount rates	3.79%
Future salary increases	5.00%

The movement during the financial year in the amounts recognised in the statements of financial position of the Group are as follows:

	As at 31.12.2020 RM'000
Present value of retirement obligation	1,870
Fair value of plan assets	(1,449)
Net retirement liability	421

The movements in the net retirement liability are as follows:

	As at 31.12.2020 RM'000
At 1 January	-
Acquisition of subsidiary	126
Contribution paid	(47)
Defined benefit plan expense	71
Actuarial loss	280
Foreign currency translation difference	(9)
At 31 December	421

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2.25 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The movements in the present value of the pension obligation are as follows:

	As at 31.12.2020 RM'000
As at acquisition date	1,391
Current service cost	74
Interest cost	35
Benefit paid	(55)
Actuarial loss	469
Foreign currency translation difference	(44)
At 31 December	1,870

The movements in the fair value of plan assets are as follows:

	As at 31.12.2020 RM'000
As at acquisition date	1,473
Contribution paid by employer	47
Actuarial gains	(31)
Return on plan assets	49
Benefit paid	(55)
Foreign currency translation difference	(34)
At 31 December	1,449

The Group's defined benefit plan includes an asset ceiling amounting to RM0.2 million and nil as at acquisition date and 31 December 2020.

The fair value of the plan assets by each class as at the end of the financial year are as follows:

	As at 31.12.2020 %
Deposit in banks	0.61
Investment in unit investment trust fund	45.20
Investment in government securities	57.91
Investment in other securities and debt instruments	3.28
Other receivables	(7.00)
Total assets	100

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2.25 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit plan are as follows:

	As at 31.12.2020 RM'000
Current service cost	74
Interest cost	35
Return on plan assets	(49)
Interest on the effect of asset ceiling	11
Decrease in net income	71
Net actuarial loss recognised from date of acquisition to 31 December 2020	280
Total loss	351

2.26 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	31.12.2018 RM'000	31.12.2019 RM'000	As at 31.12.2020 RM'000
Financial assets at amortised cost:				
Receivables and deposits (excluding prepayments)	2.16	15,067	16,860	21,475
Amount due from related parties	2.17	2	1	3
Cash and bank balances	2.18	10,216	6,108	26,371
		25,285	22,969	47,849
Financial liabilities at amortised cost:				
Payables and accruals (excluding statutory liabilities)	2.19	9,499	8,458	11,692
Amount due to a related party	2.17	-	-	371
Amount due to immediate holding company	2.20	-	14,297	-
Lease liabilities	2.11	-	2,881	2,251
Borrowings	2.21	11,535	27,628	132,320
		21,034	53,264	146,634

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2.27 FINANCIAL RISK MANAGEMENT

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, credit risk, liquidity risk and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Directors and the Group's policy is to not engage in speculative transactions.

(a) Market risk

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group are exposed to are discussed below.

(i) Foreign exchange risk

The objectives of the Group's currency risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. The Group monitors the movement in foreign currency exchange rates closely to ensure their exposures are minimised.

As at 31 December 2018 and 31 December 2019, the Group has no significant exposure to foreign exchange risk. The Directors believe that a reasonable fluctuation in the foreign exchange rate would not cause any material effect to the Group's profit.

As at 31 December 2020, the currency exposure of financial assets and financial liabilities of the Group that are not denominated in the functional currency are set out below.

<u>Group</u>

	Currency exposure as at 31 December 2020 USD RM'000
Receivables	655
Cash and bank balances	2,536
Payables	(87)
Borrowings	(87,558)
Net exposure	(84,454)

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The sensitivity of the Group's profit after tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the functional currencies, of RM and Philippine Peso ("PHP"), with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below.

Group

	Impact on profit after tax for the financial year ended 31 December 2020 RM'000
USD/RM	
- strengthened 10%	(8,696)
- weakened 10%	8,696
USD/PHP	
- strengthened 10%	251
- weakened 10%	(251)

The impact on profit after tax for the financial year are mainly as a result of foreign currency gain/losses on translating of USD denominated receivables, cash and bank balances, payables and borrowings.

(ii) Interest rate risk

The Group's interest rate risk arises from revolving credit and term loan carrying variable interest rates.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial liabilities of the Group to interest rate risk and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

	Weighted average effective interest rate at reporting date	Total carrying amount	Floating interest rate <1 year	Floating interest rate 1-2 years	Floating interest rate 2-5 years
	%	RM'000	RM'000	RM'000	RM'000
At 31 December 2018					
Term loan	6.19	6,535	857	1,397	4,281
Revolving credit	5.72	5,000	5,000	-	-
		11,535	5,857	1,397	4,281
At 31 December 2019					
Term loan	6.00	12,628	3,192	3,214	6,222
Revolving credit	5.50	15,000	15,000	-	-
		27,628	18,192	3,214	6,222
At 31 December 2020					
Term loan	2.58	87,558	87,558	-	-
Term loan	4.33	44,762	44,762	-	-
		132,320	132,320	-	-

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

As at the end of each reporting date, the sensitivity of the Group's profit after tax to a reasonably possible change in interest rates with all other factors held constant and based on the composition of liabilities with floating interest rates at the reporting date are as follows:

Group

	Impact on profit after tax for the financial year ended 31 December		
	2018	2019	2020
	RM'000	RM'000	RM'000
Interest rate			
- increased by 1%	(115)	(276)	(1,323)
- decreased by 1%	115	276	1,323

The impact on profit after tax for the financial year is mainly as a result of interest expenses on floating rate borrowings.

(b) Liquidity risk

The objectives of the Group's liquidity risk management policies are to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and availability of funding to cater for growth and expansion. Liquidity risk can be mitigated by forecasting and monitoring cash flow regularly, optimising working capital and managing credit facilities effectively.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The undiscounted contractual cash flows of the financial instruments as at the reporting date are as follows:

	Carrying amount RM'000	Total undiscounted contractual cash flow RM'000	<1 year RM'000	1-2 years RM'000	2-5 years RM'000
31 December 2018					
Payables and accruals	9,499	9,499	9,499	-	-
Term loan	6,535	8,157	1,465	1,847	4,845
Revolving credit	5,000	5,000	5,000	-	-
	21,034	22,656	15,964	1,847	4,845
31 December 2019					
Payables and accruals	8,458	8,458	8,458	-	-
Amount due to immediate holding company	14,297	14,297	14,297	-	-
Lease liabilities	2,881	3,049	1,663	1,386	-
Term loan	12,628	14,352	3,949	3,755	6,648
Revolving credit	15,000	15,072	15,072	-	-
	53,264	55,228	43,439	5,141	6,648
31 December 2020					
Payables and accruals	11,692	11,692	11,692	-	-
Amount due to a related party	371	371	371	-	-
Lease liabilities	2,251	2,285	1,891	356	38
Term loans	132,320	146,345	146,345	-	-
	146,634	160,693	160,299	356	38

As at 31 December 2019, the Group was in a net current liability position of RM24.3 million. A cash flow forecast for the financial year 2020 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the financial statements of the Group on a going concern basis.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

As at 31 December 2020, the Group was in a net current liability position of RM104.9 million which was mainly contributed by the Group's borrowings as at 31 December 2020. The Group's borrowings have been classified as current liabilities as at 31 December 2020 due to the mandatory repayment term in the loan agreements which requires the proceeds from an IPO be utilised to repay the outstanding borrowings in an IPO event. A cash flow forecast for the financial year 2021 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the financial statements of the Group on a going concern basis.

The Group had access to the following undrawn borrowing facilities at the end of the reporting date:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Floating rate			
Revolving credit facility	10,000	-	5,000
Term loan	8,000	-	32,000
	18,000	-	37,000

The term loan facility as at 31 December 2020 is to be drawn for the purpose of financing the acquisition of Basis Corporation Sdn. Bhd., as disclosed in Note 2.38.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

The objectives of the Group's credit risk management policies are to manage its exposure to credit risk from deposits, cash and bank balances, receivables and derivative financial instruments. It does not expect any third parties to fail to meet their obligations given the Group's policy of selecting creditworthy counterparties. The Group does not have any derivative financial instruments as at the reporting date.

Trade and other receivables

Credit risks of trade and other receivables are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade and other receivables are monitored on an ongoing basis via the Group's management reporting procedures. For amounts due from immediate holding company and related parties, the exposure to bad debts is not significant since the immediate holding company and the related parties do not have historical default.

Concentration of credit risk

The Group has no significant concentration of credit risk as the Group's policy limits the concentration of financial exposure to any single counterparty.

Impairment of trade receivables

The Group applies the MFRS 9 simplified approach to 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 3-year 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. Some of the factors which the Group has identified include Consumption Credit, exchange rate of RM:USD and gross domestic product (2019: consumer price index and industrial production index; 2018: exchange rate of RM:USD and stock market index) and has adjusted the historical loss rates based on expected changes in such factors.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables:

	Current to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	121 to 150 days past due RM'000	> 150 days past due RM'000	Total RM'000
At 31 December 2018							
Expected loss rate[(1)]	0.01% - 0.67%	0.02%- 2.24%	0.03%- 7.24%	0.09%- 19.44%	0.26%- 37.22%	0.53%- 92.00%	
Gross carrying amount:							
-Trade receivables	9,316	2,384	1,169	210	125	1,088	14,292
Less allowance:							
- Trade receivables	(56)	(43)	(56)	(27)	(81)	(1,001)	(1,264)

Note:

(1) The expected loss rate comprises customers with different risk profiles

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables (continued):

	Current to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	121 to 150 days past due RM'000	> 150 days past due RM'000	Total RM'000
At 31 December 2019							
Expected loss rate[1]	0.01% - 0.62%	0.01%- 2.20%	0.01%- 7.13%	0.04%- 18.78%	0.12%- 34.40%	0.27% - 80.00%	
Gross carrying amount:							
-Trade receivables	10,621	3,743	1,082	351	194	1,233	17,224
Less allowance:							
- Trade receivables	(50)	(43)	(41)	(41)	(51)	(952)	(1,178)

Note:

[1] The expected loss rate comprises customers with different risk profiles.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables (continued):

	Current to 30 days past due RM'000	**31 to 60 days past due** RM'000	**61 to 90 days past due** RM'000	**91 to 120 days past due** RM'000	**121 to 150 days past due** RM'000	**> 150 days past due** RM'000	**Total** RM'000
At 31 December 2020							
Expected loss rate[1]	0.01%-0.37%	0.01%-9.93%	0.01%-11.73%	0.02%-14.62%	0.05%-56.10%	0.13%-87.00%	
Gross carrying amount:							
-Trade receivables	17,977	1,279	392	260	164	1,118	21,190
Less allowance:							
- Trade receivables	(67)	(127)	(46)	(38)	(92)	(968)	(1,338)

Note:

[1] The expected loss rate comprises customers with different risk profiles.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

Movement on the Group's loss allowances for receivables is as follows:

				As at
	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
At 1 January		416	1,264	1,178
Effects of adoption of MFRS 9		777	-	-
As at 1 January (restated)		1,193	1,264	1,178
Charged to statement of profit or loss	2.6	432	293	530
Reversed from statement of profit or loss	2.6	(357)	(16)	-
Amount written off		(4)	(363)	(373)
Currency translation differences		-	-	3
		1,264	1,178	1,338

Deposits, cash and bank balances

For deposits, cash and bank balances and short-term investments, the Group seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions. The Group considers the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

Other receivables and deposits

Other receivables and deposits are considered to have low risk of defaults and historically there were minimal instances where contractual cash flow obligations have not been met. The identified impairment loss was immaterial.

(d) Capital risk management

The Group's primary objective of capital risk management is to maintain an optimal capital base to support the businesses and maximise shareholders value. The Directors monitor the debt levels to maintain an optimum debt-to-equity ratio that complies with the debt covenants. The Group manages the capital structure and makes adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management (continued)

During the financial years ended 31 December 2018 and 31 December 2019, the Group had entered into a loan facilities agreement as disclosed in Note 2.21 to the financial statements. The Group's capital structure consists of cash and cash equivalents, borrowings and total equity as shown in the statement of financial position.

The external lenders of the Term loan facility of RM15 million, Accordion of RM38 million and Revolving Credit require the Group to maintain financial covenant ratios on its Debt Service Coverage Ratio ("DSCR") and Adjusted Debt to Adjusted EBITDA. These financial covenant ratios have been fully complied with by the Group for the financial year ended 31 December 2018 and 31 December 2019.

During the financial year ended 31 December 2020, the Group had entered into borrowing facilities agreements as disclosed in Note 2.21 and Note 2.27(b) to the financial statements. The external lenders of the Term loan facility of USD22.1 million and RM45.6 million require the Group to maintain financial covenant ratios on its DSCR, EBITDA and maintain a positive Tangible Net Worth at all times. The Group has maintained a positive Tangible Net Worth for the financial year ended 31 December 2020. The compliance with the financial covenant ratios is only required for the financial year ending 31 December 2021 as stipulated in the loan facilities agreement.

The Group's net debt-to-equity ratio as of the reporting date is as follows:

				As at
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Total borrowings	2.21	11,535	27,628	132,320
Cash and cash equivalents (excluding restricted cash)	2.18	(10,216)	(5,489)	(24,936)
Net debt		1,319	22,139	107,384
Total equity		60,034	78,948	115,728
Net debt-to-equity ratio (times)		0.02	0.28	0.93

There were no changes in the Group's approach to capital management during the financial year. Other than the securities on borrowings as disclosed in Note 2.21, the Group is not subject to any other externally imposed capital requirements.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting.

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000
Group At 31 December 2018			
Amount due from related parties	92	(90)	2

There is no offsetting arrangement in 2019 and 2020.

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set-off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000
Group At 31 December 2018			
Amount due to related parties	(90)	90	-

There is no offsetting arrangement in 2019 and 2020.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values.

2.28 RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties.

Creador Sdn. Bhd., being an entity connected to CTOS Digital's directors, provided certain support services to CDS pursuant to an expense reimbursement agreement dated 1 August 2014. The expense reimbursement agreement was mutually terminated in 2020.

Credisense Limited ("Credisense"), being an entity connected to the immediate holding company, Inodes, is principally engaged in software development. Credisense has been providing services to CDS pursuant to a master software license and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support.

Outsource Network Contact Center and Back Office Services Inc. ("ONET") and Equicom Shared Services, Inc., being subsidiaries of a person connected to one of the Company's subsidiaries, CIBI, provide outsourcing services such as contact center, human capital management and accounting services to CIBI.

Significant related party transactions

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Group			
Professional fees			
- Creador Sdn. Bhd.	2,043	-	-
- Credisense	350	920	1,096
Outsourcing services			
- ONET	-	-	29
- Equicom Shared Services, Inc	-	-	5

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2.28 RELATED PARTIES (CONTINUED)

Inodes, the immediate holding company of the Company will bear certain listing expenses mainly arising from the Offer for Sale shares in connection with the IPO exercise proposed to be undertaken by the Company during the financial year ended 31 December 2020. The total listing expenses incurred by Inodes for the financial year ended 31 December 2020 approximates RM3.1 million.

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of that entity (both executive and non-executive).

The aggregate amount of emoluments received/receivable by key management personnel including Directors of the Company during the financial year is as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	4,350	4,552	4,848
Fees	366	376	689
Defined contribution plan	179	288	343
Share-based payments	657	1,362	2,724
	5,552	6,578	8,604

2.29 DIVIDENDS

	Single-tier tax-exempt dividend per share	Amount of dividends, single-tier tax-exempt
	sen	RM'000
31.12.2018		
Dividends paid in respect of the financial year ended 31 December 2018:		
- first interim ordinary, paid on 21 August 2018	15	15,000
- first interim ordinary, paid on 2 November 2018	5	5,000
- second interim ordinary, paid on 2 November 2018	9	8,988
- third interim ordinary, paid on 20 December 2018	6	5,979
	35	34,967
31.12.2019		
Dividends paid in respect of the financial year ended 31 December 2018:		
- fourth interim ordinary, paid on 28 February 2019	7	7,346
Dividends paid in respect of the financial year ended 31 December 2019:		
- first interim ordinary, paid on 28 March 2019	6	6,000
- second interim ordinary, paid on 29 April 2019	2	2,000
- third interim ordinary, paid on 30 May 2019	6	6,378
	21	21,724

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2.29 DIVIDENDS (CONTINUED)

	Single-tier tax-exempt dividend per share	Amount of dividends, single-tier tax-exempt
	sen	RM'000
31.12.2020		
Dividends paid in respect of the financial year ended 31 December 2019		
- fourth interim ordinary, paid on 12 May 2020	8	8,000
Dividends paid in respect of the financial year ended 31 December 2020		
- first interim ordinary, paid on 13 August 2020	2.5	2,500
	10.5	10,500

On 20 January 2021, the Company declared a single-tier tax-exempt interim dividend of 5.25 sen per ordinary share amounting to RM5.25 million in respect of the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9 million was paid on 5 April 2021 and RM8 million will be paid in June 2021.

The financial statements for the financial year ended 31 December 2020 do not reflect these dividends as it was declared subsequent to year end. These dividends will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

2.30 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Significant capital expenditure contracted for at the end of reporting date but not recognised as liabilities is as follows:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Contracted:			
- Property, plant and equipment	1,514	688	356
- Intangible assets	-	-	2,253
- Investment in subsidiary	-	-	42,280
	1,514	688	44,889

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2.30 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Contingent liabilities

(i) In the normal course of business, there are contingent liabilities arising from legal recourse sought on the Group's credit reporting operations. There were no material losses anticipated as a result of these transactions.

In January 2020, CDS was served a legal notice on the basis of an alleged negligence in reporting credit information. The Directors and the Group's legal counsel are of the view that the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the financial statements as at 31 December 2020. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 December 2020.

(ii) In February 2020, CDS was served a legal notice for defamation due to an alleged misreporting of trade reference in respect of a company in which the Plaintiff is a director. The case was struck out on the basis that the Plaintiff has no cause of action since the information concerned only the company and not the Plaintiff personally. Subsequently, the Plaintiff filed a Notice of Appeal at the Court of Appeal. Should the Plaintiff's Appeal be approved, the case has to go to trial before any quantum of damages can be determined. The Directors and the Group's legal counsel are of the view that if the appeal is granted, the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the financial statements as at 31 December 2020. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 December 2020.

2.31 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain offices and customer service centres under operating leases. All operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31.12.2018 RM'000
No later than one year	1,880
Later than one year but no later than five years	3,127
	5,007

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2.32 SHARE-BASED PAYMENT

Pursuant to the ESOS implemented on 1 January 2015, the Company offered options over ordinary shares in the issued capital of the Company to the eligible executives. It is in force for a maximum period of seven (7) years.

The salient features of the ESOS are as follows:

(i) Eligible executives are persons as defined by the ESOS pursuant to Bye-Laws.

(ii) The allocation of shares to be made available for option offers shall be determined by the Board at any time and from time to time.

(iii) At any point of time during the existence of the ESOS, the number of shares comprised in exercised options, unexercised options and unexpired option offers pending acceptance by the eligible executives shall not exceed an amount equivalent to 5% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

(iv) An earned option may be exercised during the period of thirty (30) days, commencing from the date of a Trigger Event, which is defined as whichever of the following that shall first occur:

- Final approval for an initial public offering of the shares of the Company having been obtained;

- All conditions to the sale of a majority interest in the Company to any party having been fulfilled;

- Last day of the ESOS period or the date of earlier termination of the ESOS by the Company.

As at 31 December 2018 and 31 December 2019, the Group had yet to commence any formal plans for an IPO and neither had the Group been in serious negotiations for sale of majority interest in the Company. Therefore, the Group had assessed that the most likely Trigger Event is the expiration of the ESOS on 1 January 2022.

(v) The exercise of the options under the ESOS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; payment to the option holder to the differential sum; or a combination of both new shares and differential sum.

During the financial year ended 31 December 2020, 907,500 (2019: 1,060,000; 2018: 1,150,000) options have been granted under the ESOS with no (2019: 460,000; 2018: 590,000) options remaining outstanding. The options granted are subject to terms and conditions contained in the option certificate.

During the financial year ended 31 December 2020, the Group had cancelled all outstanding ESOS and recognised RM3,284,000 of share-based payment expenses immediately in the statement of comprehensive income. The ESOS granted in the financial year ended 31 December 2020 was cancelled by forfeiture as the vesting conditions were not met and no share-based payment expense was recognised. As part of the cancellation, the Group will pay RM0.1 million to the eligible executives which was accounted for as a repurchase of equity interest and deducted from the share-based payment reserved accordingly. The amount payable to eligible executives of RM0.1 million has been recognised within other payables as at 31 December 2020.

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2.32 SHARE-BASED PAYMENT (CONTINUED)

The movement in the total number of share grants during the financial periods is as follows:

	Number of options over ordinary shares in the Company				
Grant date	Outstanding as at 1 January '000	Granted '000	Forfeited '000	Cancelled '000	Outstanding as at 31 December '000
2018					
1 January 2015	5	-	-	-	5
1 January 2016	2	-	-	-	2
1 January 2017	395	-	-	-	395
1 January 2018	-	1,150	(560)	-	590
	402	1,150	(560)	-	992
2019					
1 January 2015	5	-	-	-	5
1 January 2016	2	-	-	-	2
1 January 2017	395	-	-	-	395
1 January 2018	590	-	-	-	590
1 January 2019	-	1,060	(600)	-	460
	992	1,060	(600)	-	1,452
2020					
1 January 2015	5	-	-	(5)	-
1 January 2016	2	-	-	(2)	-
1 January 2017	395	-	-	(395)	-
1 January 2018	590	-	-	(590)	-
1 January 2019	460	-	-	(460)	-
1 January 2020	-	908	(908)	-	-
	1,452	908	(908)	(1,452)	-

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2.32 SHARE-BASED PAYMENT (CONTINUED)

The fair value of the share awards is estimated using Black Scholes Simulation Model with the following inputs:

	As at	
	31.12.2018	31.12.2019
Fair value at grant date	RM3.47	RM5.96
Share price at grant date	RM6.89	RM9.37
Exercise price of the options	RM3.06	RM3.06
Remaining life of the scheme	3 years	2 years
Vesting date	1 January 2022	1 January 2022
Expected volatility*	25%	25%
Expected dividend yield	3.19%	2.50%
Risk free interest rate**	3.73%	3.73%

* Expected volatility is based on comparable companies' historical volatility
** Risk free interest rate is based on Malaysian Government Securities yield

2.33 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year 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 2.38(f)(ii).

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
Profit attributable to the owners of the Company (RM'000)	29,656	39,009	39,187
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000	2,000,000
Basic earnings per ordinary share (sen)	1.5	2.0	2.0

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2.33 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
Profit attributable to the owners of the Company (RM'000)	29,656	39,009	39,187
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000	2,000,000
Adjusted for ESOS ('000)	232	516	1,078
	2,000,232	2,000,516	2,001,078
Diluted earnings per ordinary share (sen)	1.5	1.9	2.0

2.34 OPERATING SEGMENT

The Group is primarily engaged in the business of providing credit reporting services. Management has determined the operating segments to be based on the management reports reviewed by the chief operating decision makers that are used to make strategic decisions, for which discrete financial information is available. For management purposes, the Group is organised into two reportable segments based on their geographical locations. The reportable segments are summarised as follows:

(i) Malaysia which comprise the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of software licenses and provision of installation and maintenance services to 3 types of customers, namely Key Accounts, Commercial and Direct-to-Consumer; and

(ii) International which comprise the provision of credit reporting services (sale of reports) in the Philippines.

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation, share-based payment expense and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associate represent the business of a service provider, developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management in Thailand and business of a credit reporting, credit bureau and information services in Malaysia.

The CODM also reviews the revenue of the Malaysia and International segments by type of customers as disclosed in Note 2.4.

All assets are managed based on their geographical locations.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

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2.34 OPERATING SEGMENT (CONTINUED)

Business segments

	31.12.2018	31.12.2019	31.12.2020		
	RM'000	RM'000			RM'000
	Malaysia	Malaysia	Malaysia	International	Total
Revenue	110,465	129,141	133,225	7,271	140,496
Gross profit	92,939	107,542	115,716	5,724	121,440
Segment profit	35,821	49,421	52,152	(1,800)	50,352
Depreciation and amortisation	(3,363)	(6,321)	(6,877)	(602)	(7,479)
Finance costs	(122)	(1,211)	(4,197)	(37)	(4,234)
Interest income	195	241	218	26	244
Share-based payment expense	(720)	(1,650)	(3,284)	-	(3,284)
Share of profits of associates	-	761	1,345	440	1,785
Realised and unrealised (losses)/gains on foreign exchange - net	(20)	5	2,999	(51)	2,948
Profit before taxation	31,791	41,246	42,356	(2,024)	40,332
Tax expense	(2,135)	(2,237)	(2,274)	(81)	(2,355)
Profit for the financial year	29,656	39,009	40,082	(2,105)	37,977
Assets	88,615	142,189	159,165	116,819	275,984
Other disclosures					
Non-cash item* (other than depreciation and amortisation)	76	279	(2,582)	(5)	(2,587)
Capital expenditure arising from:					
- Acquisition of a subsidiary	-	-	-	10,497	10,497
- Property, plant and equipment, ROU assets and intangible assets additions	10,142	4,335	6,781	1,457	8,238

* Included in non-cash items are allowance for impairment of receivables and deposits - net, bad debts written off and recovered, defined benefit plan expenses and unrealised (gain)/loss on foreign exchange.

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2.34 OPERATING SEGMENT (CONTINUED)

Geographical segments

Non-current assets

Non-current assets are determined according to the country of the operating segment. Non-current assets exclude financial instruments and deferred tax assets.

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Malaysia	55,445	114,501	115,563
Philippines	-	-	12,052
Thailand	-	-	92,679
	55,445	114,501	220,294

Borrowings and lease liabilities

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Malaysia	11,535	30,509	133,682
Philippines	-	-	889
	11,535	30,509	134,571

Information about a major customer

There is no single customer that contributed 10% or more of the Group's revenue throughout the reported financial years.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES

(a) Applied from 1 January 2019

This note explains the impact of the adoption of MFRS 16 'Leases' on the financial statements.

The Group has applied MFRS 16 with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases'.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(i) Practical expedients applied

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.995% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Group RM'000
Operating lease commitments disclosed as at 31 December 2018	5,007
Discounting impact using the incremental borrowing rate as at date of initial application	(389)
Short term leases recognised on a straight-line basis as expense	(157)
Low value leases recognised on a straight-line basis as expense	(137)
Lease liabilities recognised as at 1 January 2019	4,324

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Applied from 1 January 2019 (continued)

(ii) Measurement of lease liabilities (continued)

Of which are:

	1 January 2019
	RM'000
Current lease liabilities	1,443
Non-current lease liabilities	2,881
	4,324

(iii) Measurement of right-of-use assets

The associated ROU assets for property leases were measured on a retrospective basis as if the new requirements have always been applied.

(iv) Adjustments recognised in the statement of financial position

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- ROU assets – increase by RM4,303,136
- Lease liabilities – increase by RM4,324,008

The net impact on retained earnings on 1 January 2019 was a decrease of RM20,872.

(b) Applied from 1 January 2018

This note explains the impact of the adoption of MFRS 9 'Financial Instruments' and MFRS 15 'Revenue from Contracts with Customers' on the Group's financial statements.

(i) Adoption of MFRS 9 'Financial Instruments'

MFRS 9 replaces MFRS 139 'Financial Instruments: Recognition and Measurement'. The adoption of MFRS 9 from 1 January 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting policies are set out in Note 2.2(e).

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statement of financial position as at 1 January 2018.

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Directors have assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Applied from 1 January 2018 (continued)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The financial instruments of the Group on 1 January 2018 were as follows:

	Measurement category		Carrying amount	
	Original (MFRS 139)	New (MFRS 9)	Original (RM)	New (RM)
Financial assets				
Receivables and deposits	Amortised cost	Amortised cost	14,325	13,548
Deposits, cash and bank balances	Amortised cost	Amortised cost	6,432	6,432
Amount due from related parties	Amortised cost	Amortised cost	2	2
Financial liabilities				
Payables	Amortised cost	Amortised cost	10,387	10,387

Impairment of financial assets

MFRS 9 introduces an ECL model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. This has resulted in an increase in the Group's allowance for impairment by RM776,729 as at 1 January 2018.

(ii) Adoption of MFRS 15 'Revenue from Contracts with Customers'

The Group has adopted MFRS 15 on 1 January 2018. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. MFRS 15 has resulted in changes in accounting policies recognised in the financial statements. The new accounting policies are set out in Notes 2.2(o).

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the modified retrospective approach, where the restatement of the comparative period is not required.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Applied from 1 January 2018 (continued)

(ii) Adoption of MFRS 15 'Revenue from Contracts with Customers' (continued)

In applying MFRS 15 retrospectively, the Group has applied the following practical expedients:

- The Group recognises contract cost incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

Impact on the financial statements

The following table shows the adjustment to opening balance of contract assets and contract liabilities as disclosed in Note 2.4 of the Group as a result of the adoption of MFRS 15.

	Effects of MFRS 15 RM'000
Current assets	
Receivables, deposits and prepayments	(12)
Contract assets	12
	-
Current liabilities	
Payables	(276)
Contract liabilities	276
	-
Net current assets	-
Total equity	-

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2.36 BUSINESS COMBINATION

Acquisition of subsidiary

On 19 June 2020, the Company, through its newly incorporated subsidiary, CIBI Holdings completed the acquisition of CIBI via purchase of 110,680 shares of CIBI from existing shareholders and subscribing to an additional 398,612 shares in the share capital of CIBI for a total cash consideration of PHP174,857,070.91 (equivalent to RM14,956,803). Upon completion of the acquisition, the Group holds 51% equity interest in CIBI and CIBI became a subsidiary of the Group.

Details of the net assets acquired, goodwill and cash flows as of 19 June 2020 arising from business combination are as follows:

	Book value RM'000	Fair value RM'000
Property, plant and equipment	365	365
Intangible assets	628	1,629
Trade receivables	5,146	5,146
Other receivables and prepayments	2,121	2,121
Right-of-use assets	243	243
Deferred tax assets	1,165	865
Tax recoverable	50	50
Cash and cash equivalents	9,584	9,584
Payables and accruals	(2,282)	(2,282)
Customer deposits	(1,564)	(1,564)
Contract liabilities	(249)	(249)
Provision for defined benefit plan	(126)	(126)
Lease liabilities	(276)	(276)
Borrowings	(2,376)	(2,376)
Net identifiable assets acquired	12,429	13,130
Non-controlling interest		(6,434)
Goodwill arising on acquisition		8,260
Cash consideration		14,956
Less: cash and cash equivalents of subsidiary acquired		(9,584)
Net cash outflow of the Group on acquisition of subsidiary		5,372

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 BUSINESS COMBINATION (CONTINUED)

Acquisition of subsidiary (continued)

The goodwill recognised on the acquisition is mainly attributable to the growth expected of the acquired business arising from the established market reputation, relationships with its customers and track record of compliance with regulatory requirements. It will not be deductible for tax purposes.

The fair value of acquired trade receivables is RM5.1 million. The gross contractual amount for trade receivables due is RM6.8 million, with a loss allowance of RM1.7 million recognised on acquisition.

For the non-controlling interest in CIBI, the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets. See note 2.2(a)(i) for the Group's accounting policies for business combinations.

In relation to the acquisition, the Group has recognised non-recurring acquisition related costs of RM0.1 million, which was expensed and included within administrative expenses in the profit or loss.

The revenue and net loss of CIBI included in the consolidated statements of comprehensive income for the period from the date of acquisition to 31 December 2020 amounted to RM7.3 million and RM2.5 million, respectively.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the financial year ended 31 December 2020 would have been RM147.5 million and RM36.8 million respectively.

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Registration No. 201401025733 (1101823-A)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.37 NON-CONTROLLING INTERESTS

The financial information (before intercompany eliminations) of CIBI that has material non-controlling interest ("NCI") to the Group is as follows:

(i) Summarised statement of financial position as at 31 December 2020

	As at 31.12.2020 RM'000
NCI percentage	49%
Non-current assets	4,755
Current assets	11,153
Non-current liabilities	(796)
Current liabilities	(4,976)
Net assets	10,136
Net assets attributable to NCI	4,967

(ii) Summarised statement of comprehensive income from the date of acquisition to 31 December 2020

	19.6.2020-31.12.2020 RM'000
Revenue	7,271
Loss for the financial period	(2,470)
Other comprehensive loss	(524)
Total comprehensive loss	(2,994)
Loss allocated to NCI	(1,467)

(iii) Summarised statement of cash flows from the date of acquisition to 31 December 2020

	19.6.2020-31.12.2020 RM'000
Cash flows from operating activities	(563)
Cash flows from investing activities	(652)
Cash flows from financing activities	(2,579)
Effects of exchange rate changes	(190)
Net decrease in cash and cash equivalents	(3,984)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.38 SUBSEQUENT EVENTS

(a) On 8 December 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire equity interest in Basis Corporation Sdn. Bhd. ("Basis"), Malaysia's first Credit Reporting Agency comprising 1,000,000 ordinary shares for an upfront purchase consideration of RM32,000,000 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 will be accounted for as a contingent consideration and is payable no later than 30 March 2023. The acquisition was completed on 4 January 2021.

The Group has 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 next 2 years.

The acquisition of Basis expands the Group's range of reports to include international business reports and provides the Group 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. A purchase price allocation has been performed on Basis' assets and liabilities which mainly comprises cash, receivables and payables balances, database and customer relationships and deferred tax liability resulting in a goodwill of RM36.7 million.

(b) The Company has entered into a RM32 million loan facility agreement on 21 December 2020. The Company has drawn down RM28.7 million and RM3.3 million of the term loan on 4 January 2021 and 18 February 2021 respectively to fund the acquisition of Basis. The term loan is repayable on a quarterly basis commencing on 5 April 2021 with final maturity on 3 December 2025. Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lenders have the right to cancel the term loan facilities and the total outstanding borrowings have to be fully repaid. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding borrowings.

(c) On 20 January 2021, the Company declared a single-tier tax-exempt interim dividend of 5.25 sen per ordinary share amounting to RM5.25 million in respect of the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9 million was paid on 5 April 2021 and RM8 million will be paid in June 2021.

The financial statements for the financial year ended 31 December 2020 do not reflect these dividends as it was declared subsequent to year end. These dividends will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.38 SUBSEQUENT EVENTS (CONTINUED)

(d) On 11 February 2021, CIBI had entered into a Deed of Assignment to dispose of its entire 20% equity interest in CCSP for a total consideration of PHP8,333 equivalent to RM702. The Group's investment in CCSP was fully impaired as at 31 December 2020. The gain on completion of the disposal is insignificant.

(e) On 26 March 2021, the Company was converted to a public limited company and assumed the name of CTOS Digital Berhad.

(f) The Company's Board of Directors had on 23 April 2021 approved the following:

(i) Proposed distribution amounting to RM15.1 million by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by the Company, representing the entire equity interest in CIBI Holdings to the existing shareholders of the Company ("Proposed Distribution"). The approval and consent from the Company's lender had been obtained for the Proposed Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings, a wholly owned subsidiary of the Company, holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Proposed Distribution, CIBI Holdings and CIBI will cease to be subsidiaries of the Company. The Proposed Distribution was completed on 15 June 2021.

The financial impact of the Proposed Distribution is being assessed by the Company. All the assets and liabilities of CIBI Holdings and CIBI will be derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings on the completion date.

(ii) Proposal for the Company to undertake a subdivision of the existing 100,000,000 shares in issue to 2,000,000,000 shares ("Proposed Subdivision"). After the Proposed Subdivision, the Company proposes to undertake an IPO of up to 1,100,000,000 shares, comprising an offer for sale of up to 900,000,000 existing shares and a public issue of 200,000,000 new shares, in conjunction with the listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad. The Company had initiated the preparation to undertake an IPO as disclosed in Note 2.21. The Proposed Subdivision was completed on 10 June 2021.

2.39 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 June 2021.

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STATEMENT BY DIRECTORS

We, Tan Sri Izzuddin bin Dali and Datuk Azizan bin Haji Abdul Rahman, two of the Directors of CTOS Digital Berhad, formerly known as CTOS Holdings Sdn. Bhd. (the "Company"), state that, in the opinion of the Directors, the consolidated financial statements set out on pages 1 to 114 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2018, 31 December 2019 and 31 December 2020 and of their 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 Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 JUN 2021

TAN SRI IZZUDDIN BIN DALI	DATUK AZIZAN BIN HAJI ABDUL RAHMAN
DIRECTOR	DIRECTOR

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14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

(i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than six months after the date of issue of this Prospectus.

(ii) As at the LPD, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) Save as disclosed in Sections 4.2.1 and 6.1.2 of this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years immediately preceding the date of this Prospectus.

(iv) As at the date of this Prospectus, save for our Issue Shares reserved for subscription by the Eligible Persons as disclosed in Section 4.2.3 of this Prospectus, there is currently no other scheme involving our employees and directors in the share capital of our Company or any of our subsidiaries.

(v) We have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.

(vi) As at the date of this Prospectus, neither we nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.

(vii) Save as disclosed in Sections 2.2 and 12.5 of this Prospectus, and save as provided for under our Constitution as reproduced in Section 14.2 below and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by reference to our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions will bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
“Act”	Means the Companies Act 2016, as amended, substituted or re-enacted from time to time.
“Board” or “Board of Directors”	Means the board of directors for the time being of the Company.
“Board Meeting”	Means a meeting of the Directors of the Company.
“Bursa Securities”	Means Bursa Malaysia Securities Berhad.
“Company”	Means CTOS Digital Berhad.
“Constitution”	The constitution of the Company as constituted by this document, or as altered from time to time by a special resolution.
"Deposited Security"	Means a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.

Words	Meaning
"Depository"	Means Bursa Malaysia Depository Sdn Bhd.
"Directors"	Means the directors for the time being of the Company (inclusive of alternate or nominee directors).
"General Meeting"	Means a meeting of Members of the Company.
"Listing Requirements"	Means Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time.
"Members"	Means: (a) a person whose name is entered in the Register of Members as the holder for the time being of one or more shares in the Company; and/or (b) a Depositor whose name appears in the Record of Depositors as the holder for the time being of one or more shares in the Company. Shares include ordinary shares, preference shares or other type of shares that may be issued and allotted by the Company from time to time.
"Record of Depositors"	Means a record provided by the Depository to the Company under Chapter 24.0 of the Rules.
"Register of Members"	Means the record of members of the Company kept and maintained pursuant to Section 50 of the Act.
"Rules"	Means the Rules of Depository, including any amendment that may be made from time to time.
"Security" or "Securities"	Has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.
"Securities Account"	Means an account established by the Depository for a Depositor for the recording of deposit of Securities and for dealing in such Securities by the Depositor.
"Shareholder"	Means a holder of one or more share(s) in the Company.

14.2.1 Transfer of Shares

<u>Clause 14 - Transfer of Securities</u>

"The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities."

Clause 19(3) - Renunciation

"The Directors may at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder recognise a renunciation of such share by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation on such terms and conditions as the Directors may determine."

Clause 20 - Closing the Register of Members or Register of Debenture Holders

"Subject to the Rules, the Record of Depositors, Register of Members or register for any class of members or register of debenture holders may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than thirty (30) days in any year. The Company shall before it closes such register:

(1) Give notice of such intended book closure (in the case of the Register) in accordance with Section 55 of the Act; and

(2) Give notice of such intended closure to Bursa Securities for such period as prescribed by Bursa Securities or any relevant governing laws and/or guidelines before the intended date of such closure including such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

The Company shall give notice in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors."

14.2.2 Remuneration of Directors

Clause 93(1), (2), (3) and (5) – Remuneration of Directors

"(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual Shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover."

Clause 93(4) – Expenses

"(4) The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties."

14.2.3 Voting and Borrowing power of Directors

Clause 95 – Borrowing, mortgage, issue debentures and lending or advance of money

"Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money, raise funds and/or accept credit facilities;

(2) mortgage or charge its undertaking, property (both present and future), and uncalled capital, or any part of such undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company."

Clause 105 – Directors' Interest in Contracts

"(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

(b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act."

Clause 118 – Voting at Board Meetings

"(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Each Director is entitled to cast one (1) vote on each matter for determination."

Clause 119 – Casting Vote

"In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote."

14.2.4 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 8(1) and (3) – Variation of Rights

"(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75.0%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation."

"(3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) this Constitution as in force at the time when the existing preference shares were issued."

Clause 12(1) and (2) – Issue of Securities

"(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company."

"(2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

(a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

(b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and

(c) for such consideration as the Directors may determine."

<u>Clause 46(1), (2) and (3) – Alteration of Capital</u>

"(1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived."

(2) The Company may from time to time by special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof."

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 14.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

14.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

(i) Malaysia

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

(ii) Thailand

Repatriation of capital out of Thailand are permitted for (a) repatriation of investment funds from BOL to our Company due to company dissolution and capital or share value reduction; and (b) remittance of dividends from BOL to our Company.

However, such permission for repatriation is subject to the following procedures:

(1) provision of identification particulars of the applicant applying for permission and purpose of the transaction;

(2) for a transaction value of not less than USD200,000, submission of evidence in relation to the purpose of payment is required, such as:

  (a) for repatriation of investment funds due to company dissolution, evidence of liquidation completion (e.g. a certifying letter issued by a liquidator);

  (b) for repatriation of investment funds due to capital or share value reduction, evidence of capital decrease or share value decrease (e.g. a company's affidavit issued by Ministry of Commerce and a copy of shareholder list); and

  (c) for remittance of dividends, evidence of dividend payment (e.g. a notice of dividend payment); and

(3) an authorised juristic person's satisfaction of true and correct supporting documents.

Withholding tax is generally applicable to payment made from a person in Thailand to a juristic person, registered under Malaysian laws and having no business operation in Thailand at the following rates:

(1) dividends – 10.0%

(2) decrease in capital not exceeding the total amount of profits and reserves – 15.0%; and

(3) benefit derived from the dissolution of a company with monetary value exceeding the capital – 15.0%.

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.

14.6 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus:

14.6.1 Share purchase agreement dated 12 July 2019 in respect of the acquisition of the entire issued share capital of CTOS Insights

On 12 July 2019, our Company entered into a share purchase agreement with Man Yau Holdings Berhad and Omesti Berhad (as guarantor) to acquire 3,000,000 ordinary shares in CTOS Insights, representing the entire issued share capital of CTOS Insights, for a total cash consideration of RM26,880,000.00. CTOS Insights is the legal and beneficial owner of 1,600,000 ordinary shares in Experian, representing a 16.0% equity interest in Experian. The share purchase agreement was completed on 25 July 2019.

14.6.2 Share purchase agreement dated 10 July 2019 in respect of the acquisition of the entire issued share capital of Enfo

On 10 July 2019, our Company entered into a share purchase agreement with Quek Jin Oon and Vendor A* to acquire 10,000 ordinary shares in Enfo, representing the entire issued share capital of Enfo, for a total cash consideration of RM29,300,000.00. Enfo is the legal and beneficial owner of 1,000,000 ordinary shares in Experian, representing a 10.0% equity interest in Experian. The share purchase agreement was completed on 25 July 2019.

Note:

* Prior to completion of the share purchase agreement, Vendor A was a shareholder who held only one ordinary share in Enfo, representing a 0.01% equity interest in Enfo.

14.6.3 Share purchase agreement dated 10 February 2020 in respect of the share purchase and share subscription of a 51.0% equity interest in CIBI ("CIBI SPA")

On 10 February 2020, our Company entered into a share purchase agreement with Go Kim Pah Foundation ("**GKP**"), CIBI Foundation, Inc. ("**CFI**") and CIBI to (a) acquire in aggregate 110,680 common shares in CIBI, of which 83,010 common shares are from GKP, for a cash consideration of PHP28,500,100.00 (equivalent to RM2,437,821.75*) and 27,670 common shares are from CFI for a cash consideration of PHP9,500,033.33 (equivalent to RM812,607.25*); and (b) subscribe for 398,612 common shares in CIBI from the unissued portion of the authorised capital stock of CIBI for the subscription price of PHP136,856,937.58 (equivalent to RM11,706,373.63*). The share purchase agreement was completed on 19 June 2020. See Sections 14.6.4 and 14.6.5 below for information regarding the shareholders' agreement and assignment agreement executed in relation to the CIBI SPA and Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings, which in turn holds a 51.0% equity interest in CIBI, was distributed to our existing shareholders on 15 June 2021.

Note:

* Computed based on SGD1:PHP35.92 and SGD1:RM3.0725, being the transacted rates quoted by the transacting bank on 19 June 2020.

14.6.4 Shareholders' agreement dated 10 February 2020 in respect of CIBI ("CIBI SHA")

On 10 February 2020, our Company entered into a shareholders' agreement with GKP, CFI and CIBI to regulate the relationship between the shareholders of CIBI. The rights and obligations of the parties as stipulated in the shareholders' agreement are in relation to, among others, the nomination and composition of the board of directors, the appointment of key management of CIBI, the quorum to shareholders' meetings and shareholders' rights to vote through remote communication and proxy, pre-emptive rights and restriction to dealings in shares applicable to the shareholders and non-compete clauses applicable during the term of the agreement. See Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings, which in turn holds a 51.0% equity interest in CIBI, was distributed to our existing shareholders on 15 June 2021.

14.6.5 Assignment agreement dated 19 June 2020 in respect of the assignment of rights from our Company to CIBI Holdings

On 19 June 2020, our Company entered into an assignment agreement with CIBI Holdings to assign all our Company's rights, title, interest, benefits, duties and obligations under the CIBI SPA and the CIBI SHA to CIBI Holdings. See Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings was distributed to our existing shareholders on 15 June 2021.

14.6.6 Share purchase agreement dated 12 October 2020 in respect of the acquisition of a 20.0% equity interest in BOL

On 12 October 2020, our Company entered into a share purchase agreement with Keppel Communications Pte Ltd to acquire 164,101,100 ordinary shares in BOL, representing 20.0% of the issued share capital of BOL, for a cash consideration of THB689,224,620.00 (paid in USD22,070,018.89 or RM91,910,593.67*). The share purchase agreement was completed on 28 October 2020.

Note:

* 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.

14.6.7 Share purchase agreement dated 8 December 2020 in respect of the acquisition of the entire issued share capital of Basis

On 8 December 2020, our Company entered into a share purchase agreement with Chan Chee Hoo and Basis Holdings Sdn Bhd to acquire 1,000,000 ordinary shares in Basis, representing the entire issued share capital of Basis for (a) an upfront cash consideration of RM32,000,000.00; and (b) earn-out payment which shall be calculated based on a revenue target for two years i.e., January 2021 to December 2022. The share purchase agreement was completed on 4 January 2021.

14.6.8 Master Cornerstone Placement Agreement dated 16 June 2021

Master Cornerstone Placement Agreement dated 16 June 2021 entered into between our Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors, under which the Cornerstone Investors agree to acquire an aggregate of 509,467,900 Offer Shares, representing approximately 23.16% of the enlarged issued share capital of our Company, pursuant to the Institutional Offering at the Institutional Price on the terms and subject to the conditions as set out in the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements.

14.6.9 Retail Underwriting Agreement dated 16 June 2021

Retail Underwriting Agreement dated 16 June 2021 entered into between our Company, the Joint Managing Underwriters and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 164,000,000 Issue Shares under the Retail Offering at an underwriting commission calculated at the rate of 1.5% (exclusive of applicable tax) of the Retail Price, multiplied by the number of Issue Shares underwritten.

14.6.10 Lock-up letter dated 16 June 2021 in relation to our IPO and our Listing

Lock-up letter dated 16 June 2021 issued by our Company to the Joint Bookrunners in relation to the lock-up arrangement for our IPO and our Listing, details of which are set out in Section 4.8.3 of this Prospectus.

14.7 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

Notwithstanding the above, as at the LPD, our subsidiaries, CTOS Insights and Enfo are involved in a litigation suit against Experian and other parties as disclosed below.

CTOS Insights Sdn Bhd & Anor v Experian Credit Services Singapore Pte Ltd & 10 Ors (Kuala Lumpur High Court Originating Summons No. WA-24NCC-213-06/2020) ("Originating Summons")

On 12 June 2020, CTOS Insights and Enfo (the "**Plaintiffs**") filed an oppression suit pursuant to Section 346 of the Act to seek for reliefs arising from oppressive conduct by the majority shareholders of Experian. The Defendants are:

(1) Experian Credit Services Singapore Pte Ltd;

(2) Enroc Pte Ltd;

(3) Ringgit Arajaya Sdn Bhd;

(4) Sean Thomas Brennan;

(5) Wong Leong Pin;

(6) Tang Lien;

(7) Pang Chan Yip;

(8) Lai Yee Chee;

(9) Experian Singapore Pte Ltd;

(10) Experian Technology Limited; and

(11) Experian,

(collectively, the "**Defendants**").

The oppressive conduct which forms the basis of this action includes, among others, the approval of Experian's directors' resolutions on 13 May 2020 for payment of management recharges and brand recharges by Experian to the 9th and 10th Defendants for the FYEs 31 March 2020 and 31 March 2021.

The Plaintiffs are seeking for, among others, declaratory reliefs in relation to oppression, order to restrain the 1st to 10th Defendants from carrying out any acts in relation to causing Experian to make payments for recharges, or to make inter-company payments to companies related or connected with the 1st to 3rd Defendants, and an alternative relief of a share buy-out at a valuation determined by an independent valuer.

On 24 June 2020, a consent order was recorded between the parties where it was agreed on a without prejudice and without admission basis that pending the disposal of the Originating Summons or until further order, the 9th and 10th Defendants would repay the management recharges and brand recharges for the FYE 31 March 2020 to Experian, and that no further payment of the management recharges and brand recharges for the FYEs 31 March 2020 and 31 March 2021 would be implemented.

On 6 November 2020, the Plaintiffs filed an application for discovery of documents ("**Discovery Application**"). The hearing of the Discovery Application was held on 27 May 2021. The decision on the outcome of the hearing of the Discovery Application has been scheduled for 28 June 2021.

On 8 January 2021, the Defendants filed an application to strike out the Originating Summons on the argument that the Originating Summons has been rendered academic with the Defendants' agreement not to pay the recharges for the FYEs 31 March 2020 and 31 March 2021 ("**Striking Out Application**"). The hearing of the Striking Out Application was held on 27 May 2021. The decision on the outcome of the hearing of the Striking Out Application has been scheduled for 28 June 2021.

The hearing of the Originating Summons is fixed for 17 August 2021 and 25 August 2021.

On the probable outcome of this suit, the legal counsel acting for the Plaintiffs is of the opinion that the Plaintiffs have a reasonable chance of success.

14.8 CONSENTS

The written consents of the Joint Principal Advisers, Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters, Joint Underwriters, Legal Advisers, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, opinion on our historical consolidated financial statements for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 contained in the Accountants' Report and Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information, and all references thereto in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of IDC Research for the inclusion of its name and all references thereto, and the IMR Report in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:

(i) our Constitution;

(ii) our material contracts as referred to in Section 14.6 of this Prospectus;

(iii) our audited consolidated financial statements for the past three FYEs 31 December 2018, 31 December 2019 and 31 December 2020;

(iv) audited financial statements of each of our subsidiaries for the past three FYEs 31 December 2018, 31 December 2019 and 31 December 2020, save for CTOS Insights for which the audited financial statements are for the FYEs 31 March 2018, 31 March 2019, 31 March 2020 and the nine months FPE 31 December 2020 and Basis for which the audited financial statements are for the FYEs 30 June 2018, 30 June 2019 and 30 June 2020;

(v) Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information as included in Section 12.4 of this Prospectus;

(vi) Accountants' Report as included in Section 13 of this Prospectus;

(vii) IMR Report as included in Section 8 of this Prospectus; and

(viii) letters of consent referred to in Section 14.8 of this Prospectus.

14.10 RESPONSIBILITY STATEMENTS

Our Directors, our Promoter and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB and RHB IB, being the Joint Principal Advisers, the Joint Global Coordinators and the Joint Bookrunners for the Institutional Offering, and the Joint Managing Underwriters and the Joint Underwriters for the Retail Offering, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10:00 A.M., 30 JUNE 2021.

CLOSING OF THE APPLICATION PERIOD: 5:00 P.M., 6 JULY 2021.

In the event there is any change to the dates stated above, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application of our Issue Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Type of Application and category of investors	Application method
Applications by our Directors and eligible employees of our Group (including directors of our subsidiaries)	Pink Application Form only
Applications by persons who have contributed to the success of our Group	Blue Application Form or e-Subscription
Applications by the Malaysian Public	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-individuals	White Application Form only

15.2.2 Application of our IPO Shares under the Institutional Offering

Malaysian institutional and selected investors and foreign institutional and selected investors being allocated our IPO Shares under the Institutional Offering will be contacted directly by the respective Joint Global Coordinators and Joint Bookrunners and will follow the instructions as communicated by the respective Joint Global Coordinators and Joint Bookrunners.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

(i) you must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit the Applications by using only one of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

15.3.3 Application by our Directors and eligible employees of our Group (including directors of our subsidiaries)

Our Directors and eligible employees of our Group (including directors of our subsidiaries) (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

15.3.4 Application by persons who have contributed to the success of our Group

The persons who have contributed to the success of our Group (including any entities, wherever established) will be provided with Blue Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus. The persons who have contributed to the success of our Group can also submit their applications by way of e-Subscription via TIIH Online website at https://tiih.online.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.10 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 705"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the respective official envelopes provided for each category, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Company No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than **5.00 p.m. on 6 July 2021** or such other time and date as our Directors and the Joint Underwriters may, in their absolute discretion, mutually decide as the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the Application Form to the Issuing House.

Please refer to the detailed procedures and terms and conditions of the Application Forms set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries

15.7 APPLICATION BY WAY OF E-SUBSCRIPTION

Only persons who have contributed to the success of our Group may use the e-Subscription to apply for our Issue Shares offered to them.

Applications made by way of e-Subscription via TIIH Online website at https://tiih.online which do not conform **STRICTLY** to the terms of our Prospectus or notes and instructions will not be accepted. A processing fee will be charged by the Issuing House for each e-Subscription via TIIH Online website at https://tiih.online. **The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.**

Please refer to the detailed procedures and terms and conditions of e-Subscription Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.8 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

(i) reject the Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application, Internet Share Application and e-Subscription (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest) in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.9 OVER/UNDER-SUBCRIPTION

In the event of over-subscription for the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.0% of our Company's share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation as set out in Section 4.2.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Retail Underwriting Agreement.

15.10 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.10.1 For applications by way of Application Forms (White Application Form)

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.10.2 For applications by way of Electronic Share Applications and Internet Share Applications

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Application within two Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the fifth Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than ten Market Days from the date of the final ballot. For Applications that are held in reserve and are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

15.10.3 For applications by way of Blue Application Forms or e-Subscription

In respect of unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day of application and payment for the Blue Application Forms.

The refund will be credited directly into your bank account if you have registered such bank account information to Bursa Depository for the purposes of cash dividend/distribution. If you have not registered such bank account information to Bursa Depository, the refund will be made by issuance of cheque and sent by ordinary mail to your last address maintained with Bursa Depository at your own risk.

15.11 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at the last address maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.12 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Form	Issuing House Enquiry Services Telephone at (03) 2783 9299
Electronic Share Application	Participating Financial Institutions
Internet Share Application	Internet Participating Financial Institution or Authorised Financial Institution
e-Subscription Application	Issuing House Enquiry Services Telephone at (03) 2783 9299

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public using the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS

Details of our major certificates, licences, permits and approvals for our operations as at the LPD together with salient conditions imposed and status of compliance are as follows:

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
1.	CTOS Data Systems	CRA Registrar (Registration Reference No. 0114-102(06))	15 September 2020 to 14 September 2021[1]	Certificate of registration issued pursuant to section 14(5) of the CRA Act registering CTOS Data Systems as a CRA	(a) The company may make an application for the renewal of the certificate of registration not later than 90 days before the date of expiry of the certificate of registration in the manner and form as determined by the CRA Registrar and the application shall be accompanied with the prescribed renewal fee and such documents as may be required by the CRA Registrar, but no application for renewal shall be allowed where the application is made after the date of expiry of the certificate of registration; (b) The company shall not transfer, dispose of or lease the bulk of the business, assets or undertaking without the prior written consent of the CRA Registrar; (c) The company shall not begin the process of restructuring, amalgamation or merger without the prior written consent of the CRA Registrar; and (d) The company shall notify the CRA Registrar if there is any substantial change in the shareholding of the company which do not involve the transition of control to another entity.	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					Additional conditions as prescribed under letter issued by the CRA Registrar dated 6 September 2019	
					(a) Foreign shareholding of any CRA shall not exceed 70.0%;	
					(b) CRA which has majority foreign shareholding (51.0% and above) and control, is allowed to engage in the business activity of commercial credit reporting only;	
					(c) Two thirds of the members of the board of directors of a CRA shall consist of Malaysian citizens; and	
					(d) The chief executive officer shall be a Malaysian citizen.	
2.	Basis	CRA Registrar (Registration Reference No. 0114-111(01))	1 April 2021 to 14 September 2021[(2)]	Certificate of registration issued pursuant to section 14(5) of the CRA Act registering Basis as a CRA	(a) The company may make an application for the renewal of the certificate of registration not later than 90 days before the date of expiry of the certificate of registration in the manner and form as determined by the CRA Registrar and the application shall be accompanied with the prescribed renewal fee and such documents as may be required by the CRA Registrar, but no application for renewal shall be allowed where the application is made after the date of expiry of the certificate of registration;	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(b) The company shall not transfer, dispose of or lease the bulk of the business, assets or undertaking without the prior written consent of the CRA Registrar; (c) The company shall not begin the process of restructuring, amalgamation or merger without the prior written consent of the CRA Registrar; and (d) The company shall notify the CRA Registrar if there is any substantial change in the shareholding of the company which do not involve the transition of control to another entity. **Additional conditions as prescribed under letter issued by the CRA Registrar dated 6 September 2019** (a) Foreign shareholding of any CRA shall not exceed 70.0%; (b) CRA which has majority foreign shareholding (51.0% and above) and control, is allowed to engage in the business activity of commercial credit reporting only; (c) Two thirds of the members of the board of directors of a CRA shall consist of Malaysian citizens; and	

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(d) The chief executive officer shall be a Malaysian citizen.	
3.	CTOS Data Systems	MDEC (Reference No. CS/3/9989 (6a) and (6b))	MSC Malaysia Status is perpetual from grant date on 9 November 2016	MSC Malaysia Status approval letter dated 9 November 2016 certifying: (i) the company with MSC Malaysia Status, and (ii) granting the company the pioneer status incentive under the PIA 1986 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 for a period of 10 years (with the first 5 years commencing from 9 November 2016 to 8 November 2021)	(a) The company shall not transfer or assign the MSC Malaysia Status or any benefits, rights and/or obligations thereunder. (b) Any change to the MSC Malaysia Qualifying Activities shall be subject to the prior written consent of the Government which request for approval shall be submitted through MDEC. (c) The company shall ensure that at all times at least 15.0% of the total number of employees (excluding support staff) of the company are Knowledge Workers (as defined by MDEC) who shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Malaysia Qualifying Activities. The recruitment, employment and/or appointment of foreign Knowledge Workers (if any) shall be the sole responsibility of the company and the Government and/or MDEC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment.	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(d) The company shall notify the Government through MDEC of any change in the name of the company.	
					(e) The company shall notify the Government through MDEC of any change in the equity/shareholding structure of the company, or such other changes that may affect the direction or operation of the company.	
					(f) To ensure at least 30.0% of its investment is in the location notified to the Government through MDEC, within six months from the grant of MSC Malaysia Status and shall ensure that such level is maintained at all times.	
					(g) To ensure at least 30 Knowledge Workers or 20 Knowledge Workers with the average salary of at least RM8,000 per month are employed by the company by the end of year five from the date of the grant of MSC Malaysia Status.	
4.	CTOS Data Systems	MITI (Reference No. 5302)	9 November 2016 to 8 November 2021[(3)]	MSC Pioneer Certificate issued in pursuance of the PIA 1986 certifying the company with pioneer status to carry out the Pioneer Activities	The company is subject to the conditions set out in the MSC Malaysia Status approval letter dated 9 November 2016 (as set out in item (3) above).	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
5.	CTOS Data Systems	Kuala Lumpur City Hall (Reference no. DBKL.JPPP/PR01/ 1662/09/2017)	23 November 2020 to 22 November 2021[(4)]	Business premise licence (business office (tower)) for our head office located at Levels 8 and 9, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur	The employees on the premises should comprise at least 50.0% Malaysian citizens and the remaining 50.0% non-Malaysian citizens must be those with valid work permits.	Complied

Notes:

(1) CTOS Data Systems had submitted its application for renewal of its CRA Certificate on 27 April 2021.

(2) Basis had submitted its application for renewal of its CRA Certificate on 11 June 2021.

(3) CTOS Data Systems had submitted the application for MDEC's approval for the continuation of the tax incentives throughout the Transitional Period on 22 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.

(4) CTOS Data Systems plans to submit its application for renewal of its business premise licence in October 2021.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, as at the LPD, we do not have any material trademarks, brand names and other intellectual property rights:

Trademarks

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
1.	ctos	2015002329 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 35: Business information services included in Class 35.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
2.	ctos	2015002330 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 42: Computer services in this class including computer services for legal support, debt recovery services including the provision of these services online, computer consultancy services in this class, consultancy services in this class; legal services in this class; all included in Class 42.
3.	ctos	2015002334 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 42: Computer services in this class including computer services for legal support, debt recovery services including the provision of these services online, computer consultancy services in this class, consultancy services in this class; legal services in this class; all included in class 42.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
4.	Credit Manager	2010017242 / Malaysia	Registered	15 September 2020 – 15 September 2030	Class 9: Computer software for the management of credit; apparatus for the validation of monetary credit values; application software to evaluate, monitor and recover the credit; computer software for financial and database management; all included in Class 9. Disclaimer/ Condition: Registration of this trademark shall give no right to the exclusive use of the word "credit ".
5.	Secure ID	Pending approval	Pending approval(1)	-	TM2019036702 (Class 35), TM2019036706 (Class 36), TM2019036711 (Class 42), TM2019036713 (Class 45)
6.	ctos Application & Decisioning	Pending approval	Pending approval(2)	-	TM2020027461 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
7.	ctos eKYC	Pending approval	Pending approval[(3)]	-	TM2020027459 (Class 35, Class 36, Class 42)
8.	ctos Score	Pending approval	Pending approval[(4)]	-	TM2020027457 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
9.	ctos SME Score	Pending approval	Pending approval[(5)]	-	TM2020027456 (Class 35, Class 36, Class 42)
10.	ctos IDGuard	Pending approval	Pending approval[(6)]	-	TM2020027462 (Class 35, Class 36, Class 42, Class 45)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
11.	CTOS	Pending approval	Pending approval(7)	-	TM2020028009 (Class 36, Class 45)
12.	ctos Digital	Pending approval	Pending approval(8)	-	TM2021015409 (Class 36)
13.	ctos Basis	Pending approval	Pending approval(9)	-	TM2021015408 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

Notes:

(1) CTOS Data Systems had submitted its application for registration of this trademark on 4 October 2019.

(2) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(3) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(4) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(5) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(6) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(7) CTOS Data Systems had submitted its application for registration of this trademark on 24 November 2020.

(8) We had submitted our application for registration of this trademark on 3 June 2021.

(9) Basis had submitted its application for registration of this trademark on 3 June 2021.

CTOS DIGITAL BERHAD

(formerly known as CTOS HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended 31.3.2021 RM'000	Quarter ended 31.3.2020 RM'000	% +/(-)
Revenue	A8	42,283	34,079	24.1
Cost of sales		(5,423)	(5,450)	(0.5)
Gross profit		36,860	28,629	28.8
Other income		9	45	(80.0)
Selling and marketing expenses		(8,895)	(9,099)	(2.2)
Administrative expenses		(16,107)	(10,283)	56.6
Finance costs		(3,594)	(698)	414.9
Share of profits of associates		1,650	146	1030.1
Profit before tax		9,923	8,740	13.5
Tax expense	B6	(2,618)	(625)	318.9
Profit for the period		7,305	8,115	(10.0)
Other comprehensive income/(loss):				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		(474)	-	-
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		118	-	-
Share of other comprehensive income of associate accounted for using equity method		14	-	-
Other comprehensive loss for the financial period		(342)	-	-
Total comprehensive income for the financial period		6,963	8,115	(14.2)
Profit/(loss) for the financial period attributable to:				
- Owners of the Company		7,685	8,115	(5.3)
- Non-controlling interests		(380)	-	-
		7,305	8,115	(10.0)
Total comprehensive income/(loss) for the financial period attributable to:				
- Owners of the Company		7,225	8,115	(11.0)
- Non-controlling interests		(262)	-	-
		6,963	8,115	(14.2)
Earnings per share for profit attributable to ordinary equity holders of the Company				
- Basic (sen)	B12	0.4	0.4	
- Diluted (sen)	B12	0.4	0.4	

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

CTOS DIGITAL BERHAD
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Registration No. 201401025733 (1101823-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,398	16,911
Right-of-use assets		1,597	2,071
Intangible assets		87,254	49,572
Investment in associates		149,016	150,835
Receivables, deposits and prepayments		884	905
Deferred tax assets		951	1,080
TOTAL NON-CURRENT ASSETS		256,100	221,374
CURRENT ASSETS			
Receivables, deposits and prepayments		31,481	28,223
Amount due from a related party		5	3
Amount due from immediate holding company		58	-
Tax recoverable		28	13
Cash and bank balances		29,550	26,371
TOTAL CURRENT ASSETS		61,122	54,610
CURRENT LIABILITIES			
Payables and accruals		14,161	17,120
Dividend payable	B10	17,000	-
Contract liabilities		7,013	6,681
Lease liabilities		1,492	1,876
Provision for restoration costs		606	603
Amount due to a related party		105	371
Borrowings	B8	164,038	132,320
Taxation		2,490	489
TOTAL CURRENT LIABILITIES		206,905	159,460
NET CURRENT LIABILITIES		(145,783)	(104,850)

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UNAUDTED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		275	375
Contingent consideration	A15	9,535	-
Provision for defined benefit plan		66	421
TOTAL NON-CURRENT LIABILITIES		9,876	796
NET ASSETS		100,441	115,728
EQUITY			
Share capital		197,994	197,994
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(505)	(45)
Retained earnings		91,460	106,025
Equity attributable to the owners of the Company		95,736	110,761
Non-controlling interests		4,705	4,967
TOTAL EQUITY		100,441	115,728

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

CTOS DIGITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares				Other reserves					
	Number of shares	Share capital	Equity contribution from share-holders	Reverse acquisition reserve[1]	Foreign currency translation reserve	Retirement benefit reserve & fair value reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
As at 1 January 2021	100,000	197,994	315	(193,528)	(145)	100	106,025	110,761	4,967	115,728
Profit/(loss) for the financial period	-	-	-	-	-	-	7,685	7,685	(380)	7,305
Other comprehensive (loss)/ income	-	-	-	-	(474)	14	-	(460)	118	(342)
Transaction with owners: Dividends provided for or paid (Notes A6 and B10)	-	-	-	-	-	-	(22,250)	(22,250)	-	(22,250)
As at 31 March 2021	100,000	197,994	315	(193,528)	(619)	114	91,460	95,736	4,705	100,441

Note:
[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.

CTOS DIGITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares						
	Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve[1]	Other reserves	Retained earnings	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
As at 1 January 2020	100,000	197,994	315	(193,528)	2,626	71,541	78,948
Profit and total comprehensive income for the financial period	-	-	-	-	-	8,115	8,115
Share-based payment expense for the financial period	-	-	-	-	625	-	625
As at 31 March 2020	100,000	197,994	315	(193,528)	3,251	79,656	87,688

Note:
[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.

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,923	8,740
Adjustments for:		
Allowance for impairment of receivables and deposits-net	169	167
Depreciation of property, plant and equipment	1,596	1,244
Depreciation of right-of-use assets	498	381
Amortisation of intangible assets	272	-
Interest income	(45)	(63)
Accretion of provision for restoration costs	2	5
Changes in fair value of contingent consideration payable	91	-
Interest expense	3,557	652
Lease interest	35	41
Share-based payment expense	-	625
Share of profits of associates	(1,650)	(146)
Defined benefit plan expense	29	-
Unrealised loss on foreign exchange	3,074	-
Operating cash flows before working capital changes	17,551	11,646
Changes in working capital:		
Receivables, deposits and prepayments	254	(84)
Payables and accruals	(2,775)	(1,932)
Contract liabilities	(46)	(175)
Amount due from immediate holding company	(58)	-
Related parties balances	(268)	-
Cash flows generated from operations	14,658	9,455
Interest received	45	63
Defined benefit plan paid	(307)	-
Share-based payment	(113)	-
Tax paid	(1,011)	(359)
Tax refunded	1	-
Net cash flows generated from operating activities	13,273	9,159

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Quarter ended 31.3.2021 RM'000	31.3.2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,518)	(535)
Purchase of intangible assets		(196)	-
Dividend received		239	-
Acquisition of subsidiary, net of cash acquired	A10	(28,018)	-
Net cash flows used in investing activities		(29,493)	(535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		(21)	(4,357)
Dividends paid	A6	(5,250)	-
Drawdown of borrowings		32,000	38,000
Repayment of borrowings		(5,092)	(16,371)
Payment of lease liabilities		(546)	(416)
Transaction cost paid		(627)	(806)
Interest paid		(1,279)	(516)
Repayment of advances from immediate holding company		-	(14,297)
Net cash flows generated from financing activities		19,185	1,237
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,965	9,861
EFFECT OF EXCHANGE RATE CHANGES		193	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		24,936	5,489
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		28,094	15,350

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

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Explanatory Notes on the Quarterly Report – 31 March 2021

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated financial information of CTOS Digital Berhad ("the Company") and its subsidiaries ("the Group") is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134 – Interim Financial Reporting and International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated financial information is unaudited and should be read in conjunction with the Group's audited annual financial statements for the financial year ended 31 December 2020.

The significant accounting policies and methods of computation adopted for the condensed consolidated financial information are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2020 except for the adoption of the following amendment to published standard:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

The adoption of the amendment did not have any impact on the Group.

Amendments to MFRS that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial period beginning on or after 1 January 2022

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 April 2021)
- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)
- Amendments to MFRS 137 'Onerous contracts – cost of fulfilling a contract' (effective 1 January 2022)
- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023)
- Amendments to MFRS101 – 'Disclosure of accounting policies' (effective 1 January 2023)
- Amendments to MFRS108 – 'Definition of accounting estimates' (effective 1 January 2023)

The Group did not early adopt these amendments to MFRS and they 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.

As at 31 March 2021, the Group was in a net current liability position of RM145.8 million which was mainly contributed by the Group's borrowings as at 31 March 2021. The Group's borrowings have been classified as current liabilities as at 31 March 2021 due to the mandatory repayment term in the loan agreements which requires the proceeds from an Initial Public Offering ("IPO") be utilised to repay the outstanding borrowings in an IPO event. A cash flow forecast for 12 months from 31 March 2021 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the condensed consolidated financial information of the Group on a going concern basis.

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Explanatory Notes on the Quarterly Report – 31 March 2021

A2. Seasonal or Cyclical Factors

CTOS Digital does see some impact from the festive season which generally occurs in the first half of the year with the second half typically being stronger. Pent up demand from the festive season is captured early in the second half while larger corporates looking to maximise on their budget allocations will see increased demand for services such as insights and analytics in the latter part of the year.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the three months ended 31 March 2021.

A4. Material Changes in Estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three months ended 31 March 2021.

A5. Debts and Equity Securities

The Company entered into a RM32.0 million loan facility agreement on 21 December 2020. The Company has drawn down RM28.7 million and RM3.3 million of the term loan on 4 January 2021 and 18 February 2021 respectively to fund the acquisition of CTOS Basis Sdn. Bhd. ("Basis") (formerly known as Basis Corporation Sdn. Bhd.) and incurred transaction costs of RM0.6 million. The term loan is repayable on a quarterly basis commencing on 5 April 2021 with final maturity on 3 December 2025. Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lenders have the right to cancel the term loan facilities and the total outstanding borrowings have to be fully repaid. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding borrowings. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 March 2021.

The Company had also repaid RM5.1 million of its existing borrowings during the three months ended 31 March 2021.

Other than the above, there were no other issuance, repurchase and repayment of debts and equity securities during the three months ended 31 March 2021.

CTOS DIGITAL BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2021

A6. Dividend Paid

	Single-tier tax-exempt dividend per share sen	Amount of dividends, single-tier tax-exempt RM'000
31.3.2021		
Dividends paid in respect of the financial year ended 31 December 2020:		
- second interim ordinary, paid on 21 January 2021	5.25	5,250
	5.25	5,250

A7. Segment Reporting

The Group is primarily engaged in credit reporting agency, digital software related services including software development, outsourcing and provision of training. Management has determined the operating segments to be based on the management reports reviewed by the chief operating decision makers ("CODM") that are used to make strategic decisions, for which discrete financial information is available. For management purposes, the Group is organised into two reportable segments based on their geographical locations. The reportable segments are summarised as follows:

(i) Malaysia which comprise the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of software licenses and provision of installation and maintenance services to 3 types of customers, namely Key Accounts, Commercial and Direct-to-Consumer; and

(ii) International which comprise the provision of credit reporting services (sale of reports) by CIBI Information, Inc ("CIBI"), a subsidiary of the Company in the Philippines, and provision of comprehensive commercial credit reports and bulk commercial data sales by Basis to international customers.

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation, share-based payment expense and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associate represents the business of a service provider, developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management in Thailand and business of a credit reporting, credit bureau and information services in Malaysia.

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Explanatory Notes on the Quarterly Report – 31 March 2021

A7. Segment Reporting (continued)

The CODM also reviews the revenue of the Malaysia and International segments by type of customers as disclosed in Note A8. All assets are managed based on their geographical locations. Capital expenditure comprises additions to property, plant and equipment, right-of-use assets ("ROU") and intangible assets.

					Quarter ended
				31.3.2021	31.3.2020
				RM'000	RM'000
	Malaysia	International	Elimination	Total	Malaysia
Revenue					
Sales to external customers	35,959	6,324	-	42,283	34,079
Inter-segment sales	65	-	(65)	-	-
Total revenue	**36,024**	**6,324**	**(65)**	**42,283**	**34,079**
Gross profit	31,729	5,131	-	36,860	28,629
Segment profit	16,259	1,067	-	17,326	11,497
Depreciation and amortisation	(2,015)	(351)	-	(2,366)	(1,625)
Finance costs	(3,577)	(17)	-	(3,594)	(698)
Interest income	36	9	-	45	63
Share-based payment expense	-	-	-	-	(625)
Share of profits of associates	428	1,222	-	1,650	146
Realised and unrealised (losses)/ gains on foreign exchange - net	(3,146)	8	-	(3,138)	(18)
Profit before taxation	7,985	1,938	-	9,923	8,740
Tax expense	(2,192)	(426)	-	(2,618)	(625)
Profit for the financial period	5,793	1,512	-	7,305	8,115
Assets	158,120	159,102	-	317,222	155,422
Other disclosures					
Non-cash item* (other than depreciation and amortisation)	3,139	112	-	3,251	167
Capital expenditure arising from:					
- acquisition of a subsidiary	-	37,613	-	37,613	-
- property, plant and equipment, ROU assets and intangible assets additions	1,183	80	-	1,263	535

* *Included in non-cash items are allowance for impairment of receivables and deposits - net, bad debts written off and recovered, defined benefit plan expenses and unrealised (gain)/loss on foreign exchange.*

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A7. Segment Reporting (continued)

Geographical segments

Non-current assets

Non-current assets are determined according to the country of the operating segment. Non-current assets exclude financial instruments and deferred tax assets.

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Malaysia	152,514	115,563
Philippines	11,963	12,052
Thailand	90,672	92,679
	255,149	220,294

Borrowings and lease liabilities

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Malaysia	165,003	133,682
Philippines	802	889
	165,805	134,571

Information about a major customer

There is no single customer that contributed 10% or more of the Group's revenue throughout the reported financial period.

A8. Revenue

The disaggregation of revenue by types of services are as follows:

		Quarter ended	
	Note	31.3.2021	31.3.2020
		RM'000	RM'000
Provision of services	(a)		
- sale of reports		18,109	13,160
- monitoring and trade referencing services		19,660	18,674
- other services		4,036	2,028
- sale of software licenses		244	184
- installation and maintenance services		234	33
		42,283	34,079

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A8. Revenue (continued)

(a) Revenue from contracts with customers:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	21,571	14,655
- over time	20,712	19,424
Revenue from contracts with customers	42,283	34,079

The Group serves four distinct types of customers, namely Key Accounts, Commercial, Direct-to-Consumer and International Business-to-Business ("B2B"). Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise (i) the Group's Malaysian segment commercial customers other than Key Accounts customers and (ii) all of Basis', a wholly owned subsidiary of the Company, customers which are all commercial customers included within the international segment in Note A7. Direct-to-Consumer comprise the Group's retail consumers. International B2B comprise CIBI's international business-to-business services customers.

The disaggregation of revenue by types of customers are as follows:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Type of customers		
- Key Accounts	12,517	12,765
- Commercial - Malaysia	20,906	19,752
- Commercial - International	1,996	-
- Direct-to-Consumer	2,536	1,562
- International B2B	4,328	-
Total	42,283	34,079

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the three months ended 31 March 2021. As at 31 March 2021, all property, plant and equipment were stated at cost less accumulated depreciation.

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A10. Changes in the Composition of the Group

On 8 December 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire equity interest in Basis comprising 1,000,000 ordinary shares for an upfront purchase consideration of RM32 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. The acquisition was completed on 4 January 2021.

The Group has 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 next 2 years on the date of acquisition. The potential undiscounted amount payable under the arrangement is between RM8.8 million and RM10.4 million for actual revenue target between RM15.7 million and RM18.5 million.

Details of the net assets acquired, goodwill and cash flows as of 4 January 2021 arising from business combination are as follows:

	Book value RM'000	Fair value RM'000
Intangible assets	-	873
Right-of-use assets	5	5
Deferred tax assets	90	90
Trade debtors	846	846
Other receivables, deposits and prepayments	62	62
Cash and cash equivalents	3,982	3,982
Trade payables	(154)	(154)
Other payables and accruals	(54)	(54)
Contract liabilities	(376)	(376)
Lease liabilities	(6)	(6)
Taxation	(349)	(349)
Deferred tax liabilities	-	(210)
Net identifiable assets acquired	4,046	4,709
Goodwill arising on acquisition		36,735
Less: Contingent consideration		(9,444)
Cash consideration		32,000
Less: cash and cash equivalents of subsidiary acquired		(3,982)
Net cash outflow of the Group on acquisition of subsidiary		28,018

The goodwill represents the synergies to be realised in the Group's credit reporting business moving forward. The acquisition of Basis is mainly attributable to the expansion of the Group's range of reports to include international business reports and provides the Group 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. It will not be deductible for tax purposes.

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A10. Changes in the Composition of the Group (continued)

The fair value of acquired trade receivables is RM0.8 million. The gross contractual amount for trade receivables due is RM0.8 million recognised on acquisition.

In relation to the acquisition, the Group has recognised non-recurring acquisition related costs of RM0.3 million, which was expensed and included within administrative expenses in the profit or loss.

The revenue and net income of Basis included in the unaudited condensed consolidated statement of comprehensive income for the period from the date of acquisition of 4 January 2021 to 31 March 2021 amounted to RM2.0 million and RM1.1 million, respectively and would not have been materially different if the acquisition had occurred on 1 January 2021.

On 11 February 2021, CIBI, a 51% owned subsidiary of CIBI Holdings Pte Ltd ("CIBI Holdings", formerly known as CTOS SG Pte Ltd"), which in turn is a wholly owned subsidiary of the Company, had entered into a Deed of Assignment to dispose of its entire 20% equity interest in Consumer CreditScore Philippines, Inc ("CCSP") for a total consideration of PHP8,333 equivalent to RM702. The Group's investment in CCSP was fully impaired as at 31 December 2020. The gain on completion of the disposal is insignificant.

Other than the above, there were no changes in the composition of the Group during the three months ended 31 March 2021.

A11. Material Events Subsequent to the Financial Period

The Company's Board of Directors had on 23 April 2021 approved the following:

(i) Proposed distribution amounting to RM15.1 million by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by the Company, representing the entire equity interest in CIBI Holdings to the existing shareholders of the Company ("Proposed Distribution"). The approval and consent from the Company's lender had been obtained for the Proposed Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Proposed Distribution, CIBI Holdings and CIBI will cease to be subsidiaries of the Company. The Proposed Distribution was completed on 15 June 2021.

The financial impact of the Proposed Distribution is being assessed by the Company. All the assets and liabilities of CIBI Holdings and CIBI will be derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings on the completion date.

(ii) Proposal for the Company to undertake a subdivision of the existing 100,000,000 shares in issue to 2,000,000,000 shares ("Proposed Subdivision"). After the Proposed Subdivision, the Company proposes to undertake an IPO of up to 1,100,000,000 shares, comprising an offer for sale of up to 900,000,000 existing shares and a public issue of 200,000,000 new shares, in conjunction with the listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad. The Company had initiated the preparation to undertake an IPO during the financial year ended 31 December 2020. The Proposed Subdivision was completed on 10 June 2021.

Other than the above, there were no other material events subsequent to the end of the financial period up to the date of this report.

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A12. Contingent Liabilities or Contingent Assets

In the normal course of business, there are contingent liabilities arising from legal recourse sought on the Group's credit reporting operations. There were no material losses anticipated as a result of these transactions.

(a) In January 2020, CDS, a wholly owned subsidiary of the Company was served a legal notice on the basis of an alleged negligence in reporting credit information. The Directors and the Group's legal counsel are of the view that the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the condensed consolidated financial information as at 31 March 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 March 2021.

(b) In February 2020, CDS was served a legal notice for defamation due to an alleged misreporting of trade reference in respect of a company in which the Plaintiff is a director. The case was struck out on the basis that the Plaintiff has no cause of action since the information concerned only the company and not the Plaintiff personally. Subsequently, the Plaintiff filed a Notice of Appeal at the Court of Appeal. Should the Plaintiff's Appeal be approved, the case has to go to trial before any quantum of damages can be determined. The Directors and the Group's legal counsel are of the view that if the appeal is granted, the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the condensed consolidated financial information as at 31 March 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 March 2021.

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2020. There were no significant developments in the two litigation cases as at 31 March 2021.

A13. Capital Commitments

Significant capital expenditure contracted for at the end of reporting date but not recognised as liabilities are as follows:

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Contracted		
- property, plant and equipment	404	356
- intangible assets	3,007	2,253
- investment in subsidiary	-	42,280
	3,411	44,889

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A14. Significant Related Party Transactions

The related party transactions described below were carried out on agreed terms with the related parties.

	Transactions for the period ended 31.3.2021 RM'000	Balances as at 31.3.2021 RM'000
Group		
Professional fees		
- Credisense Limited ("Credisense")	116	105
Outsourcing services		
- Outsource Network Contact Center and Back Office Services Inc. ("ONET")	29	29

The Group has entered into the above related party transactions with parties whose relationships are set out below:

(i) Credisense, being an entity connected to the immediate holding company, Inodes Limited, is principally engaged in software development. Credisense has been providing services to CDS pursuant to a master software license and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support.

(ii) ONET, being subsidiary of a person connected to one of the Company's subsidiary, CIBI, provides outsourcing services such as contact center, human capital management and accounting services to CIBI.

A15. Fair Value Measurements

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 March 2021.

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A15. Fair Value Measurements (continued)

b) Financial instruments carried at fair value

The following table represents the liabilities measured at fair value, using the respective valuation techniques, as at 31 March 2021:

	Level 3
	RM'000
Contingent consideration	9,535

The fair value of the contingent consideration is calculated as the present value of estimated future cash flow using a discount rate that is adjusted for projection and credit risk. Fair value gain and loss is presented in profit or loss within other income.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 March 2021 RM'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Contingent consideration	9,535	Risk-adjusted discount rate	4.02%	A change in the risk-adjusted discount rate by 10% would increase/ decrease the fair value by RM0.1 million
		Expected cash outflows	RM8.8 million - RM10.4 million	If expected cash flows were 10% higher/lower, the fair value would increase/ decrease by RM1.0 million

The expected cash flow is estimated based on the terms of the SPA, as disclosed in Note A10 and the Company's knowledge of the business and how the current economic environment is likely to impact it.

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B. PART B: EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS

B1. Review of Group Performance

	Quarter ended		%
	31.3.2021	31.3.2020	+/(-)
	RM'000	RM'000	
Revenue			
Malaysia	35,959	34,079	5.5
International	6,324	-	-
	42,283	34,079	24.1
Segment profit			
Malaysia	16,259	11,497	41.4
International	1,067	-	-
	17,326	11,497	50.7
Profit before tax ("PBT")	9,923	8,740	13.5
Profit for the period	7,305	8,115	(10.0)
Profit attributable to Owners of the Company ("PATAMI")	7,685	8,115	(5.3)

Reconciliation of PATAMI to Normalised PATAMI*:

	31.3.2021	31.3.2020	%
PATAMI	7,685	8,115	(5.3)
Add:			
Losses from CIBI and CIBI Holdings	404	-	
Costs related to our acquisitions of CIBI and Basis	96	91	
Share-based payment expense	-	625	
Interest expense on bank borrowings	3,555	644	
Unrealised foreign exchange loss on USD borrowings	3,106	-	
Incremental income tax expense	1,542	-	
Normalised PATAMI – Note 1	16,388	9,475	73.0

Note 1 - Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus, where applicable (i) losses from CIBI and CIBI Holdings ; (ii) costs related to our acquisitions of CIBI (for the financial period ended ("FPE") 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on USD borrowings; and (vi) incremental income tax expense of CDS recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CDS in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021 (refer to note B6 for more details)

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B1. Review of Group Performance (continued)

The Group registered a revenue of RM42.3 million (net of CCRIS fee waiver of RM3.5 million as Bank Negara Malaysia ("BNM") allowed free access to its CCRIS database) and PBT of RM9.9 million for the first quarter ended 31 March 2021 as compared to a revenue of RM34.1 million and PBT of RM8.7 million in the corresponding period of the previous year.

Total segment profit increased by 50.7% or RM5.8 million to RM17.3 million in the first quarter ended 31 March 2021 compared to RM11.5 million in the corresponding period contributed by the higher profit from Malaysia operations and profit from our recently acquired International operations.

The profit from Malaysia operations increased by RM4.8 million or 41.4% to RM16.3 million from RM11.5 million in the same quarter last year attributable to the increase in revenue with higher gross profit margin and lower operating expenses, mainly in advertising and promotion and sales commission and incentives. The increase in revenue from the Malaysia operations of RM1.9 million or 5.5%, despite the implementation of MCO in Malaysia during the entirety of such period compared to the MCO from 18 March 2020 until 31 March 2020 in the same quarter last year and CCRIS fee waiver of RM3.5 million, was mainly contributed by the higher revenue from our Commercial - Malaysia and Direct-to-Consumer customers, driven by strong growth in new CTOS Credit Manager subscribers as well as higher CTOS Data Systems Reports' sales volume driven by strong demand.

The International operations contributed revenue of RM6.3 million and segment profit of RM1.1 million in the current quarter following the acquisition of a 51.0% equity interest CIBI in June 2020 and the entire equity interest of Basis in January 2021.

Profit before tax for the Group increased by 13.5%, to RM9.9 million in the current quarter from RM8.7 million in the corresponding period of the previous year attributed to the higher share of profits of associates due to the contribution from Business Online Public Company Limited ("BOL"), our associate in Thailand which was acquired in October 2020, offset by the unrealised foreign exchange losses of RM3.1 million on our USD borrowings and higher finance costs. Finance costs increased to RM3.6 million on the back of higher borrowings to finance the acquisition of our investments as well as the acceleration of amortisation of transaction costs related to the borrowings.

However, profit for the period decreased by RM0.8 million to RM7.3 million from RM8.1 million in the corresponding period due to the provision of tax in CDS at a higher annual effective tax rate taking into account the expiry date of the pioneer status tax incentives pursuant to the Grandfathering and Transitional guidelines that became effective on 1 January 2019 and the tax rates and tax laws substantially enacted as at 31 March 2021 (see Note B6). The effective tax rate for CDS in the financial year ended 31 December 2020 was 5.3% whilst the effective tax rate applied for the quarter for CDS is 15.2%.

PATAMI decreased by RM0.4 million or 5.3% to RM7.7 million from RM8.1 million in the corresponding period after including loss attributable to non-controlling interests of RM0.4 million.

Normalised PATAMI increased by RM6.9 million to RM16.4 million from RM9.5 million in the corresponding period attributable to the improved performance from the Malaysia operations and the profit contribution from our recently acquired International operations and associate in Thailand.

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B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

	Quarter ended		%
	31.3.2021	31.12.2020	+/(-)
	RM'000	RM'000	
Revenue			
Malaysia	35,959	34,471	4.3
International	6,324	3,959	59.7
	42,283	38,430	10.0
Segment profit			
Malaysia	16,259	15,427	5.4
International	1,067	(1,187)	-
	17,326	14,240	21.7
PBT	9,923	12,543	(20.9)

Group revenue for the current quarter increased by RM3.9 million or 10.0% compared to the preceding quarter contributed by the consolidation of our Commercial – International customers in Basis in this quarter following the acquisition of the entire equity interest of Basis in January 2021 as well as the higher revenue from our existing Malaysia and International operations.

Total segment profit increased by 21.7% or RM3.1 million to RM17.3 million from RM14.2 million in the preceding quarter contributed by higher profit from the operations in Malaysia and profit of RM1.1 million from International operations compared to a loss of RM1.2 million in the preceding quarter.

The profit from Malaysia operations increased by 5.4% or RM0.8 million to RM16.3 million from RM15.4 million in the preceding quarter mainly due to the higher revenue from our Key Account and Direct-to-Consumer customers from higher sales of digital solutions.

The International operations generated profit of RM1.1 million for the quarter following the acquisition of the entire equity interest of Basis and higher revenue from our International B2B customers compared to a loss of RM1.2 million in the preceding quarter.

Group PBT decreased by RM2.6 million or 20.9% despite the higher revenue mainly due to the unrealised foreign exchange losses of RM3.1 million in the current quarter compared to the unrealised foreign exchange gains of RM3.3 million in the preceding quarter on our USD borrowings. Finance costs increased by RM1.7 million due to the acceleration of amortisation of transaction costs related to the borrowings and the additional drawdown of RM32.0 million in the current quarter. This is mitigated by the higher share of profit of associates of RM0.8 million mainly from BOL, our associate in Thailand.

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B3. Prospects of the Group

For the financial year ending 31 December 2021 ("FYE2021"), the Company expects its subsidiary, CDS to continue to deliver innovative digital solutions such as eKYC to its extensive Key Account customer base. This will be in addition to CDS growing its commercial segment through new account activations, providing SMEs the tools that will help them to make informed decisions on granting credit or credit terms to their customers as well as helping them to reinforce good payment behaviour to enhance their cash collection rates. CDS will also look to expand on its financial literacy programs in FYE2021 by educating individuals on the need to obtain and understand their own credit profile.

The Covid-19 pandemic continues to impact almost all sectors of Malaysia and the Group is of no exception as lending transaction volume slows. However, given the high recurring revenue nature of the business and the accelerated roll out of the digital and analytical solutions, the Group believes that the aforementioned will more than compensate for this transactional slow down and will continue on its solid growth path.

Our associate companies are expected to continue to perform to expectations and the Group will still look for opportunity within the Asia Pacific region as well as within Malaysia for investment.

Barring any unforeseen circumstances, the Board is optimistic that the medium to long term outlook for the Group is positive with potential upside to expand into new verticals.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no financial forecast issued for the current financial period.

B5. Profit Before Tax

The following items have been charged/(credited) in arriving at the profit before tax:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Allowance for impairment of receivables - net	169	167
Depreciation of property, plant and equipment	1,596	1,244
Depreciation of right-of-use assets	498	381
Realised loss on foreign exchange	64	18
Unrealised loss on foreign exchange	3,074	-
Bad debts recovered	(22)	-
Amortisation of intangible assets	272	-
Interest income	(45)	(63)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the current quarter ended 31 March 2021.

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B6. Tax Expense

	Quarter ended	
	31.3.2021 RM'000	31.3.2020 RM'000
Current tax:		
- current year	2,630	625
- over accrual in prior years	(57)	-
	2,573	625
Deferred tax:		
- origination and reversal of temporary differences	(146)	-
- effect of changes in tax rate	191	-
	45	-
Tax expense	2,618	625

The Group's effective tax rate for the current quarter was 26.4%, higher than the statutory tax rate of 24% despite the tax incentives enjoyed by CDS mainly due to non-deductible expenses from the Company. CDS is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CDS profits are exempted from tax for a period of 10 years, beginning on 9 November 2016. However, based on the provisions of the PIA 1986, the incentive's effective period is only for the first 5 years. CDS can enjoy an extension of a second 5-year incentive period by applying to the Malaysia Digital Economy Corporation ("MDEC").

The tax relief period under CDS's MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines issued by MDEC which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CDS requires approval from the MDEC to continue enjoying these tax incentives from 1 July 2021 until 8 November 2021 (the "Transitional Period").

MDEC has provided the new conditions for the Transitional Period under the Guidelines on MSC Malaysia Financial Incentives (Grandfathering and Transition under Services Incentive). The Company is of the view that CDS will be able to meet the conditions and will be submitting its application for approval to continue to enjoy the tax incentives during the Transitional Period based on the timeline stipulated by MDEC.

Pursuant to MFRS 134, the tax expense for an interim period is computed based on the expected annual effective tax rate for the relevant year. Pending approval from MDEC, an estimated annual effective tax rate of 15.2% has been used to compute CDS's tax expense for the three months period ended 31 March 2021 taking into consideration the expiry date of the tax incentive (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021.

Tax expense for the taxation authorities in the Philippines is calculated at the rate prevailing in that jurisdiction.

B7. Status of Corporate Proposals

Save as disclosed in Note A11, there is no other corporate proposal announced but not completed as at the date of this report.

B8. Borrowings

	Currency	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
Secured			
Current			
Term loan	USD	88,300	87,558
Term loan	RM	75,738	44,762
Total borrowings		164,038	132,320

Material changes to borrowings for the three months ended 31 March 2021 are disclosed in Note A5.

B9. Material Litigation

Save as disclosed in Note A12, there were no other material changes in the material litigation as at the date of this report since the last audited financial statements for the financial year ended 31 December 2020.

B10. Dividends

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17.0 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9.0 million was paid on 5 April 2021 and RM8.0 million will be paid in June 2021.

The total dividends declared for the three months ended 31 March 2021 is 22.25 sen per ordinary share (31 March 2020: Nil).

B11. Financial Liabilities

The Group recognised fair value loss of RM0.1 million in the current quarter on the contingent consideration for the acquisition of Basis (see Note A15 (b)).

Save as disclosed above, there was no other gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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B12. Earnings per Share

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial period 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 A11.

	Quarter ended	
	31.3.2021	31.3.2020
Profit attributable to the owners of the Company (RM'000)	7,685	8,115
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000
Basic earnings per ordinary share (sen)	0.4	0.4

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Quarter ended	
	31.3.2021	31.3.2020
Profit attributable to the owners of the Company (RM'000)	7,685	8,115
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000
Adjusted for Employee Share Option Scheme ("ESOS") ('000)	-	633
	2,000,000	2,000,633
Diluted earnings per ordinary share (sen)	0.4	0.4

ANNEXURE D: MANAGEMENT'S SELECTED DISCUSSION AND ANALYSIS OF THE UNAUDITED RESULTS OF OPERATIONS FOR THE 3-MONTH FPEs 31 MARCH 2020 AND 31 MARCH 2021

Selected financial information for the 3-month FPEs 31 March 2020 and 31 March 2021

The following table presents selected financial information from our unaudited consolidated statements of comprehensive income for the financial periods indicated:

	3-month FPE 31 March				
	2020		2021		% change
	RM'000	%(1)	RM'000	%(1)	
Revenue	34,079	100.0	42,283	100.0	24.1
Cost of sales	(5,450)	(16.0)	(5,423)	(12.8)	(0.5)
GP	**28,629**	**84.0**	**36,860**	**87.2**	**28.8**
Other income	45	0.1	9	*	(80.0)
Selling and marketing expenses	(9,099)	(26.7)	(8,895)	(21.0)	(2.2)
Administrative expenses	(10,283)	(30.2)	(16,107)	(38.1)	56.6
Finance costs	(698)	(2.0)	(3,594)	(8.5)	414.9
Share of profits of associates	146	0.4	1,650	3.9	1030.1
PBT	**8,740**	**25.6**	**9,923**	**23.5**	**13.5**
Tax expense	(625)	(1.8)	(2,618)	(6.2)	318.9
Profit for the financial period	**8,115**	**23.8**	**7,305**	**17.3**	**(10.0)**
Profit/(loss) for the financial period attributable to:					
- Owners of our Company	8,115	23.8	7,685	18.2	(5.3)
- Non-controlling interests	–	–	(380)	(0.9)	–
Profit for the financial period	**8,115**	**23.8**	**7,305**	**17.3**	**(10.0)**

Notes:

(1) Percentage of revenue

* Negligible

	3-month FPE 31 March		
	2020	2021	% change
	RM'000	RM'000	
Supplementary financial information			
EBITDA(1)	11,000	15,838	44.0
Normalised PATAMI(2)	9,475	16,388	73.0
GP margin(3) (%)	84.0	87.2	3.8
EBITDA margin(4) (%)	32.3	37.5	16.1
PBT margin(5) (%)	25.6	23.5	(8.2)
Effective tax rate(6) (%)	7.2	26.4	266.7
PATAMI margin(7) (%)	23.8	18.2	(23.5)
Normalised PATAMI margin(8) (%)	27.8	38.8	39.6

Notes:

(1) EBITDA is calculated as profit for the relevant 3-month FPE plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortization, 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 periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
PATAMI	8,115	7,685
Add/(Less):		
Loss for the financial period attributable to non-controlling interests	-	(380)
Tax expense	625	2,618
Finance costs	698	3,594
Interest income	(63)	(45)
Depreciation and amortisation	1,625	2,366
EBITDA	**11,000**	**15,838**

(2) Normalised PATAMI is calculated as profit for the financial period attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of CIBI (for the FPE 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on RHB Term Loan 1; and (vi) incremental income tax expense of CTOS Data Systems recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021 (see note 6 below for more information).

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.

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

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
PATAMI	8,115	7,685
Add:		
Losses from CIBI and CIBI Holdings	-	404
Costs related to our acquisitions of CIBI and Basis	91	96
Share-based payment expense	625	-
Interest expense on bank borrowings	644	3,555
Unrealised foreign exchange loss on RHB Term Loan 1	-	3,106
Incremental income tax expense	-	1,542
Normalised PATAMI	**9,475**	**16,388**

(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 rates for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 have 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 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. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period. MDEC has provided the new conditions to continue these tax incentives throughout the Transitional Period under the Grandfathering and Transitional Guidelines. We believe that CTOS Data Systems will be able to meet the conditions and plan to submit an application in the third quarter of 2021 for approval to continue to enjoy these tax incentives for an extended relief period of five years until November 2026.

Pursuant to MFRS 134 *Interim Financial Reporting,* tax expense for a FPE is computed based on the expected annual effective tax rate for the relevant year. Since approval from MDEC has not yet been granted, an annual effective tax rate of 15.2% for the FYE 31 December 2021 has been used to compute CTOS Data Systems' tax expense for the FPE ended 31 March 2021, which takes into consideration the expiry date of the tax incentives (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021. To reach our Normalised PATAMI for the FPE 31 March 2021, we have applied an adjustment of RM1.5 million, representing the difference between (a) CTOS Data Systems' tax expense for the FPE 31 March 2021 computed in the manner described above pursuant to MFRS 134 and (b) our current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021.

(7) Calculated as profit for the financial period attributable to owners of our Company divided by revenue.

(8) Calculated as Normalised PATAMI divided by revenue.

Review of performance for the 3-month FPE 31 March 2021 compared to 3-month FPE 31 March 2020

Revenue

The following table sets out a breakdown of our revenue by type of customer for the financial periods indicated:

	FPE 31 March				
	2020		2021		% change
	RM'000	%[(1)]	RM'000	%[(1)]	
Malaysia					
Key Accounts	12,765	37.5	12,517	29.6	(1.9)
Commercial - Malaysia	19,752	58.0	20,906	49.4	5.8
Direct-to-Consumer	1,562	4.6	2,536	6.0	62.4
Sub-total	**34,079**	**100.0**	**35,959**	**85.0**	5.5
Commercial - International	–	–	1,996	4.7	–
International B2B	–	–	4,328	10.2	–
Total	**34,079**	**100.0**	**42,283**	**100.0**	**24.1**

Notes:

(1) Percentage of revenue

Our revenue increased by RM8.2 million, or 24.1%, to RM42.3 million for the FPE 31 March 2021 from RM34.1 million for the FPE 31 March 2020. This increase reflects an increase in revenue from our Commercial - Malaysia and Direct-to-Consumer customers, which was partially offset by a decrease in revenue from our Key Accounts customers. As explained below, the significant majority of our revenue in both FPEs was generated in Malaysia, and our revenue increased for the FPE 31 March 2021 despite (i) the implementation of the MCO in Malaysia during the entirety of such period, whereas the comparative FPE 31 March 2020 was only affected by the MCO from its date of implementation on 18 March 2020 until 31 March 2020; and (ii) the reduction of fees charged to our customers for our CTOS Data Systems Reports in an aggregate amount of RM3.5 million as BNM allowed free access to its CCRIS database.

Our revenue for the FPE 31 March 2021 included revenue from our International B2B customers related to the business of CIBI (which we acquired after the FPE 31 March 2020) and revenue from our Commercial - International customers due to our acquisition of Basis in January 2021. Revenue from International B2B customers accounted for 10.2% of our total revenue for the FPE 31 March 2021. Revenue from Commercial - International customers accounted for 4.7% of our total revenue for the FPE 31 March 2021.

Revenue generated by our operations in Malaysia increased by RM1.9 million, or 5.5% to RM36.0 million, net of the aggregate CCRIS fee waiver of RM3.5 million for the FPE 31 March 2021 from RM34.1 million for the FPE 31 March 2020. For the FPEs 31 March 2020 and 31 March 2021, 100.0% and 85.0% of our revenues respectively were generated by our customers in Malaysia.

Revenue from our Key Accounts customers was RM12.5 million for the FPE 31 March 2021. We had increased sales volume during the FPE 31 March 2021 primarily due to increased sales of our digital solutions, including our Comprehensive Portfolio Review, CTOS IDGuard, CAD and eKYC and sales of bundled services (two or more digital solutions sold together), with sales volumes gaining traction since they were launched. However, for the FPE 31 March 2021, we reduced our fees charged to our Key Accounts customers for our CTOS Data Systems Reports in an aggregate amount of RM3.2 million as BNM allowed free access to its CCRIS database in June 2020 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 CCRIS fee waiver of RM3.2 million, resulting in the decrease in our Key Accounts revenue by RM0.2 million, or 1.9%, to RM12.5 million for the FPE 31 March 2021 from RM12.8 million for the FPE 31 March 2020.

Revenue from our Commercial - Malaysia customers increased by RM1.2 million, or 5.8%, to RM20.9 million for the FPE 31 March 2021 from RM19.8 million for the FPE 31 March 2020, 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 - Malaysia customers for our CTOS Data Systems Reports in an aggregate amount of RM0.1 million as BNM allowed free access to its CCRIS database.

Revenue from our Direct-to-Consumer customers increased by RM1.0 million, or 62.4%, to RM2.5 million for the FPE 31 March 2021 from RM1.6 million for the FPE 31 March 2020, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and repeat customers, despite reducing our fees charged to our Direct-to-Consumer customers for our CTOS Data Systems Reports in aggregate amount of RM0.2 million as BNM allowed free access to its CCRIS database.

Revenue from our Commercial - International customers was RM2.0 million for the FPE 31 March 2021. This revenue was generated entirely by Basis from 4 January 2021 (when we acquired Basis) to 31 March 2021. Revenue from our Commercial - International customers would not have been materially different if the acquisition had occurred on 1 January 2021.

Our revenue for the FPE 31 March 2021 also included RM4.3 million of revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020.

Cost of sales

Our cost of sales decreased marginally by RM0.03 million, or 0.5%, to RM5.4 million for the FPE 31 March 2021 from RM5.5 million for the FPE 31 March 2021, despite a 24.1% increase in our revenue for the same period. This lower cost of sales was largely due to the CCRIS fee waiver, which amounted to RM3.5 million in the FPE 31 March 2021. The CCRIS fee waiver was more than enough to fully offset the increase in cost of sales related to (i) 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; (ii) the inclusion of cost of sales to our International B2B customers in our total cost of sales for the FPE 31 March 2021 but not the FPE 31 March 2020 due to our acquisition of a 51.0% equity interest in CIBI in June 2020; and (iii) the inclusion of cost of sales of CTOS Basis Reports in our total cost of sales for the FPE 31 March 2021 but not the FPE 31 March 2020 due to our acquisition of Basis in January 2021. Cost of sales of CIBI accounted for 17.8% of our total cost of sales for the FPE 31 March 2021. Our cost of sales as a percentage of total revenue decreased to 12.8% for the FPE 31 March 2021 from 16.0% for the FPE 31 March 2020 for the same reasons.

GP and GP margin

Our GP increased by RM8.2 million, or 28.8%, to RM36.9 million for the FPE 31 March 2021 from RM28.6 million for the FPE 31 March 2020 primarily due to increases in sales volume from our Key Accounts, Commercial - Malaysia and Direct-to-Consumer customers. The inclusion of GP from sales to our Commercial - International customers and our International B2B customers for the FPE 31 March 2021 but not the FPE 31 March 2020 also contributed to the increase in GP. Our GP margin increased from 84.0% for the FPE 31 March 2020 to 87.2% for the FPE 31 March 2021 primarily due to the decrease in cost of sales which in turn is primarily due to the aggregate RM3.5 million reduction in our fees charged to our Key Accounts, Commercial - Malaysia and Direct-to-Consumer customers for our CTOS Data Systems Reports in relation to the CCRIS fee waiver.

For the FPE 31 March 2021, GP margin for our Malaysia segment was 88.2% while GP margin for our International segment was 81.1%.

The following tables sets out the breakdown of our GP by geography, and as a percentage of revenue for the financial periods indicated:

	FPE 31 March 2020						FPE 31 March 2021					
	Malaysia		International		Total		Malaysia		International		Total	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue	34,079	100.0	–	–	34,079	100.0	35,959	100.0	6,324	100.0	42,283[(1)]	100.0
Cost of sales	(5,450)	(16.0)	–	–	(5,450)	(16.0)	(4,230)	(11.8)	(1,193)	(18.9)	(5,423)	(12.8)
GP	**28,629**	**84.0**	**–**	**–**	**28,629**	**84.0**	**31,729**	**88.2**	**5,131**	**81.1**	**36,860**	**87.2**

Note:

(1) After elimination of Inter-segment sales.

Other income

Other income decreased by RM36,000, to RM9,000 for the FPE 31 March 2021 from RM45,000 for the FPE 31 March 2020, primarily due to the fair value loss on Basis contingent consideration of RM0.1 million, partially offset by a net gain on foreign exchange on foreign currency denominated items such as bank balances, receivables and payables of RM24,000 and reversal of provision for bad debts of RM22,000. Other income of CIBI was RM22,000 for the FPE 31 March 2021.

Selling and marketing expenses

Selling and marketing expenses decreased by RM0.2 million, or 2.2%, to RM8.9 million for the FPE 31 March 2021 from RM9.1 million for the FPE 31 March 2020 primarily due to lower advertising, promotion, sales commission and incentives expenses. We had lower digital spending and other marketing costs in the FPE 31 March 2021 and did not have significant advertising or promotional costs during the period, as compared to FYE 31 March 2020 when we had launched our digital solutions such as CTOS SecureID. Additionally, the impact of the COVID-19 pandemic resulted in fewer employees achieving their performance targets, resulting in lower commission and incentives being paid. The decrease was partially offset by the inclusion of staff costs from CIBI and Basis in our selling and marketing expenses for the FPE 31 March 2021 (due to our acquisition of (i) a 51.0% equity interest in CIBI in June 2020 and (ii) Basis in January 2021) but not the FPE 31 March 2020. Selling and marketing expenses of CIBI accounted for 20.6% of our total selling and marketing expenses for the FPE 31 March 2021.

Administrative expenses

Administrative expenses increased by RM5.8 million, or 56.6%, to RM16.1 million for the FPE 31 March 2021 from RM10.3 million for the FPE 31 March 2020, primarily due to an unrealised loss on foreign exchange on RHB Term Loan 1, the inclusion of administrative expenses of CIBI and Basis (following their acquisition in June 2020 and January 2021, respectively) and higher depreciation expenses.

The following table sets out a breakdown of our administrative expenses for the FPE 31 March 2020 and the FPE 31 March 2021:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Staff cost, including share-based payment expense	5,396	6,114
Depreciation and amortisation expenses		
- Depreciation of property, plant and equipment	1,244	1,596
- Depreciation of right-of-use assets	381	498
- Amortisation of intangible assets	-	213
IT support expenses	1,224	1,766
Legal and professional fees	205	332
Rental of buildings	67	67
Staff insurance	143	204
Travelling and entertainment	315	210
Office expenses	503	767
Allowance for impairment of receivables - net	167	169
Unrealised loss on foreign exchange on RHB Term Loan 1	-	3,106
Realised loss on foreign exchange on RHB Term Loan 1	-	56
Other expenses	638	1,009
Total	**10,283**	**16,107**

Administrative expenses of CIBI accounted for 13.4% of our total administrative expenses for the FPE 31 March 2021.

Staff cost, including share-based payment expense increased by RM0.7 million, or 13.3%, to RM6.1 million for the FPE 31 March 2021 from RM5.4 million for the FPE 31 March 2020 primarily due to the increased headcount and incremental salary increases to support our digital solutions and operations. Staff cost, including share-based payment expense was higher in the FPE 31 March 2021 despite no share-based payment expense being recognised during the period, compared to the FPE 31 March 2020, where we recognized a share-based payment expense of RM0.6 million. IT support expense increased by RM0.5 million, or 44.3% to RM1.8 million for the FPE 31 March 2021 from RM1.2 million in the FPE 31 March 2020 primarily due to an increase in the fees paid for outsourced IT support services, technology compliance costs and the consolidation of CIBI after our acquisition in June 2020. Office expenses increased by RM0.3 million, or 52.5%, to RM0.8 million for the FPE 31 March 2021 from RM0.5 million for the FPE 31 March 2020 primarily reflecting the consolidation of CIBI after our acquisition in June 2020, despite a decrease in office expense for our Malaysia operations as a result of most of our employees working from home due to the COVID-19 pandemic. Legal and professional fees increased by RM0.1 million, or 62.0%, to RM0.3 million for the FPE 31 March 2021 from RM0.2 million for the FPE 31 March 2020 due to legal fees related to litigation with Experian. Unrealised loss on foreign exchange on RHB Term Loan 1 for the FPE 31 March 2021 was RM3.1 million and was related to our USD-denominated borrowing.

Finance costs

Finance costs increased by RM2.9 million to RM3.6 million for the FPE 31 March 2021 from RM0.7 million for the FPE 31 March 2020, primarily due to an increase in interest expense on higher bank borrowings to finance the acquisition of Experian, BOL and Basis, as well as the acceleration of amortisation of transaction costs related to the borrowings.

The following table sets out a breakdown of our finance costs for the financial periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Interest expense on:		
- Bank borrowings	644	3,555
- Lease liabilities	41	35
Accretion of provision for restoration costs and others	13	4
Total	**698**	**3,594**

Finance costs of CIBI accounted for 0.5% of our total finance costs for the FPE 31 March 2021.

Share of profits of associates

Share of profits of associates increased by RM1.5 million to RM1.7 million for the FPE 31 March 2021 from RM0.1 million for the FPE 31 March 2020 due to the contribution of our investment in Experian and our investment in BOL in October 2020. BOL contributed to our share of profits of associates for the FPE 31 March 2021 but not the FPE 31 March 2020.

PBT and PBT margin

PBT increased by RM1.2 million, or 13.5% to RM9.9 million for the FPE 31 March 2021 from RM8.7 million for the FPE 31 March 2020, due to an increase in revenue with higher GP margin and higher share of profits of associates, offset by an increase in administrative expenses and finance costs. Our PBT margin slightly decreased from 25.6% for the FPE 31 March 2020 to 23.5% for the FPE 31 March 2021 for the reasons described above.

PBT includes CIBI's loss before tax of RM0.6 million for the FPE 31 March 2021.

Tax expense

Tax expense increased by RM2.0 million, or 318.9%, to RM2.6 million for the FPE 31 March 2021 from RM0.6 million for the FPE 31 March 2020 primarily due to the provision of tax for the period at CTOS Data Systems at a higher annual effective rate.

The annual effective tax rate used to compute our tax expense for the FPE 31 March 2020 was significantly lower than the statutory tax rate of 24.0% in Malaysia and the annual effective tax rate used to compute our tax expense for the FPE 31 March 2020 because our subsidiary, CTOS Data Systems, the main contributor to our Group's income, was entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities for the FYE 31 December 2020.

CTOS Data Systems was also entitled to pioneer status incentives for the FPE 31 March 2021. However, pursuant to MFRS 134 *Interim Financial Reporting,* tax expense for a FPE is computed based on the expected annual effective tax rate for the relevant year. 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. MDEC has provided the new conditions to continue these tax incentives throughout the Transitional Period under the Grandfathering and Transitional Guidelines. We believe that CTOS Data Systems will be able to meet the conditions and plan to submit an application in the third quarter of 2021 for approval to continue to enjoy these tax incentives for an extended relief period of five years until November 2026. However, since approval from MDEC has not yet been granted, an annual effective tax rate of 15.2% for the FYE 31 December 2021 has been used to compute CTOS Data Systems' tax expense for the FPE ended 31 March 2021, which takes into consideration the expiry date of the tax incentives (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021.

Tax expense for the FPE 31 March 2021 included Basis tax expense of RM0.3 million and CIBI tax expense of RM0.2 million. Tax expense of CIBI accounted for 5.7% of our total tax expense for the FPE 31 March 2021.

Profit for the financial period, PATAMI and PATAMI margin

Profit for the financial period decreased by RM0.8 million, or 10.0%, to RM7.3 million for the FPE 31 March 2021 from RM8.1 million for the FPE 31 March 2020 primarily due to an increase in tax expense and administrative expenses, higher finance costs and the loss before tax of CIBI, despite an increase in revenue and share of profits of associates, as described above. Profit for the financial period for the FPE 31 March 2021 included CIBI's loss for the financial period of RM0.8 million.

PATAMI decreased by RM0.4 million, or 5.3%, to RM7.7 million for the FPE 31 March 2021 from RM8.1 million for the FPE 31 March 2020. PATAMI for the FPE 31 March 2021 included CIBI's loss after tax and minority interests of RM0.4 million.

PATAMI margin decreased from 23.8% for the FPE 31 March 2020 to 18.2% for the FPE 31 March 2021 due to increased tax expense, administrative expenses and finance costs, as described above.

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 March 2021, we had cash and bank balances of RM29.6 million and total borrowings of RM164.0 million. As at 31 March 2021, we were in a net current liabilities position of RM145.8 million, calculated as the difference between our current assets of RM61.1 million and current liabilities of RM206.9 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 and 2 upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM164.0 million outstanding under these facilities as current borrowings as at 31 March 2021. 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.

Cash flows

The following table summarises our consolidated statements of cash flows for the periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Net cash flows generated from operating activities	9,159	13,273
Net cash flows used in investing activities	(535)	(29,493)
Net cash flows generated from financing activities	1,237	19,185
Net increase in cash and cash equivalents	**9,861**	**2,965**
Effects of exchange rate changes	–	193
Cash and cash equivalents at beginning of the financial period	5,489	24,936
Cash and cash equivalents at the end of the financial period	**15,350**	**28,094**

Net cash generated from operating activities

FPE 31 March 2021 compared to FPE 31 March 2020

Our net cash generated from operating activities was RM13.3 million for the FPE 31 March 2021 compared to RM9.2 million for the FPE 31 March 2020. Our net cash from operating activities increased primarily due to an increase in operating cash flows before working capital changes from RM11.6 million for the FPE 31 March 2020 to RM17.6 million for the FPE 31 March 2021 that was primarily attributed to higher PBT, an increase in interest expense on higher bank borrowings to finance the acquisition of Experian, BOL and Basis and an increase in unrealised loss on foreign exchange on RHB Term Loan 1. However, this increase in operating cash flows before working capital changes was partially offset by a decrease in net working capital of RM2.9 million for the FPE 31 March 2021.

We had a net decrease in working capital primarily due to:

(i) A decrease in payables and accruals of RM2.8 million in the FPE 31 March 2021 primarily as a result of CIBI's settlement of its amount outstanding to suppliers of RM1.2 million compared to a decrease of RM1.9 million in the FPE 31 March 2020;

(ii) A decrease in receivables, deposits and prepayments of RM0.3 million in the FPE 31 March 2021 compared to an increase of RM84,000 in the FPE 31 March 2020; and

(iii) A decrease in related parties balances of RM0.3 million in the FPE 31 March 2021 due to the settlement of amount owed to Credisense.

Income tax paid for the FPE 31 March 2021 was RM1.0 million, which was RM0.7 million higher than income tax paid for the FPE 31 March 2020 of RM0.4 million. The increase was primarily 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. In addition, FPE 31 March 2021 included income tax paid by Basis and CIBI of RM0.2 million.

Overall, net cash flow generated from operating activities in the FPE 31 March 2021 was higher than net cash flows generated from operating activities in the FPE 31 March 2020.

Net cash used in investing activities

FPE 31 March 2021

Our net cash used in investing activities was RM29.5 million for the FPE 31 March 2021, primarily attributable to:

(i) RM28.0 million spent on the acquisition of Basis in January 2021, net of cash acquired;

(ii) RM1.5 million spent on purchase of property, plant and equipment related to IT infrastructure and security and data analytics tools; and

(iii) RM0.2 million spent on the purchase of intangible assets related to the development and enhancement of our digital solutions,

partially offset by RM0.2 million of dividend received from Experian.

FPE 31 March 2020

Our net cash used in investing activities was RM0.5 million for the FPE 31 March 2020, which was attributable to our purchase of property, plant and equipment related to IT infrastructure and product development.

Net cash generated from financing activities

FPE 31 March 2021

Our net cash generated from financing activities was RM19.2 million for the FPE 31 March 2021, primarily attributable to RM32.0 million drawdown of RHB Term Loan 3 partially offset by:

(i) RM5.3 million of dividends paid;

(ii) RM5.1 million of RHB Term Loan 1 and RHB Term Loan 2 that were repaid; and

(iii) RM1.3 million of interest paid on RHB Term Loan 1, RHB Term Loan 2 and RHB Term Loan 3.

FPE 31 March 2020

Our net cash generated from financing activities was RM1.2 million for the FPE 31 March 2020, primarily attributable to RM38.0 million drawdown of the Refinanced Facility, partially offset by:

(i) RM16.4 million of the Revolving Credit Facility and the Refinanced Facility that were repaid;

(ii) RM14.3 million of repayment of advances from immediate holding company; and

(iii) RM4.4 million of additional cash placed as restricted cash for term loan facility.

Capital expenditure

The following table sets out a breakdown of our capital expenditure for the financial period indicated:

	FPE 31 March 2021[(1)]
	RM'000
Computers[(2)]	864
Work in progress[(3)]	203
Intangible assets[(4)]	196
Total	**1,263**

Notes:

(1) Includes capital expenditures of CIBI comprising RM34,000 for computers and RM16,000 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.

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).