



CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FIRST QUARTER ENDED 31 MARCH 2022



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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	<u>31.3.2022</u> RM'000	<u>Quarter ended</u> <u>31.3.2021</u> RM'000	% + / (-)
Continuing operations				
Revenue	A8	42,679	37,955	12.4
Cost of sales		<u>(6,278)</u>	<u>(4,457)</u>	40.9
Gross profit		36,401	33,498	8.7
Other expense		(98)	(56)	75.0
Selling and marketing expenses		(7,581)	(7,062)	7.3
Administrative expenses		(13,918)	(13,939)	(0.2)
Finance income		81	43	88.4
Finance costs		(683)	(3,577)	(80.9)
Share of profits of associates		<u>2,405</u>	<u>1,650</u>	45.8
Profit before tax	B5	16,607	10,557	57.3
Tax expense	B6	<u>(4,132)</u>	<u>(2,468)</u>	67.4
Profit from continuing operations		12,475	8,089	54.2
Discontinued operations				
Loss from discontinued operations (Note 1)		-	<u>(784)</u>	(100.0)
Profit for the financial period		<u>12,475</u>	<u>7,305</u>	70.8
Other comprehensive income/(loss):				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		371	(710)	(152.3)
Share of other comprehensive loss of associate accounted for using equity method		(47)	-	-
Exchange differences on translation of discontinued operations		-	236	(100.0)
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		-	118	(100.0)
Share of other comprehensive (loss)/income of associate accounted for using equity method		(58)	14	(514.3)
Other comprehensive income/(loss) for the financial period		<u>266</u>	<u>(342)</u>	(177.8)
Total comprehensive income for the financial period		<u>12,741</u>	<u>6,963</u>	83.0

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Quarter ended		% + / (-)
		31.3.2022 RM'000	31.3.2021 RM'000	
Profit/(loss) for the financial period attributable to:				
Owners of the Company				
- from continuing operations		12,475	8,089	54.2
- from discontinued operations		-	(404)	(100.0)
		<u>12,475</u>	<u>7,685</u>	62.3
Non-controlling interests		-	(380)	(100.0)
		<u>12,475</u>	<u>7,305</u>	70.8
Total comprehensive income/(loss) for the financial period attributable to:				
Owners of the Company				
- from continuing operations		12,741	7,393	72.3
- from discontinued operations		-	(168)	(100.0)
		<u>12,741</u>	<u>7,225</u>	76.3
Non-controlling interests		-	(262)	(100.0)
		<u>12,741</u>	<u>6,963</u>	83.0
Earnings per share for profit attributable to ordinary equity holders of the Company				
- Basic/Diluted (sen)	B13			
- Continuing operations		0.6	0.4	50.0
- Discontinued operations		-	*	-
		<u>0.6</u>	<u>0.4</u>	50.0

* Negligible

Note 1:

- The discontinued operations are in relation to the results of CIBI Holdings Pte Ltd ("CIBI Holdings") (formerly known as CTOS SG Pte Ltd) and CIBI Information, Inc ("CIBI"), following the completion of the distribution by way of dividend-in-specie of the entire equity interest in CIBI Holdings held by the Company to the existing shareholders of the Company in the previous financial year.

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at <u>31.3.2022</u> RM'000	As at <u>31.12.2021</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		13,217	14,694
Right-of-use assets		4,232	4,631
Intangible assets		79,408	79,176
Investments in associates		407,623	172,903
Other investment	A15	28,164	17,664
Receivables, deposits and prepayments		554	554
Deferred tax assets		949	1,237
TOTAL NON-CURRENT ASSETS		534,147	290,859
CURRENT ASSETS			
Receivables, deposits and prepayments		27,754	25,154
Other investments	A15	26,004	26,000
Amount due from related parties		973	1,422
Tax recoverable		50	9
Cash and bank balances		16,415	17,131
TOTAL CURRENT ASSETS		71,196	69,716
CURRENT LIABILITIES			
Payables and accruals		18,056	21,891
Contract liabilities		7,744	8,208
Lease liabilities		1,561	1,546
Contingent consideration		9,348	-
Amount due to related parties		200	144
Taxation		10,903	7,970
TOTAL CURRENT LIABILITIES		47,812	39,759
NET CURRENT ASSETS		23,384	29,957

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.3.2022 RM'000	As at 31.12.2021 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		2,704	3,100
Contingent consideration	A15	-	9,267
Deferred tax liabilities		90	100
Provision for restoration costs		667	613
Borrowing		69,212	-
TOTAL NON-CURRENT LIABILITIES		72,673	13,080
NET ASSETS		484,858	307,736
EQUITY			
Share capital		584,165	412,524
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(6,116)	(6,426)
Retained earnings		100,022	94,851
TOTAL EQUITY		484,858	307,736
Net assets per share attributable to Owners of the Company (RM)		0.22	0.15

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Equity contribution from shareholders	Reverse acquisition reserve ⁽¹⁾	Other reserves		Retained earnings	Total equity
	Number of shares	Share capital			Foreign currency translation reserve	Fair value reserve		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
As at 1 January 2022	2,200,000	412,524	315	(193,528)	(6,669)	243	94,851	307,736
Issuance of new shares (Note A5)	110,000	173,800	-	-	-	-	-	173,800
Share issuance expenses	-	(2,159)	-	-	-	-	-	(2,159)
Profit for the financial period	-	-	-	-	-	-	12,475	12,475
Other comprehensive income/(loss)	-	-	-	-	337	(27)	(44)	266
Transaction with owners: Dividends provided for or paid (Notes A6)	-	-	-	-	-	-	(7,260)	(7,260)
As at 31 March 2022	<u>2,310,000</u>	<u>584,165</u>	<u>315</u>	<u>(193,528)</u>	<u>(6,332)</u>	<u>216</u>	<u>100,022</u>	<u>484,858</u>

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares		Equity contribution from shareholders RM'000	Reverse acquisition reserve ⁽¹⁾ RM'000	Other reserves		Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interest RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000			Foreign currency translation reserve RM'000	Retirement benefit reserve & fair value reserve RM'000				
<u>Group</u>										
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	-	-	-	-	-	-	(22,250)	(22,250)	-	(22,250)
As at 31 March 2021	<u>100,000</u>	<u>197,994</u>	<u>315</u>	<u>(193,528)</u>	<u>(619)</u>	<u>114</u>	<u>91,460</u>	<u>95,736</u>	<u>4,705</u>	<u>100,441</u>

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	16,607	10,557
Discontinued operations	-	(634)
	<hr/>	<hr/>
	16,607	9,923
Adjustments for:		
(Reversal of)/Allowance for impairment of receivables and deposits-net	(305)	169
Depreciation of property, plant and equipment	1,319	1,596
Depreciation of right-of-use assets	399	498
Amortisation of intangible assets	264	272
Interest income	(16)	(45)
Distribution income from money market funds	(61)	-
Fair value gain on other investments	(4)	-
Accretion of provision for restoration costs	5	2
Changes in fair value of contingent consideration payable	81	91
Interest expense	635	3,557
Lease interest	43	35
Share of profits of associates	(2,405)	(1,650)
Defined benefit plan expense	-	29
Unrealised loss on foreign exchange	35	3,074
	<hr/>	<hr/>
Operating cash flows before working capital changes	16,597	17,551
Changes in working capital:		
Receivables, deposits and prepayments	(2,338)	254
Payables and accruals	(1,859)	(2,775)
Contract liabilities	(464)	(46)
Amount due from immediate holding company	-	(58)
Related parties balances	504	(268)
	<hr/>	<hr/>
Cash flows generated from operations	12,440	14,658
Interest received	16	45
Defined benefit plan contribution	-	(307)
Share based payment	-	(113)
Tax paid	(962)	(1,011)
Tax refunded	-	1
Dividend received	-	239
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Net cash flows generated from operating activities	11,494	13,512

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Quarter ended	
		31.3.2022 RM'000	31.3.2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,593)	(1,518)
Purchase of intangible assets		(669)	(196)
Distribution income from money market funds		114	-
Acquisition of subsidiary, net of cash acquired		-	(28,018)
Investments in associates	A10	(232,049)	-
Purchase of other investment	A10	(10,500)	-
Purchase of investment in money market funds		(4)	-
Net cash flows used in investing activities		(244,701)	(29,732)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		-	(21)
Proceeds from issuance of shares		173,800	-
Payment of share issuance expenses		(2,159)	-
Dividends paid	A6	(7,260)	(5,250)
Drawdown of borrowings		120,000	32,000
Repayment of borrowings		(50,000)	(5,092)
Payment of lease liabilities		(424)	(546)
Transaction costs paid		(1,293)	(627)
Interest paid		(131)	(1,279)
Net cash flows generated from financing activities		232,533	19,185
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(674)	2,965
EFFECT OF EXCHANGE RATE CHANGES		(42)	193
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		17,131	24,936
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		16,415	28,094

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.

Explanatory Notes on the Quarterly Report – 31 March 2022

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 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 116 ‘Proceeds before Intended Use’ (effective 1 January 2022)
- Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’ (effective 1 January 2022)

The adoption of the amendments 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 2023.

- MFRS 17 Insurance Contracts and Amendments to MFRS 17 (effective 1 January 2023)
- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current (effective 1 January 2023)
- Amendments to MFRS 101 – ‘Disclosure of accounting policies’ (effective 1 January 2023)
- Amendments to MFRS 108 – ‘Definition of accounting estimates’ (effective 1 January 2023)
- Amendments to MFRS 112 – ‘Deferred tax related to assets and liabilities arising from a single transaction’ (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.

A2. Seasonal or Cyclical Factors

The Company 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 financial period ended 31 March 2022.

A4. Material Changes in Estimates

There were no changes in estimates which had a material effect in the financial period ended 31 March 2022.

A5. Debts and Equity Securities

During the financial period, the issued and paid-up ordinary share capital of the Company was increased from RM412.5 million to RM584.2 million by way of issuance of 110,000,000 new ordinary shares at an issue price of RM1.58 per share pursuant to the private placement exercise which was completed on 3 March 2022. Following the allotment of new shares, the Company's total number of share capital has increased to 2,310,000,000 shares.

Other than the above, there was no other issuance, repurchase and repayment of debts and equity securities during the financial period ended 31 March 2022.

A6. Dividends Paid

	Single-tier tax-exempt dividend <u>per share</u> sen	Amount of dividends, single-tier <u>tax-exempt</u> RM'000
<u>31.3.2022</u>		
Dividends paid in respect of the financial year ended 31 December 2021:		
- third interim dividend, paid on 25 February 2022	0.33	7,260

A7. Segment Reporting

The Group is primarily engaged in credit reporting, 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 comprises 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 comprises the provision of comprehensive commercial credit reports and bulk commercial data sales to international customers.

The provision of credit reporting services (sale of reports) by CIBI previously included in the International segment is presented as discontinued operations following the completion of the Distribution on 15 June 2021. The financial results are not reported in the International segment as they are no longer reviewed by the CODM.

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 and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associates represents the following:

- (i) business of a credit reporting, credit bureau and information services and provider of credit enterprise software in Malaysia; and
- (ii) 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;

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 (“ROU”) assets and intangible assets.

Explanatory Notes on the Quarterly Report – 31 March 2022

A7. Segment Reporting (continued)

	31.3.2022				Quarter ended			
	Malaysia	International	Elimination	Total	Malaysia	International	Elimination	Total
				RM'000				RM'000
Continuing operations								
Revenue								
Sales to external customers	40,180	2,499	-	42,679	35,959	1,996	-	37,955
Inter-segment sales	48	42	(90)	-	65	-	(65)	-
Total revenue	40,228	2,541	(90)	42,679	36,024	1,996	(65)	37,955
Gross profit	34,340	2,061	-	36,401	31,729	1,769	-	33,498
Segment profit	15,266	1,561	-	16,827	16,259	1,397	-	17,656
Depreciation and amortisation	(1,937)	(45)	-	(1,982)	(2,015)	(50)	-	(2,065)
Finance costs	(683)	-	-	(683)	(3,577)	-	-	(3,577)
Finance income	79	2	-	81	36	7	-	43
Share of profits of associates	803	1,602	-	2,405	428	1,222	-	1,650
Realised and unrealised (losses)/gains on foreign exchange - net	(53)	12	-	(41)	(3,146)	(4)	-	(3,150)
Profit before taxation	13,475	3,132	-	16,607	7,985	2,572	-	10,557
Tax expense	(3,765)	(367)	-	(4,132)	(2,192)	(276)	-	(2,468)
Profit from continuing operations	9,710	2,765	-	12,475	5,793	2,296	-	8,089
Discontinued operations								
Loss from discontinued operations				-				(784)
Profit for the financial period				12,475				7,305
Segment assets	418,571	186,772	-	605,343	158,121	159,101	-	317,222
Other disclosures								
Non-cash item* (other than depreciation and amortisation)	(260)	(10)	-	(270)	3,139	-	-	3,139
Capital expenditure arising from:								
- acquisition of a subsidiary	-	-	-	-	-	37,613	-	37,613
- property, plant and equipment, ROU assets and intangible assets additions	290	-	-	290	1,183	30	-	1,213

* Included in non-cash items are (reversal of) / allowance for impairment of receivables and deposits – net, defined benefit plan expenses and unrealised loss on foreign exchange.

Explanatory Notes on the Quarterly Report – 31 March 2022

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	
	<u>31.3.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000
Malaysia	390,141	175,364
Thailand	142,503	113,704
	<u>532,644</u>	<u>289,068</u>

Borrowings and lease liabilities

	As at	
	<u>31.3.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000
Malaysia	<u>73,477</u>	<u>4,646</u>

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	
	<u>Note</u>	<u>31.3.2022</u>	<u>31.3.2021</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		16,565	14,376
- subscriptions and monitoring services		20,398	20,248
- comprehensive portfolio review and analytics		3,490	2,024
- digital solutions		2,226	1,307
		<u>42,679</u>	<u>37,955</u>

Explanatory Notes on the Quarterly Report – 31 March 2022

A8. Revenue (continued)

a) Revenue from contracts with customers:

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	21,449	17,243
- over time	21,230	20,712
	<u>42,679</u>	<u>37,955</u>
Revenue from contracts with customers	<u><u>42,679</u></u>	<u><u>37,955</u></u>

The Group serves three distinct types of customers, namely Key Accounts, Commercial and Direct-to-Consumer. 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 CTOS Basis Sdn. Bhd.'s ("CTOS 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.

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

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	15,447	12,517
- Commercial – Malaysia	21,450	20,906
- Commercial – International	2,499	1,996
- Direct-to-Consumer	3,283	2,536
	<u>42,679</u>	<u>37,955</u>
Total	<u><u>42,679</u></u>	<u><u>37,955</u></u>

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the financial period ended 31 March 2022. As at 31 March 2022, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. Changes in the Composition of the Group

1. Investment in an associate

On 4 March 2022, the Company completed the acquisition of 490,000 ordinary shares in Juris Technology Sdn. Bhd. (“JurisTech”) for a total cash consideration of RM205.8 million. Upon completion of the transaction, JurisTech becomes an associate of the Company.

2. Accretion of equity interest in an associate

On 9 March 2022, the Company acquired additional 17,846,200 ordinary shares in Business Online Public Company Limited (“BOL”) representing 2.175% of the total paid up share capital of BOL, for a total cash purchase consideration of THB205.2 million or equivalent to RM26.2 million. Upon completion of the acquisition, the shareholdings in BOL increased to 203,690,600 ordinary shares, representing 24.825% of the equity interest in BOL. The acquisition was completed on 11 March 2022.

3. Other investments

During the financial period, the Company acquired a total of 350,000 ordinary shares in RAM Holdings Berhad (“RAM”), representing 3.5% of the total issued and paid-up share capital of RAM for a total cash consideration of RM10,500,000.

Other than the above, there were no changes in the composition of the Group during the financial period ended 31 March 2022.

A11. Material Events Subsequent to the Financial Period

There were no material events subsequent to the end of the financial period up to the date of this report.

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. CDS reiterates through its defence that it is a licensed entity under the Credit Reporting Agencies Act 2010 (Act) and has conducted its business pursuant to and in compliance of the Act. The Court has fixed the matter for full trial on 11 and 12 May 2023. 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 2022. Furthermore, CDS’s obligation from this claim, if any, is unable to be measured reliably as at 31 March 2022.
- b) In February 2022, CDS, a wholly owned subsidiary of the Company was served a legal notice on the basis of an alleged inaccuracy in reporting credit information and that the said reporting was not consented. CDS reiterates through its defence that it is a licensed entity under the Credit Reporting Agencies Act 2010 (Act) and has conducted its business pursuant to and in compliance of the Act. The Court has directed parties to comply with pre-trial case management directions. The Court has fixed the matter for case management on 20 April 2022. 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 2022. Furthermore, CDS’s obligation from this claim, if any, is unable to be measured reliably as at 31 March 2022.

There were no other material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2021.

A13. Capital Commitments

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

	<u>31.3.2022</u>	<u>As at</u> <u>31.12.2021</u>
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	418	319
- intangible assets	1,542	1,240
	<u>1,960</u>	<u>1,559</u>

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 <u>31.3.2022</u>	Balances as at <u>31.3.2022</u>
	RM'000	RM'000
<u>Group</u>		
Purchase of services		
- Professional services from Credisense Limited ("Credisense")	410	198
Sale of services		
- Advisory and support services to CIBI Holdings	672	971

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) CIBI Holdings, being an entity connected to certain directors of the Company, is an investment holding company. CDS provides advisory and support services relating to credit bureaus to CIBI Holdings from September 2021.

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 2022.

b) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using the respective valuation techniques, as at 31 March 2022:

	<u>Level 1</u> RM'000	<u>Level 3</u> RM'000
<u>Non-current asset</u>		
Other investments	-	28,164
<u>Current asset</u>		
Other investments		
- Investment in money market funds	26,004	-
<u>Current liability</u>		
Contingent consideration	-	9,348

The fair value of the other investments is calculated based market approach using market multiples, financial information of the equity investments and a discount/premium applied in the valuation. Fair value gain and loss is presented in other comprehensive income.

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.

PART B: EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS

B1. Review of Group Performance

	Quarter ended		% +/(-)
	31.3.2022 RM'000	31.3.2021 RM'000	
Revenue			
Malaysia	40,180	35,959	11.7
International	2,499	1,996	25.2
	<u>42,679</u>	<u>37,955</u>	12.4
Segment profit			
Malaysia	15,266	16,259	(6.1)
International	1,561	1,397	11.7
	<u>16,827</u>	<u>17,656</u>	(4.7)
Profit before tax ("PBT")	16,607	10,557	57.3
Profit/(loss) for the period			
Continuing operations	12,475	8,089	54.2
Discontinued operations	-	(784)	(100.0)
	<u>12,475</u>	<u>7,305</u>	70.8
Profit/(loss) attributable to Owners of the Company ("PATAMI")			
Continuing operations	12,475	8,089	54.2
Discontinued operations	-	(404)	(100.0)
	<u>12,475</u>	<u>7,685</u>	62.3
Reconciliation of PATAMI to Normalised PATAMI:			
PATAMI	12,475	7,685	62.3
Add:			
Losses from CIBI Holdings and CIBI	-	404	
Costs related to acquisitions	687	96	
Interest expense on bank borrowings	635	3,555	
Realised and unrealised foreign exchange losses on USD borrowings	-	3,106	
Incremental income tax expense	3,099	1,542	
	<u>16,896</u>	<u>16,388</u>	3.1

Note 1 – Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus (i) losses from CIBI and CIBI Holdings ; (ii) costs related to our acquisition of CTOS Basis (for the financial period ended ("FPE") 31 March 2021) and acquisitions of RAM, JurisTech and additional investment in BOL (for the FPE 31 March 2022); (iii) interest expense on bank borrowings; (iv) realised and unrealised foreign exchange losses/(gains) on USD borrowings; and (vi) incremental income tax expense of CDS recognised based on the statutory tax rate of 24% for FPE 31 March 2022 and estimated annual effective tax rate of 15.2% for the FPE 31 March 2021 as compared to the tax payable by CDS in accordance with the tax exemption granted for the tax relief period under the Pioneer Status incentives (refer to note B6 for more details)

B1. Review of Group Performance (continued)

The Group's revenue for the first quarter ended 31 March 2022 of RM42.7 million (net of Central Credit Reference Information System ("CCRIS") fee waiver as Bank Negara Malaysia ("BNM") allowed free access to its CCRIS database) was 12.4% higher compared to the revenue of RM38.0 million in the corresponding period of the previous year. PBT increased by 57.3% to RM16.6 million in the current quarter from RM10.6 million in the corresponding period of the previous financial year.

The Malaysia operations recorded 11.7% higher revenue for the quarter of RM40.2 million compared to RM36.0 million a year ago, with higher revenue from all the for all 3 types of customers (namely Key Accounts, Commercial – Malaysia and Direct-to-Consumer). Key Accounts and Direct-to-Consumer recorded strong growth of 23.4% and 29.5% respectively driven by strong demand for CTOS Data Systems Reports, digital solutions and comprehensive portfolio review and analytics services. However, segment profit declined by 6.1% mainly due to the higher staff costs and IT support expenses as the Group continues to invest in key talents and technology to drive future growth.

The International operations recorded a 25.2% higher revenue of RM2.5 million and 11.7% higher segment profit of RM1.4 million in the current quarter contributed by the higher bulk data sales.

PBT for the Group increased by 57.3% or RM6.0 million, to RM16.6 million in the current quarter attributable to the higher share of profits of associates and lower finance costs and foreign exchange losses. Share of profits of associates increased by 45.8% to RM2.4 million, contributed by JurisTech which was acquired in March 2022 and higher profit from BOL, our associate in Thailand. The finance costs and foreign exchange losses incurred in the previous financial year were in relation to the borrowings procured to finance the acquisition of our investments which have been fully settled with the IPO proceeds in the previous financial year.

Profit for the period increased by 70.8% or RM5.2 million to RM12.5 million from RM7.3 million in the corresponding period of the previous year after incorporating the provision of tax in CDS at statutory tax rate of 24% pending approval of the pioneer status tax incentives compared to effective tax rate of 15.2% applied for CDS in the corresponding period of the previous year taking into account the expiry date of the pioneer status tax incentives of 30 June 2021 (see Note B6). The profit for the period in the corresponding period of the previous year included loss from CIBI Holdings and CIBI of RM0.8 million which has been classified as discontinued operations following the completion of the distribution by way of dividend-in-specie of the ordinary shares in CIBI Holdings held by the Company on 15 June 2021.

PATAMI increased by 62.3% or RM4.8 million to RM12.5 million in the current quarter from RM7.7 million in the corresponding period of the previous financial year. PATAMI included loss after tax and non-controlling interests of CIBI Holdings and CIBI of RM0.4 million in the quarter ended 31 March 2021.

Normalised PATAMI increased by 3.1% or RM0.5 million to RM16.9 million in the current quarter from RM16.4 million in the corresponding period of the previous financial year.

B2. Comparison with Immediate Preceding Quarter

	Quarter ended		% + / (-)
	<u>31.3.2022</u> RM'000	<u>31.12.2021</u> RM'000	
Revenue			
Malaysia	40,180	36,427	10.3
International	<u>2,499</u>	<u>2,367</u>	5.6
	42,679	38,794	10.0
Segment profit			
Malaysia	15,266	12,400	23.1
International	<u>1,561</u>	<u>1,559</u>	0.1
	16,827	13,959	20.5
PBT	<u>16,607</u>	<u>13,769</u>	20.6

Group revenue for the current quarter increased by 10.0% or RM3.9 million to RM42.7 million compared to RM38.8 million in the preceding quarter while segment profit increased by 20.5% or RM2.9 million to RM16.8 million compared to RM14.0 million in the preceding quarter.

The profit from Malaysia operations increased by 23.1% or RM2.9 million from RM12.4 million in the preceding quarter to RM15.3 million in the current quarter contributed by the strong growth in revenue particularly from Key Accounts and Direct-to-Consumer customers driven by strong demand in CTOS Data Systems reports and digital solutions.

The profit from International operations reported marginal growth in the current quarter.

Group PBT increased by 20.6% or RM2.8 million attributed to the higher segment profit of RM2.8 million and higher share of profit of associates of RM0.8 million with contribution from newly acquired associate, JurisTech and higher contribution from BOL but partially offset by finance costs of RM0.6 million incurred in the current quarter on the borrowings procured to partially finance the acquisition of JurisTech.

B3. Prospects of the Group

With the continued recovery of the Malaysian economy the Company expects its subsidiaries and business segments to continue to grow in line with expectations in the second quarter of 2022. For the financial year ending 31 December 2022 (“FYE2022”), CDS will continue to leverage off the expansion of the digital economy and deliver on its digital solutions and analytical insights to its extensive Key Accounts customer base while continuing its growth in BAU. The Commercial segment should see growth through new account activations targeting the almost 900,000 SMEs in Malaysia as SME’s push forward and require 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 as part of their own business recovery strategies. CDS will continue to expand on its Direct-to-Consumer business through financial literacy programs and partnerships in FYE2022 to the circa 15 million credit active consumers in Malaysia. The Group will also develop its synergy opportunities both in Malaysia and in Thailand through its strategic and accretive investments. With the investment in JurisTech we will further enhance our value proposition bringing unique end-to-end digital lending solutions to our clients.

The challenges the Group faced in 2021 and how it overcame them has it well placed for sustainable growth.

Our associate companies are expected to continue to perform according to expectations and the Group will continue to look for opportunities 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 through expansion 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 (credited)/charged in arriving at the profit before tax:

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
	RM’000	RM’000
(Reversal of allowance)/allowance for impairment of receivables – net	(305)	169
Depreciation of property, plant and equipment	1,319	1,596
Depreciation of right-of-use assets	399	498
Realised loss on foreign exchange	6	64
Unrealised loss on foreign exchange	35	3,074
Amortisation of intangible assets	264	272
Finance income:		
- interest income	(16)	(43)
- distribution income from money market funds	(61)	-
- fair value gain on other investments	(4)	-

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 financial period ended 31 March 2022.

B6. Tax Expense

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
	RM'000	RM'000
Continuing operations		
Current tax		
- current period	3,844	2,614
Deferred tax		
- origination and reversal of temporary differences	288	(146)
	<u>4,132</u>	<u>2,468</u>
Discontinued operations		
	-	150
	<u>4,132</u>	<u>2,618</u>

The Group's effective tax rate for the current quarter ended 31 March 2022, excluding share of profits of associates was 29.1%, higher than the statutory tax rate of 24% mainly due to the non-deductibility of certain expenses.

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 Malaysian Investment Development Authority ("MIDA").

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 Malaysia Digital Economy Corporation ("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 or the relevant authorities 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 MSC Malaysia Status Services Incentive Guideline. The Company is of the view that CDS will be able to meet the conditions and has submitted its application for approval to continue to enjoy the tax incentives during the Transitional Period based on the timeline stipulated by MDEC. Pending approval from MDEC, CDS's tax expense for the current quarter ended 31 March 2022 was computed using the corporate income tax rate of 24%. In the three months period ended 31 March 2021, an estimated annual effective tax rate of 15.2% has been used to compute CDS's tax expense 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

Proposed Acquisition of JurisTech, Proposed Additional BOL Acquisition and Proposed General Mandate

On 24 December 2021, Maybank Investment Bank Berhad, on behalf of the Board of Directors of the Company announced that the Company proposes to undertake the following:

- (i) Proposed acquisition of 49% equity interest in JurisTech from Natsoft (M) Sdn. Bhd. for a cash consideration of RM205.8 million;
- (ii) Proposed acquisition of up to an additional 2.25% equity interest in BOL at prices to be determined later for a cash consideration of up to THB15.00 per share; and
- (iii) Proposed authority to issue and allot new ordinary shares in the Company representing up to 10.0% of the total issued shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (“Proposed General Mandate”).

(collectively referred to as the “Proposals”)

On 17 February 2022, the Company announced a proposed placement of up to 166,670,000 new ordinary shares (“Placement Shares”) in the Company, representing approximately 7.6% of the total number of issued shares of the Company (“Proposed Placement”). The total number of Placement Shares of up to 166,670,000 shares was determined based on the amount of gross proceeds to be raised of RM270.0 million. The Proposed Placement will be undertaken in accordance with the authority to be granted to the Company under the Proposed General Mandate, the approval of which will be sought from the shareholders at its forthcoming extraordinary general meeting (“EGM”) to be held on 21 February 2022 and shall continue to be in force until the conclusion of the next annual general meeting of the Company or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting.

On 21 February 2022, the Proposals were approved by the shareholders at the EGM.

On 22 February 2022, the Company announced that Bursa Malaysia Securities Berhad had vide its letter dated 22 February 2022, approved the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

On 23 February 2022, the Company announced that the Board has, on 22 February 2022, fixed the issue price for the Placement Shares at RM1.58 per Placement Share. A total of 110.0 million Placement Shares, representing 5.0% of the issued shares of the Company, were made available for subscription by third party investors falling within Schedules 6 and 7 of the Capital Markets and Services Act, 2007 (“Placement”). Accordingly, the Placement is expected to raise gross proceeds of RM173.8 million. The Board has decided to only raise RM173.8 million through the Placement with a view of optimising the amount of equity and debt raised to fund the Company’s acquisitions and to defray the estimated expenses related to the Placement.

On 3 March 2022, the Company announced that Placement has been completed following the listing and quotation of 110.0 million Placement Shares made available for subscription under the Placement on the Main Market of Bursa Securities.

On 4 March 2022, the Company announced that the acquisition of JurisTech has been completed (see Note A10(1)).

On 9 March 2022, the Company announced that the Company has acquired, through a direct business transaction on the Stock Exchange of Thailand, 17,846,200 ordinary shares in BOL representing 2.175% equity interest in BOL, for a total cash purchase consideration of THB205.2 million or equivalent to RM26.2 million (see Note A10(2)).

Other than the above, there is no other corporate proposal announced but not completed as at the date of this report.

B8. Utilisation of Proceeds from Corporate Exercises

(a) Utilisation of Proceeds from IPO

The status of utilisation of proceeds from IPO as at 18 April 2022 is as follows:

Details of use of proceeds	Estimated timeframe for use from the date of Listing	Proposed utilisation RM'000	Re-allocation RM'000	Amount utilised RM'000	Balance unutilised RM'000
Repayment of bank borrowings	Within 3 months	155,181	628	(155,809)	-
Defray fees and expenses for IPO and listing	Within 6 months	6,098	(628)	(5,470)	-
Acquisitions	Within 36 months	58,721	-	(58,721)	-
		<u>220,000</u>	<u>-</u>	<u>(220,000)</u>	<u>-</u>

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 30 June 2021.

The unutilised balance of RM628,000 allocated for estimated defray fees and expenses for IPO and listing were allocated to repayment of bank borrowings during the previous financial year.

(b) Utilisation of Proceeds from the Placement

The Board has decided to only raise RM173.8 million through the Placement with a view of optimising the amount of equity and debt raised to fund the Company's acquisitions and to defray the estimated expenses related to the Placement.

The status of utilisation of proceeds from the Placement as at 18 April 2022 is as follows:

Details of use of proceeds*	Estimated timeframe for use from the date of Placement	Amount raised RM'000	Amount utilised RM'000	Balance unutilised RM'000
Acquisition of JurisTech	Within 6 months	132,045	(132,045)	-
Additional BOL acquisition	Within 12 months	26,249	(26,249)	-
Estimated expenses for the Placement	Within 1 month	2,119	(2,119)	-
Other acquisitions to be identified	Within 12 months	13,387	-	13,387
		<u>173,800</u>	<u>(160,413)</u>	<u>13,387</u>

* Proposed utilisation of proceeds based on the addendum dated 16 February and announcement dated 17 February 2022

B9. Borrowings

	Currency	31.3.2022 RM'000	As at 31.12.2021 RM'000
<u>Secured</u>			
<u>Non-current</u> Term loan	RM	69,212	-

B10. Material Litigation

Save as disclosed in Note A12, there were no other material changes to the material litigation as at the date of this report since the last financial year ended 31 December 2021.

B11. Dividends

The Board of Directors has declared a first interim single tier dividend of 0.325 sen per ordinary share in respect of the three months financial period ending 31 March 2022, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, to be paid on 10 June 2022. The entitlement date for the dividend payment is 13 May 2022.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) shares transferred into the depositor's securities account before 4.30 pm on 13 May 2022 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B12. Financial Liabilities

The Group recognised fair value loss of RM0.1 million during the financial period ended 31 March 2022 on the contingent consideration for the acquisition of CTOS 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 year under review.

B13. Earnings per Share

Basic and diluted 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.

	Quarter ended	
	<u>31.3.2022</u>	<u>31.3.2021</u>
Profit/(loss) attributable to the owners of the Company (RM'000)		
- Continuing operations	12,475	8,089
- Discontinued operations	-	(404)
	<u>12,475</u>	<u>7,685</u>
Number of shares at the beginning of the period ('000)	2,200,000	2,000,000
Adjusted for increase in number of shares on 3 March 2022 ('000)	35,444	-
	<u>2,235,444</u>	<u>2,000,000</u>
Weighted average number of ordinary shares in issue ('000)		
Basic/Diluted earnings per ordinary share (sen)		
- Continuing operations	0.6	0.4
- Discontinued operations	-	*
	<u>0.6</u>	<u>0.4</u>

* Negligible