

CTOS DIGITAL BERHAD  
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended		% +/-
		<u>31.3.2024</u>	<u>31.3.2023</u>	
		RM'000	RM'000	
Revenue	A8	71,580	59,594	20.1
Cost of sales		(19,163)	(12,172)	
Gross profit		52,417	47,422	10.5
Other income/(expense)		100	(250)	
Selling and marketing expenses		(10,381)	(8,693)	
Administrative expenses		(19,621)	(17,131)	
Finance income		66	100	
Finance costs		(2,119)	(1,724)	
Share of profits of associates		1,801	2,216	
Profit before tax	B5	22,263	21,940	1.5
Tax expense	B6	(1,605)	(5,363)	
Profit for the financial period		<u>20,658</u>	<u>16,577</u>	24.6
Other comprehensive (loss)/income:				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		(4,649)	2,180	
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		(3)		
Other comprehensive (loss)/income for the financial period		<u>(4,652)</u>	<u>2,180</u>	
Total comprehensive income for the financial period		<u>16,006</u>	<u>18,757</u>	(14.7)
Profit/(loss) for the financial period attributable to:				
- Owners of the Company		20,821	16,577	25.6
- Non-controlling interests		(163)	-	-
		<u>20,658</u>	<u>16,577</u>	24.6
Total comprehensive income/(loss) for the financial period attributable to:				
- Owners of the Company		16,172	18,757	(13.8)
- Non-controlling interests		(166)	-	-
		<u>16,006</u>	<u>18,757</u>	(14.7)
Earnings per share for profit attributable to ordinary equity holders of the Company				
Basic/Diluted (sen)	B12	<u>0.9</u>	<u>0.7</u>	

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 2023 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at <u>31.3.2024</u> RM'000	Audited As at <u>31.12.2023</u> RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,124	8,656
Right-of-use assets		23,582	1,434
Intangible assets		138,225	133,781
Investments in associates		571,365	576,796
Receivables, deposits and prepayments		780	-
Deferred tax assets		633	265
<b>TOTAL NON-CURRENT ASSETS</b>		<b>742,709</b>	<b>720,932</b>
<b>CURRENT ASSETS</b>			
Receivables, deposits and prepayments		75,736	64,124
Other investments	A15	-	925
Amount due from related parties		788	1,429
Tax recoverable		790	887
Cash and bank balances		7,549	17,330
<b>TOTAL CURRENT ASSETS</b>		<b>84,863</b>	<b>84,695</b>
<b>CURRENT LIABILITIES</b>			
Payables and accruals		47,987	49,716
Contract liabilities		9,911	7,502
Lease liabilities		1,925	1,397
Amount due to related parties		1,978	965
Provision for restoration costs		694	694
Borrowings		94,969	48,852
Tax payable		1,918	1,272
<b>TOTAL CURRENT LIABILITIES</b>		<b>159,382</b>	<b>110,398</b>
<b>NET CURRENT LIABILITIES</b>		<b>(74,519)</b>	<b>(25,703)</b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at <u>31.3.2024</u> RM'000	Audited As at <u>31.12.2023</u> RM'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		21,504	96
Provision for defined benefit plan		159	153
Borrowings		75,112	100,691
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>96,775</u>	<u>100,940</u>
<b>NET ASSETS</b>		<u>571,415</u>	<u>594,289</u>
<b>EQUITY</b>			
Share capital		584,047	584,047
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		2,685	6,805
Retained earnings		178,161	196,749
<b>Equity attributable to Owners of the Company</b>		<u>571,680</u>	<u>594,388</u>
Non-controlling interests		(265)	(99)
<b>TOTAL EQUITY</b>		<u>571,415</u>	<u>594,289</u>
<b>Net assets per share attributable to Owners of the Company (RM)</b>		<u>0.25</u>	<u>0.26</u>

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 2023 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Other reserves					Retained earnings	Total attributable to Owners of the Company	Non-controlling interests	Total equity
	Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve <sup>(1)</sup>	Foreign currency translation reserve	Fair value reserve	Share based payment reserve				
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	2,310,000	584,047	315	(193,528)	513	6,292	-	196,749	594,388	(99)	594,289
Profit for the financial period	-	-	-	-	-	-	-	20,821	20,821	(163)	20,658
Other comprehensive income	-	-	-	-	(4,649)	-	-	-	(4,649)	(3)	(4,652)
Share-based payment expense	-	-	-	-	-	-	529	-	529	-	529
Transaction with owners:											
Dividends paid (Note A6)	-	-	-	-	-	-	-	(39,409)	(39,409)	-	(39,409)
At 31 March 2024	2,310,000	584,047	315	(193,528)	(4,136)	6,292	529	178,161	571,680	(265)	571,415
At 1 January 2023	2,310,000	584,047	315	(193,528)	(5,625)	185	-	124,141	509,535	-	509,535
Profit for the financial period	-	-	-	-	-	-	-	16,577	16,577	-	16,577
Other comprehensive income	-	-	-	-	2,180	-	-	-	2,180	-	2,180
Transaction with owners:											
Dividends paid	-	-	-	-	-	-	-	(8,316)	(8,316)	-	(8,316)
At 31 March 2023	2,310,000	584,047	315	(193,528)	(3,455)	185	-	132,402	519,976	-	519,976

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.

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 2023 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended	
	<u>31.3.2024</u>	<u>31.3.2023</u>
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	22,263	21,940
Adjustments for:		
Reversal of impairment of receivables – net	-	(505)
Depreciation of property, plant and equipment	880	1,301
Depreciation of right-of-use assets	783	400
Amortisation of intangible assets	1,499	675
Interest income	(64)	(31)
Fair value gain on other investments	(2)	(69)
Accretion of provision for restoration costs	-	4
Changes in fair value of contingent consideration payable	-	54
Defined benefit plan	6	-
Interest expense on bank borrowings	1,911	1,692
Lease interest	208	28
Share-based payment expense	529	-
Share of profits of associates	(1,801)	(2,216)
Unrealised loss on foreign exchange	(96)	13
Operating cash flows before working capital changes	<u>26,116</u>	<u>23,286</u>
Changes in working capital:		
Receivables, deposits and prepayments	(5,211)	(10,825)
Payables and accruals	(8,866)	(709)
Contract liabilities	2,409	690
Related party balances	1,654	(924)
Cash flows generated from operations	<u>16,102</u>	<u>11,518</u>
Interest received	64	31
Tax paid	(1,230)	(788)
Dividends received	1,659	17,908
Net cash flows generated from operating activities	<u>16,595</u>	<u>28,669</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	<u>Note</u>	<u>Quarter ended</u>	
		<u>31.3.2024</u>	<u>31.3.2023</u>
		RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(348)	(220)
Purchase of intangible assets		(4,991)	(2,425)
Distribution income from money market funds		2	94
Investment in money market funds – net		925	(1,569)
Net cash flows used in investing activities		(4,412)	(4,120)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	A6	(39,409)	(8,316)
Drawdown of borrowings		21,000	-
Repayment of borrowings		-	(17,303)
Restricted cash for term loan facility		(11)	66
Payment of lease liabilities		(1,166)	(423)
Transaction costs paid		(564)	(3)
Interest paid		(1,809)	(1,516)
Net cash flows used in from financing activities		(21,959)	(27,495)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,776)	(2,946)
EFFECT OF EXCHANGE RATE CHANGES		(16)	44
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		15,682	10,714
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		5,890	7,724

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 2023 and the accompanying explanatory notes.

Explanatory Notes on the Quarterly Report – 31 March 2024

## **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 2023.

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 2023 except for the adoption of the following amendment to published standard:

- Amendments to MFRS 101 – ‘Classification of liabilities as current or non-current’ (‘2020 amendments’) and ‘Non-current Liabilities with Covenants’ (‘2022 amendments’) (effective 1 January 2024)
- Amendments to MFRS 16 – ‘Lease Liability in a Sale and Leaseback’ (effective 1 January 2024)
- Amendments to MFRS 107 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)
- Amendments to MFRS 7 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)

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 2025.

- Amendments to MFRS 121 – ‘Lack of Exchangeability’ (effective 1 January 2025)

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 Group 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 as larger corporates looking to maximise 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 2024.

### **A4. Material Changes in Estimates**

There were no changes in estimates which had a material effect in the financial period ended 31 March 2024.

### **A5. Debts and Equity Securities**

There was no other issuance, repurchase and repayment of debts and equity securities during the financial period ended 31 March 2024.



**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>31.3.2024</u>		
Dividends paid in respect of the financial year ended 31 December 2023:		
- fourth interim dividend, paid on 27 March 2024	1.706	39,409

**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 digital solutions and provision of related installation and maintenance services as well as provision of comprehensive commercial credit reports and bulk commercial data sales to 3 distinct types of customer group, namely Key Accounts, Commercial and Direct-to-Consumer; and
- (ii) International which comprises the business of provision of alternative data credit scores to 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 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, a provider of credit enterprise software in Malaysia and a provider of independent credit rating services, sustainability rating services, environment, social and government analytics, data analytics, economic research and consultancy services, bond pricing and information services as well as credit opinions on ventures listed on the Investment Account Platform; 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.

During the current quarter, the provision of comprehensive commercial credit reports and bulk commercial data sales by CTOS Basis Sdn Bhd (“CTOS Basis”), previously included in the International segment is presented as Malaysia operations. Accordingly, the comparatives have been re-presented to be comparable.

Explanatory Notes on the Quarterly Report – 31 March 2024

**A7. Segment Reporting (continued)**

	Quarter ended					
	31.3.2024			31.3.2023		
	Malaysia	International	Total	Malaysia	International	Total
	RM'000			RM'000		
<b>Revenue</b>	63,048	8,532	71,580	59,594	-	59,594
<b>Gross profit</b>	48,321	4,096	52,417	47,540	-	47,540
<b>Segment profit</b>	25,218	378	25,596	23,928	-	23,928
Depreciation and amortisation	(2,932)	(230)	(3,162)	(2,376)	-	(2,376)
Finance costs	(2,119)	-	(2,119)	(1,724)	-	(1,724)
Finance income	61	3	64	100	-	100
Share of profits of associates	(410)	2,211	1,801	119	2,097	2,216
Realised and unrealised gains/(losses) on foreign exchange - net	92	(9)	83	(204)	-	(204)
<b>Profit before taxation</b>	19,910	2,353	22,263	19,843	2,097	21,940
Tax credit/(expense)	(1,310)	(295)	(1,605)	(5,363)	-	(5,363)
<b>Profit for the financial year</b>	18,600	2,058	20,658	14,480	2,097	16,577
Segment assets	641,213	201,382	842,595	534,300	197,691	731,991
<b>Other disclosures</b>						
Non-cash items* (other than depreciation and amortisation)	441	-	441	(492)	-	(492)
Capital expenditure arising from property, plant and equipment, ROU assets and intangible assets additions	28,227	43	28,270	2,190	-	2,190

\* Included in non-cash items are (reversal of)/allowance for impairment of receivables – net, share-based payment expense and unrealised (gains)/losses on foreign exchange

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	
	31.3.2024	31.12.2023
	RM'000	RM'000
Malaysia	554,636	530,654
Thailand	153,392	156,754
Indonesia	2,131	2,070
The Philippines	31,917	31,189
	742,076	720,667

Explanatory Notes on the Quarterly Report – 31 March 2024

## A7. Segment Reporting (continued)

### Geographical segments (continued)

#### Borrowings and lease liabilities

	As at	
	<u>31.3.2024</u>	<u>31.12.2023</u>
	RM'000	RM'000
Malaysia	193,510	151,036

### 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:

	<u>Note</u>	Quarter ended	
		<u>31.3.2024</u>	<u>31.3.2023</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		36,912	26,841
- subscriptions and monitoring services		23,624	23,133
- comprehensive portfolio review and analytics		6,416	6,405
- digital solutions		4,628	3,215
		<u>71,580</u>	<u>59,594</u>

### a) Revenue from contracts with customers:

	Quarter ended	
	<u>31.3.2024</u>	<u>31.3.2023</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	47,956	34,731
- over time	23,624	24,863
Revenue from contracts with customers	<u>71,580</u>	<u>59,594</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' customers. Direct-to-Consumer comprise the Group's retail consumers.

**A8. Revenue (continued)**

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

	Quarter ended	
	<u>31.3.2024</u>	<u>31.3.2023</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	35,021	25,716
- Commercial	30,399	28,497
- Direct-to-Consumer	6,160	5,381
Total	<u>71,580</u>	<u>59,594</u>

**A9 Valuations of Property, Plant and Equipment**

There were no revaluations of property, plant and equipment during the financial period ended 31 March 2024. As at 31 March 2024, all property, plant and equipment were stated at cost less accumulated depreciation.

**A10. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the financial period ended 31 March 2024.

**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. The Directors have been advised by external counsel and have assessed that these litigation cases as possible obligations where outflow of resources are not probable.

- a) In July 2022, a Plaintiff filed an action seeking for a Court Order and/or Injunction against CDS (First Defendant) to delete and/or withdraw the credit information under the "Special Attention Account" status in his credit report that relates to the "Temporary Overdraft" facility granted by a financial institution (Second Defendant) to the Plaintiff. In addition, the Plaintiff further seeks an Order against the Second Defendant to withdraw the publication and/or any upload of credit information under the "Special Attention Account" status relating to the "Temporary Overdraft" facility in CDS and other credit reporting agency in Malaysia including Bank Negara Malaysia (BNM) through BNM CCRIS database. On 15 May 2023, the Court had dismissed the Plaintiff's suit against the Defendants. The Plaintiff/Appellant had filed an appeal against the Decision. The hearing of the appeal will be held on 11 July 2024.
- b) In October 2022, CDS was served with a Writ Summon by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was annulled by the Court. The Plaintiff seeks damages, a public apology and an order to restrain CDS from making and/or publishing the information. CDS maintained that it has the right to publish the bankruptcy proceeding and the status update on the annulment in the credit report within the timeframe as allowed under the Act. The Court fixed the matter for mediation on 12 June 2024. The trial is fixed on 3 February 2025 until 6 February 2025.

#### A12. Contingent Liabilities or Contingent Assets (continued)

- c) In January 2023, CDS was served with a Writ Summons by a Plaintiff as the Fourth Defendant whereby the Plaintiff alleged negligence and/or conspiracy to injure its interests through the electronic trade reference (eTR) listing. The Plaintiff seeks injunction against the CDS' Subscriber and its Directors (First, Second and Third Defendants). The Plaintiff further seeks damages, losses, interests and costs from all the Defendants including CDS. CDS maintains that it has conducted its business pursuant to and in compliance of the Act. CDS further maintains that the disclosure of the Plaintiff's eTR data to others (if any) can only be made with the consent of the Plaintiff. CDS will seek indemnity against the First Defendant in the event of any breach of the Subscription Agreement. The matter was resolved amicably through settlement with the Plaintiff withdrawing the matter against CDS with no order as to cost on 16 March 2023 (Settlement).

In June 2023, CDS was served with a Writ Summons by the same Plaintiff alleging that CDS had breached the terms of the Settlement. CDS denies any liability therein as the alleged breach claimed by the Plaintiff is not from report issued by CDS. The Plaintiff has among others sought for exemplary damages, legal costs and expenses amounting to RM840,000. The Court fixed the matter for case management on 5 December 2024 with the trial is fixed on 22 April 2025 until 24 April 2025.

- d) In May 2023, CDS was served with a Writ Summons by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was discharged by the Court. CDS maintained that it has the right to publish the bankruptcy proceeding and had duly updated the status of the discharge of bankruptcy in the credit report as required under the CRA Act. The Plaintiff has among others sought for Special Damages and General Damages amounting to RM500,000 from CDS. The Plaintiff has filed an application to strike out the Defence and for an order for assessment of damages. CDS had opposed this application as it is not a plain and obvious case for striking out. CDS has also filed an application to strike out the Plaintiff's claim on the basis that there are no pleadings on publication. On 2 April 2024, the Court had dismissed both the Plaintiff's application to strike out the Defence and CDS' application to strike out the Writ Summons. The Court directed the parties to file pre-trial case management documents by the next case management fixed on 29 May 2024.
- e) In July 2023, CDS was served with a Writ Summons by a Plaintiff for defamation with regard to Trade Credit Reference that was listed by the Second Defendant (a third party). CDS denies any publication of defamatory information in CDS Report. The Plaintiff has among others sought for an apology via social media and damages for libel amounting to RM8,000,000 against each Defendant. The Second Defendant's striking out application was allowed by the Court. CDS filed application to strike out Plaintiff's claim. The Court has directed the Parties to file their submissions and submissions in reply by 24 May 2024 and 7 June 2024 respectively. The matter is fixed for Hearing on 26 June 2024.

The Management had sought legal advice from external counsel on these litigation cases whereby the Board and Management have been advised that the Group has a fair chance at successfully defending the cases based on legal precedents. As at 31 March 2024, no other provisions are required in the condensed consolidated financial information.

There were no other material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2023.

#### A13. Capital Commitments

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

	31.3.2024	As at 31.12.2023
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	675	828
- intangible assets	6,549	5,581
	<u>7,224</u>	<u>6,409</u>

#### A14. Significant Related Party Transactions

The related party transactions described below were carried out on agreed commercial terms and transacted on an arm's-length basis with the related parties.

<u>Group</u>	Transactions for the period ended <u>31.3.2024</u> RM'000	Balances as at <u>31.3.2024</u> RM'000
Purchase of services		
- Software services from Juris Technologies Sdn Bhd ("JurisTech")	1,039	1,979
Sale of services		
- Advisory and support services to CIBI Holdings Pte Ltd ("CIBI Holdings")	1,178	1,000
- Advisory, support and software services to CIBI Information, Inc. ("CIBI")	500	1,257
	<u>1,678</u>	<u>2,257</u>

The Group has entered into the above related party transactions with parties whose relationships are set out below:

- (i) JurisTech, being an associate to the Group is principally engaged in predictive artificial intelligence module, debt collection software, loan origination management, credit scoring solution, plus conveyancing and loan documentation systems. JurisTech has been providing technology and support services to CDS pursuant to a collaboration agreement to carry out business requirements study, customising, implementing, testing, and rolling out the product and services.
- (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.
- (iii) CIBI, being an entity connected to certain directors of the Company, is a credit bureau incorporated in the Philippines. CDS provides advisory, support and software services to CIBI relating to implementation, deployment and project management services.

#### 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 2024.

- b) Financial instruments carried at fair value

There is no financial asset and liability measured at fair value as at 31 March 2024.

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

**B1. Review of Group Performance**

	<u>31.3.2024</u>	<u>Quarter ended</u> <u>31.3.2023</u>	%
	RM'000	RM'000	+ / (-)
Revenue			
Malaysia	63,048	59,594	5.8
International	8,532	-	-
	<u>71,580</u>	<u>59,594</u>	20.1
Segment profit			
Malaysia	25,218	23,928	5.4
International	378	-	-
	<u>25,596</u>	<u>23,928</u>	7.0
Profit before tax ("PBT")	22,263	21,940	1.5
Profit for the financial period ("PAT")	20,658	16,577	24.6
Profit attributable to Owners of the Company ("PATAMI")	<u>20,821</u>	<u>16,577</u>	25.6

Reconciliation of PATAMI to Normalised PATAMI:

PATAMI	20,821	16,577	25.6
Add:			
Costs related to acquisitions	-	54	
Incremental income tax expense	-	4,142	
Share-based payment expense	529	-	
	<u>21,350</u>	<u>20,773</u>	2.8

Note 1 – Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus (i) costs related to our acquisitions of investments; (ii) incremental income tax expense of CDS recognised based on the statutory tax rate of 24% 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) and (iii) share-based payment expense.

For the first quarter ended 31 March 2024, the Group recorded a higher revenue of RM71.6 million compared to RM59.6 million a year ago whilst PAT grew to RM20.7 million compared to RM16.6 million recorded in the corresponding last year.

The segment profit from the Malaysia operations for the first quarter ended 31 March 2024 grew by 5% to RM25.2 million from RM23.9 million a year ago on the back of the 5.8% higher revenue. Revenue grew from all customer groups (namely Key Accounts, Commercial and Direct-to-Consumer) with higher sales of CTOS Data Systems Reports and digital solutions.

The International operations, which comprises the newly acquired alternative data credit score businesses in Indonesia and the Philippines contributed a revenue of RM8.5 million and a segment profit of RM0.3 million for the quarter.

PBT for the Group is reported at RM22.3 million, improved slightly from last year corresponding period of RM21.9 million due to the lower share of profits of associates and higher finance costs with the additional borrowings to fund the acquisitions of investments.

**B1. Review of Group Performance (continued)**

Profit after tax improved by 24.6% to RM20.7 million from RM16.6 million in the corresponding period of the previous year attributable to the lower tax expense following the approval of the tax incentive of its subsidiary, CDS (refer to note B6 for more details).

Normalised PATAMI increased by 2.8% to RM21.4 million in the current quarter from RM20.8 million in the corresponding period of the previous financial year.

**B2. Comparison with Immediate Preceding Quarter**

	<u>31.3.2024</u>	<u>Quarter ended</u> <u>31.12.2023</u>	%
	RM'000	RM'000	+ / (-)
Revenue			
Malaysia	63,048	67,608	(6.7)
International	<u>8,532</u>	<u>5,542</u>	54.0
	71,580	73,150	(2.1)
Segment profit			
Malaysia	25,218	24,229	4.1
International	<u>378</u>	<u>1,237</u>	(69.4)
	25,596	25,466	0.5
PBT	<u>22,263</u>	<u>29,886</u>	(25.5)

Group revenue for the current quarter decreased by 2.1% or RM1.6 million to RM71.6 million from RM73.2 million in the preceding quarter. Segment profit increased marginally to RM25.6 million compared to RM25.5 million in the preceding quarter.

The segment profit from Malaysia operations increased by 4.1% from RM24.2 million in the preceding quarter to RM25.2 million in the current quarter, despite the lower revenue contributed by the lower operating expenses. Revenue in the preceding quarter included comprehensive portfolio review and analytics services delivered at the end of the year.

The International operations reported a 54.0% increase in revenue to RM8.5 million compared to RM5.5 million in the preceding quarter. This growth is propelled by the full quarter consolidation of our new alternative data credit score business in the Philippines, alongside increased usage from the customer base. Despite this uptick, segment profit dipped to RM0.4 million, attributed to the reversal of accruals which positively impact the profit in the preceding quarter.

Group PBT decreased by 25.5% or RM7.6 million attributed to the lower share of profit of associates of RM6.8 million and higher finance costs on borrowings.



### B3. Prospects of the Group

As we advance through 2024, the Group remains positive about its growth trajectory, driven by strategic expansions and robust operational performance across all business segments.

In our Key Accounts segment, we are poised for strong growth, primarily fuelled by the increasing adoption of our advanced digital solutions and analytical tools. This growth will be further supported by steady organic expansion within our core businesses. Our Commercial segment is set to experience growth from the activation of new accounts and an uptick in the consumption of our products and solutions. Particularly noteworthy is the increasing reliance of SMEs on our tools, which facilitate smooth customer onboarding and efficient credit checks.

Our Direct-to-Consumer business aims to engage with nearly 16 million credit-active consumers in Malaysia through targeted financial literacy initiatives, digital marketing campaigns, and strategic partnerships. This direct engagement strategy is designed to strengthen our market presence and consumer trust.

Regionally, our recent expansions into Indonesia and the Philippines open significant avenues for growth. We plan to integrate our established expertise with local market insights to offer a comprehensive suite of credit-centric solutions, thereby enhancing our competitive edge in the ASEAN market.

Our strategic investments continue to focus on identifying and nurturing synergistic opportunities across Malaysia and ASEAN. Our goal is to serve a diverse client base, ranging from major banks to emerging SMEs, by providing innovative digital lending solutions. We are also confident in the alignment and performance of our associate companies with the expectations set forth.

However, we recognise the presence of uncertainties in both domestic and global markets. While we are prepared with proactive measures to navigate potential challenges, the unpredictability of market dynamics remains a factor.

Barring any unforeseen disruptions, we maintain a positive outlook for the medium to long term. The Group's growth potential extends beyond our current operations into new verticals and broader geographical footprints. Committed to delivering value and fostering innovation, we are optimistic about fuelling sustainable growth in the forthcoming periods.

### 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>31.3.2024</u>	<u>31.3.2023</u>
	RM'000	RM'000
Reversal of impairment of receivables – net	-	(505)
Depreciation of property, plant and equipment	880	1,301
Depreciation of right-of-use assets	783	400
Amortisation of intangible assets	1,499	675
Realised loss on foreign exchange	5	192
Unrealised (gain)/loss on foreign exchange	(88)	13
Finance income:		
- interest income	(64)	(31)
- fair value gain on other investments	(2)	(69)

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 2024.

**B6. Tax Expense**

	Quarter ended	
	<u>31.3.2024</u>	<u>31.3.2023</u>
	RM'000	RM'000
Current tax		
- current period	1,972	5,622
Deferred tax		
- origination and reversal of temporary differences	(367)	(259)
	<u>1,605</u>	<u>5,363</u>

The Group's effective tax rate for the current quarter ended 31 March 2024, excluding share of profits of associates was 7.8%, lower than the statutory tax rate of 24% mainly due to the tax incentives enjoyed by its subsidiary, CDS.

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's 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 has on 26 May 2022 received the approval letter from MIDA via MDEC on Transition to the MSC Malaysia Status Services Incentive under Income Tax (Exemption) (No. 10) Order 2018 [P.U. (A) 389/2018], Income Tax Act 1967, which grants tax incentives for the period from 1 July 2021 until 8 November 2021 (the "Transitional Period").

On 26 October 2023, CDS has received the approval from the Ministry of Finance ("MOF") via MDEC on the extension of the second 5-year income tax exemption for the period from 9 November 2021 to 8 November 2026.

Tax expenses for the taxation authorities in Indonesia and the Philippines are calculated at the rates prevailing in those jurisdictions.

## B7. Status of Corporate Proposals

### Proposed Employee Share Option Scheme (“Proposed ESOS”)

On 27 October 2023, the Company proposed to establish an employees’ share option scheme (“ESOS” or “Scheme”) of up to 1% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the Scheme. The Proposed ESOS entails the granting of options to eligible executive directors and employees of the Group (excluding dormant subsidiaries, if any) who meet the criteria of eligibility of participation in the Proposed ESOS as set out in the terms and conditions governing the Proposed ESOS as may be amended, modified and/or supplement from time to time (“By-Laws”) to subscribe for new ordinary shares in the Company at the exercise price during the duration of the Scheme in the manner set out in the By-Laws.

On 7 November 2023, Bursa Securities had granted approval for the listing of such number of new ordinary shares, representing up to 1% of the total number of issued shares of CTOS (excluding treasury shares, if any), to be issued pursuant to the Proposed ESOS.

Approval from the shareholders was granted at the Extraordinary General Meeting held on 11 December 2023. The ESOS is subsequently implemented on 12 December 2023, being the date on which the Company is in full compliance with Paragraph 6.43(1) of the Listing Requirements.

The options were offered to eligible Executive Director and Senior Management to subscribe for new ordinary shares in the Company under the ESOS on 2 January 2024.

There is no other corporate proposal announced but not completed as at the date of this report.

## B8. Borrowings

	<u>Currency</u>	<u>31.3.2024</u>	<u>As at</u> <u>31.12.2023</u>
		RM'000	RM'000
<u>Secured</u>			
<u>Current</u>			
Term loans	RM	45,969	20,852
Revolving Credit		49,000	28,000
<u>Non-current</u>			
Term loans	RM	75,112	100,691
Total borrowings		<u>170,081</u>	<u>149,543</u>

## B9. Material Litigation

There is no material litigation as at the date of this report.

## B10. Financial Liabilities

There was no other gain or loss arising from fair value changes of the Group’s financial liabilities for the current quarter under review.

#### B11. Dividends

The Board of Directors has declared a first interim single tier dividend of 0.64 sen per ordinary share in respect of the financial year ending 31 December 2024, 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 2 July 2024. The entitlement date for the dividend payment is 4 June 2024.

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 4 June 2024 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. Earnings per Share

Basic and diluted earnings per share ("EPS") 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>31.3.2024</u>	<u>31.3.2023</u>
Profit attributable to the owners of the Company (RM'000)	<u>20,821</u>	<u>16,577</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,310,000</u>	<u>2,310,000</u>
Basic/Diluted EPS (sen)	<u>0.9</u>	<u>0.7</u>

Diluted EPS of the Group for the quarter ended 31 March 2024 is equivalent to the basic EPS as the share options had an anti-dilutive effect on the basic EPS and the Group has no other dilutive potential ordinary shares in issue at the end of the preceding year reporting period.