

CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SECOND QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended		% + / (-)	Cumulative Quarter ended		% + / (-)
		30.6.2024 RM'000	30.6.2023 RM'000		30.6.2024 RM'000	30.6.2023 RM'000	
Revenue	A8	76,642	62,242	23.1	148,222	121,836	21.7
Cost of sales		(20,409)	(14,676)		(39,572)	(26,848)	
Gross profit		56,233	47,566	18.2	108,650	94,988	14.4
Other (expense)/income		(44)	278		56	28	
Selling and marketing expenses		(10,077)	(10,256)		(20,458)	(18,949)	
Administrative expenses		(22,660)	(16,731)		(42,281)	(33,862)	
Finance income		49	105		115	205	
Finance costs		(2,735)	(1,642)		(4,854)	(3,366)	
Share of profits of associates		6,389	6,760		8,190	8,976	
Profit before tax	B5	27,155	26,080	4.1	49,418	48,020	2.9
Tax expense	B6	(1,779)	(4,948)		(3,384)	(10,311)	
Profit for the financial period		25,376	21,132	20.1	46,034	37,709	22.1
Other comprehensive (loss)/income:							
Items that will be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		(2,019)	1,906		(6,668)	4,086	
Share of other comprehensive income of associate accounted for using equity method		-	8		-	8	
Items that will not be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		1	-		(2)	-	
Other comprehensive (loss)/income for the financial period		(2,018)	1,914		(6,670)	4,094	
Total comprehensive income for the financial period		23,358	23,046	1.4	39,364	41,803	(5.8)
Profit/(loss) for the financial period attributable to:							
- Owners of the Company		25,502	21,132	20.7	46,323	37,709	22.8
- Non-controlling interests		(126)	-	-	(289)	-	-
		25,376	21,132	20.1	46,034	37,709	22.1
Total comprehensive income/ (loss) for the financial period attributable to:							
- Owners of the Company		23,483	23,046	1.9	39,655	41,803	(5.1)
- Non-controlling interests		(125)	-	-	(291)	-	-
		23,358	23,046	1.4	39,364	41,803	(5.8)
Earnings per share for profit attributable to ordinary equity holders of the Company							
Basic/Diluted (sen)	B12	1.1	0.9		2.0	1.6	

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>30.6.2024</u> RM'000	Audited As at <u>31.12.2023</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,410	8,656
Right-of-use assets		22,607	1,434
Intangible assets		146,998	133,781
Investments in associates		566,875	576,796
Receivables, deposits and prepayments		780	-
Deferred tax assets		518	265
TOTAL NON-CURRENT ASSETS		745,188	720,932
CURRENT ASSETS			
Receivables, deposits and prepayments		80,941	64,124
Other investments	A15	-	925
Amount due from related parties		77	1,429
Tax recoverable		638	887
Cash and bank balances		16,237	17,330
TOTAL CURRENT ASSETS		97,893	84,695
CURRENT LIABILITIES			
Payables and accruals		52,415	49,716
Contract liabilities		9,462	7,502
Lease liabilities		2,319	1,397
Amount due to related parties		1,941	965
Provision for restoration costs		701	694
Borrowings		53,292	48,852
Tax payable		2,436	1,272
TOTAL CURRENT LIABILITIES		122,566	110,398
NET CURRENT LIABILITIES		(24,673)	(25,703)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at <u>30.6.2024</u> RM'000	Audited As at <u>31.12.2023</u> RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		20,986	96
Provision for defined benefit plan		159	153
Borrowings		118,939	100,691
TOTAL NON-CURRENT LIABILITIES		<u>140,084</u>	<u>100,940</u>
NET ASSETS		<u>580,431</u>	<u>594,289</u>
EQUITY			
Share capital		584,047	584,047
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		1,108	6,805
Retained earnings		188,879	196,749
Equity attributable to Owners of the Company		<u>580,821</u>	<u>594,388</u>
Non-controlling interests		(390)	(99)
TOTAL EQUITY		<u>580,431</u>	<u>594,289</u>
Net assets per share attributable to Owners of the Company (RM)		<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 ⁽¹⁾	Foreign currency translation reserve	Fair value reserve	Share based payment reserve				
	'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	-	-	-	-	-	-	-	46,323	46,323	(289)	46,034
Other comprehensive loss	-	-	-	-	(6,668)	-	-	-	(6,668)	(2)	(6,670)
Share-based payment expense	-	-	-	-	-	-	971	-	971	-	971
Transaction with owners:											
Dividends paid (Note A6)	-	-	-	-	-	-	-	(54,193)	(54,193)	-	(54,193)
At 30 June 2024	2,310,000	584,047	315	(193,528)	(6,155)	6,292	971	188,879	580,821	(390)	580,431
At 1 January 2023	2,310,000	584,047	315	(193,528)	(5,211)	2,669	-	124,414	512,706	-	512,706
Profit for the financial period	-	-	-	-	-	-	-	37,709	37,709	-	37,709
Other comprehensive income	-	-	-	-	4,086	8	-	-	4,094	-	4,094
Transaction with owners:											
Dividends paid	-	-	-	-	-	-	-	(18,318)	(18,318)	-	(18,318)
At 30 June 2023	2,310,000	584,047	315	(193,528)	(1,125)	2,677	-	143,805	536,191	-	536,191

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

	Cumulative Quarter ended	
	<u>30.6.2024</u>	<u>30.6.2023</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	49,418	48,020
Adjustments for:		
Reversal of impairment of receivables – net	-	(504)
Depreciation of property, plant and equipment	2,142	2,634
Depreciation of right-of-use assets	1,758	799
Amortisation of intangible assets	2,953	1,656
Interest income	(112)	(65)
Fair value gain on other investments	(2)	(140)
Accretion of provision for restoration costs	7	8
Changes in fair value of contingent consideration payable	-	54
Defined benefit plan	6	-
Interest expense on bank borrowings	4,339	3,305
Lease interest	508	53
Share-based payment expense	971	-
Share of profits of associates	(8,190)	(8,976)
Unrealised gain on foreign exchange	(60)	(13)
Operating cash flows before working capital changes	<u>53,738</u>	<u>46,831</u>
Changes in working capital:		
Receivables, deposits and prepayments	(10,430)	(5,716)
Payables and accruals	(8,479)	2,253
Contract liabilities	1,960	1,103
Related party balances	2,328	(1,090)
Cash flows generated from operations	<u>39,117</u>	<u>43,381</u>
Interest received	112	65
Tax paid	(2,227)	(1,575)
Dividends received	10,853	27,710
Net cash flows generated from operating activities	<u>47,855</u>	<u>69,581</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Cumulative Quarter ended	
		30.6.2024	30.6.2023
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(896)	(2,044)
Purchase of intangible assets		(11,280)	(5,901)
Distribution income from money market funds		2	164
Investment in money market funds – net		925	(7,080)
Net cash flows used in investing activities		(11,249)	(14,861)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	A6	(54,193)	(18,318)
Drawdown of borrowings		55,000	-
Repayment of borrowings		(31,758)	(25,292)
Restricted cash for term loan facility		(377)	66
Payment of contingent consideration		-	(12,211)
Payment of lease liabilities		(1,552)	(848)
Transaction costs paid		(918)	(3)
Interest paid		(3,975)	(2,947)
Net cash flows used in from financing activities		(37,773)	(59,553)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,167)	(4,833)
EFFECT OF EXCHANGE RATE CHANGES		(303)	(17)
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		14,212	5,864

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 – 30 June 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 amendments to published standards:

- 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)
- Issuance of MFRS 18 – ‘Presentation and Disclosure in Financial Statements’ (effective 1 January 2027)
- Withdrawal of MFRS 101 – ‘Presentation of Financial Statements’ (effective 1 January 2027)

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 later 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 30 June 2024.

A4. Material Changes in Estimates

There were no changes in estimates which had a material effect in the financial period ended 30 June 2024.

A5. Debts and Equity Securities

There was no other issuance, repurchase and repayment of debts and equity securities during the financial period ended 30 June 2024.

A6. Dividends Paid

	Single-tier tax-exempt dividend per share sen	Amount of dividends, single-tier tax-exempt RM'000
<u>30.6.2024</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
Dividends paid in respect of the financial year ending 31 December 2024:		
- first interim dividend, paid on 2 July 2024	0.640	14,784

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 period, 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 – 30 June 2024

A7. Segment Reporting (continued)

	30.6.2024			Cumulative Quarter ended		
	Malaysia	International	Total	Malaysia	International	Total
	RM'000			RM'000		
Revenue	129,792	18,430	148,222	121,836	-	121,836
Gross profit	99,523	9,127	108,650	94,988	-	94,988
Segment profit	51,264	1,516	52,780	47,230	-	47,230
Depreciation and amortisation	(6,303)	(550)	(6,853)	(5,089)	-	(5,089)
Finance income	111	4	115	205	-	205
Finance costs	(4,854)	-	(4,854)	(3,366)	-	(3,366)
Share of profits of associates	3,444	4,746	8,190	4,316	4,660	8,976
Realised and unrealised gains/(losses) on foreign exchange - net	47	(7)	40	64	-	64
Profit before taxation	43,709	5,709	49,418	43,360	4,660	48,020
Tax expense	(2,671)	(713)	(3,384)	(10,311)	-	(10,311)
Profit for the financial year	41,038	4,996	46,034	33,049	4,660	37,709
Segment assets	638,896	204,185	843,081	537,794	193,817	731,611
Other disclosures						
Non-cash items* (other than depreciation and amortisation)	911	-	911	(517)	-	(517)
Capital expenditure arising from property, plant and equipment, ROU assets and intangible assets additions	39,107	-	39,107	6,751	-	6,751

* 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	
	30.6.2024	31.12.2023
	RM'000	
Malaysia	556,672	530,654
Thailand	154,244	156,754
Indonesia	2,136	2,070
The Philippines	31,618	31,189
	744,670	720,667

Explanatory Notes on the Quarterly Report – 30 June 2024

A7. Segment Reporting (continued)

Geographical segments (continued)

Borrowings and lease liabilities

	As at	
	<u>30.6.2024</u>	<u>31.12.2023</u>
	RM'000	RM'000
Malaysia	195,536	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>	<u>Cumulative Quarter ended</u>	
		<u>30.6.2024</u>	<u>30.6.2023</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		75,395	53,258
- subscriptions and monitoring services		46,879	46,559
- comprehensive portfolio review and analytics		17,222	10,832
- digital solutions		8,726	11,187
		<u>148,222</u>	<u>121,836</u>

a) Revenue from contracts with customers:

	<u>Cumulative Quarter ended</u>	
	<u>30.6.2024</u>	<u>30.6.2023</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	98,096	72,024
- over time	50,126	49,812
Revenue from contracts with customers	<u>148,222</u>	<u>121,836</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.

Explanatory Notes on the Quarterly Report – 30 June 2024

A8. Revenue (continued)

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

	Cumulative Quarter ended	
	<u>30.6.2024</u>	<u>30.6.2023</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	74,907	53,405
- Commercial	60,927	57,442
- Direct-to-Consumer	12,388	10,989
Total	<u>148,222</u>	<u>121,836</u>

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the financial period ended 30 June 2024. As at 30 June 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 30 June 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 a "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 Session Court had dismissed the Plaintiff's suit against the Defendants. The Plaintiff/Appellant had filed an Appeal to the High Court against the Decision. The Hearing of the Appeal was held on 11 July 2024. On 31 July 2024, the High Court had dismissed the Plaintiff's appeal with costs.

A12. Contingent Liabilities or Contingent Assets (continued)

b) 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 an 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. The Trial is fixed on 22 April 2025 until 24 April 2025.

c) 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 Defence and CDS' Application to Strike Out Writ Summons. The case is fixed for Trial on 14 February 2025 and 28 February 2025.

d) 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 Application to Strike Out Writ Summons was allowed by the Court. CDS filed application to strike out Plaintiff's Writ Summons. On 26 June 2024, the Court dismissed the CDS' Application to Strike Out Writ Summons and the case is now fixed for Trial on 16 and 17 January 2025.

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 30 June 2024, no 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:

	<u>30.6.2024</u>	<u>31.12.2023</u>
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	4,033	828
- intangible assets	5,703	5,581
	<u>9,736</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>30.6.2024</u> RM'000	Balances as at <u>30.6.2024</u> RM'000
Purchase of services		
- Software services from Juris Technologies Sdn Bhd (“JurisTech”)	2,585	1,941
Sale of services		
- Advisory and support services to CIBI Holdings Pte Ltd (“CIBI Holdings”)	1,355	59
- Advisory, support and software services to CIBI Information, Inc. (“CIBI”)	500	4
	<u>1,855</u>	<u>63</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 30 June 2024.

- b) Financial instruments carried at fair value

There is no financial asset and liability measured at fair value as at 30 June 2024.

Explanatory Notes on the Quarterly Report – 30 June 2024

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

B1. Review of Group Performance

	Cumulative Quarter ended		% + / (-)
	30.6.2024 RM'000	30.6.2023 RM'000	
Revenue			
Malaysia	129,792	121,836	6.5
International	18,430	-	-
	<u>148,222</u>	<u>121,836</u>	21.7
Segment profit			
Malaysia	51,264	47,230	8.5
International	1,516	-	-
	<u>52,780</u>	<u>47,230</u>	11.8
Profit before tax ("PBT")	49,418	48,020	2.9
Profit for the financial period ("PAT")	46,034	37,709	22.1
Profit attributable to Owners of the Company ("PATAMI")	<u>46,323</u>	<u>37,709</u>	22.8
Reconciliation of PATAMI to Normalised PATAMI:			
PATAMI	46,323	37,709	22.8
Add:			
Costs related to acquisitions	-	87	
Incremental income tax expense	-	8,466	
Share-based payment expense	971	-	
Normalised PATAMI – Note 1	<u>47,294</u>	<u>46,262</u>	2.2

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 six months period ended 30 June 2024, the Group reported a higher revenue of RM148.2 million compared to RM121.8 million in the corresponding period while PAT rose to RM46.0 million compared to RM37.7 million recorded in the corresponding period.

The segment profit from the Malaysia operations grew by 8.5% to RM51.3 million for the first half of 2024 from RM47.2 million a year ago, driven by a 6.5% increase in revenue. Revenue grew from all customer groups (including Key Accounts, Commercial and Direct-to-Consumer) with higher sales of CTOS Data Systems Reports and comprehensive portfolio review and analytics services.

The International operations, comprising newly acquired alternative data credit score businesses in Indonesia and the Philippines, contributed a revenue of RM18.4 million and a segment profit of RM1.5 million for the current period.

The Group PBT stood at RM49.4 million, an increase from the corresponding period of RM48.0 million mainly due to the higher segment profit achieved, offset by lower share of profits of associates and higher finance costs incurred.

Explanatory Notes on the Quarterly Report – 30 June 2024

B1. Review of Group Performance (continued)

Profit after tax improved by 22.1% to RM46.0 million from RM37.7 million in the corresponding period 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 2.2% to RM47.3 million in the current quarter compared to RM46.3 million in the corresponding period.

B2. Comparison with Immediate Preceding Quarter

	<u>30.6.2024</u>	<u>Quarter ended</u> <u>31.3.2024</u>	%
	RM'000	RM'000	+ / (-)
Revenue			
Malaysia	66,744	63,048	5.9
International	9,898	8,532	16.0
	<u>76,642</u>	<u>71,580</u>	7.1
Segment profit			
Malaysia	26,046	25,218	3.3
International	1,138	378	201.1
	<u>27,184</u>	<u>25,596</u>	6.2
PBT	27,155	22,263	22.0

The Group revenue for the current quarter recorded RM76.6 million, marking a 7.1% or RM5.0 million increase from RM71.6 million in the preceding quarter. Segment profit rose slightly to RM27.2 million, up from RM25.6 million in the preceding quarter.

The segment profit from Malaysia operations increased by 3.3% from RM25.2 million in the preceding quarter to RM26.0 million in the current quarter mainly driven by the growth in revenue from our Key Accounts and Commercial customers with continuous demand in CTOS Data Systems reports and comprehensive portfolio review and analytics services.

The International operations reported a 16.0% increase in revenue to RM9.9 million compared to RM8.5 million in the preceding quarter. The segment profit from International operations rose to RM1.1 million compared to RM0.4 million in the preceding quarter attributed to higher usage from the customer base in the alternative data credit score business in the Philippines.

Group PBT increased by 22.0% or RM4.9 million mainly due to the higher share of profit of associates amounting to RM4.6 million.

B3. Prospects of the Group

The Group is positive about its growth over the short to medium term, which will be driven by strategic expansions and efficient operational performance across all its business segments.

In the Key Accounts segment, the Group continues to foresee increasing adoption of the Group's advanced digital solutions and analytical tools which will be further supported by steady organic expansion within the segment's core businesses. The Commercial segment is set to capture further market share from the activation of accounts in a wider range of market segments. This is due to the increasing reliance of small and medium enterprises ("SMEs") on the credit-related tools, which facilitate quicker customer onboarding, efficient credit checks and more robust credit risk management.

The Direct-to-Consumer segment aims to engage with approximately 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 the Group's market presence and consumer trust in the Group's products.

Regionally, the Group's expansions into Indonesia and the Philippines have opened avenues for growth. The international business segments have begun to contribute positively towards the Group's financial performance in 2024. The Group continues to integrate its established expertise with local market insights, with the goal to offer a comprehensive suite of credit-centric solutions, thereby providing a competitive edge for the Group to expand the Group's footprint in the ASEAN market.

Our strategic investments continue to focus on identifying and nurturing synergistic opportunities across Malaysia and ASEAN. The Group is actively engaging with its associate companies to better align their performance with our expectations.

However, the Group is cognisant of the presence of uncertainties in both domestic and global markets. Barring any unforeseen disruptions, the Group maintains a positive outlook for the medium to long term. The Group's growth potential extends beyond our existing operations into new verticals and broader geographical footprints. The Group is optimistic about continuing to deliver 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		Cumulative Quarter ended	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Allowance for/(reversal of) impairment of receivables - net	-	1	-	(504)
Depreciation of property, plant and equipment	1,262	1,333	2,142	2,634
Depreciation of right-of-use assets	975	399	1,758	799
Amortisation of intangible assets	1,454	981	2,953	1,656
Realised loss/(gain) on foreign exchange	15	(243)	20	(51)
Unrealised loss/(gain) on foreign exchange	28	(26)	(60)	(13)
Finance income:				
- interest income	(48)	(34)	(112)	(65)
- fair value gain on other investments	-	(71)	(2)	(140)

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 30 June 2024.

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B6. Tax Expense

	Quarter ended		Cumulative Quarter ended	
	<u>30.6.2024</u>	<u>30.6.2023</u>	<u>30.6.2024</u>	<u>30.6.2023</u>
	RM'000	RM'000	RM'000	RM'000
Current tax				
- current year	1,668	5,570	3,640	11,192
- over provision in prior years	-	(503)	-	(503)
	<u>1,668</u>	<u>5,067</u>	<u>3,640</u>	<u>10,689</u>
Deferred tax				
- origination and reversal of temporary differences	111	(119)	(256)	(378)
	<u>1,779</u>	<u>4,948</u>	<u>3,384</u>	<u>10,311</u>

The Group's effective tax rate for the current quarter and financial period ended 30 June 2024, excluding share of profits of associates were 8.6% and 8.2% respectively, 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 was 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

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

Explanatory Notes on the Quarterly Report – 30 June 2024

B8. Borrowings

	<u>Currency</u>	<u>30.6.2024</u>	<u>As at</u>
		RM'000	31.12.2023
			RM'000
<u>Secured</u>			
<u>Current</u>			
Term loans	RM	28,292	20,852
Revolving Credit		25,000	28,000
<u>Non-current</u>			
Term loans	RM	118,939	100,691
Total borrowings		<u>172,231</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 and financial period under review.

B11. Dividends

The Board of Directors has declared a second interim single tier dividend of 0.78 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 27 September 2024. The entitlement date for the dividend payment is 30 August 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 30 August 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.

Explanatory Notes on the Quarterly Report – 30 June 2024

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.

	<u>Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30.6.2024</u>	<u>30.6.2023</u>	<u>30.6.2024</u>	<u>30.6.2023</u>
Profit attributable to the owners of the Company (RM'000)	<u>25,502</u>	<u>21,132</u>	<u>46,323</u>	<u>37,709</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,310,000</u>
Basic/Diluted EPS (sen)	<u>1.1</u>	<u>0.9</u>	<u>2.0</u>	<u>1.6</u>

Diluted EPS of the Group for the current quarter and financial period ended 30 June 2024 are 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.